

CITY OF SIGOURNEY, IOWA

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

JUNE 30, 2010

CITY OF SIGOURNEY, IOWA

TABLE OF CONTENTS
JUNE 30, 2010

| | <u>PAGE</u> |
|---|-----------------|
| <u>OFFICIALS</u> | 1 |
| <u>INDEPENDENT AUDITOR'S REPORT</u> | 2-3 |
| <u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u> | 4-8 |
| <u>BASIC FINANCIAL STATEMENTS:</u> | <u>EXHIBIT</u> |
| GOVERNMENT-WIDE FINANCIAL STATEMENT: STATEMENT OF ACTIVITIES AND NET ASSETS – CASH BASIS | A 9-10 |
| GOVERNMENTAL FUND FINANCIAL STATEMENT: STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES | B 11-12 |
| RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES TO THE STATEMENT OF ACTIVITIES AND NET ASSETS | C 13 |
| PROPRIETARY FUND FINANCIAL STATEMENT: STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES | D 14 |
| RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES TO THE STATEMENT OF ACTIVITIES AND NET ASSETS | E 15 |
| NOTES TO FINANCIAL STATEMENTS | 16-23 |
| <u>REQUIRED SUPPLEMENTARY INFORMATION:</u> | |
| BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES – BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS | 24-25 |
| NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING | 26 |
| <u>OTHER SUPPLEMENTARY INFORMATION:</u> | <u>SCHEDULE</u> |
| SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES – NONMAJOR GOVERNMENTAL FUNDS | 1 27-28 |
| SCHEDULE OF INDEBTEDNESS | 2 29-30 |
| BOND AND NOTE MATURITIES | 3 31-32 |
| SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION – ALL GOVERNMENTAL FUNDS | 4 33-34 |
| SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | 5 35 |
| 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 | 36-37 |
| INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 | 38-39 |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS | 40-43 |

CITY OF SIGOURNEY, IOWA

OFFICIALS
JUNE 30, 2010

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-------------------|----------------|---------------------|
| Patricia Miletich | Mayor | January 2014 |
| Edward Conrad | Mayor Pro Tem | January 2012 |
| Randall Schultz | Council Member | January 2014 |
| Charles Williams | Council Member | January 2014 |
| Jeffrey Johnson | Council Member | January 2014 |
| Amber Thompson | Council Member | January 2012 |
| Jeffrey Wallerich | Council Member | January 2012 |
| Angela Alderson | City Clerk | Indefinite |
| Janet Ward | City Treasurer | Indefinite |
| John Wehr | Attorney | Indefinite |

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members
of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sigourney, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Sigourney, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sigourney, Iowa as of June 30, 2010, 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 January 31, 2011 on our consideration of the City of Sigourney, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 24 through 26 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sigourney, Iowa's basic financial statements. The financial statements for the seven years ended June 30, 2009 (which are not presented herein) were audited by other auditors. The other auditors expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management, and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
January 31, 2011

CITY OF SIGOURNEY, IOWA MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

The City of Sigourney, Iowa 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, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 34.7% or \$636,034 from fiscal year 2009 to fiscal 2010. Note proceeds increased \$501,027 and capital grants, contributions and restricted interest increased \$272,301.
- Disbursements of the City's governmental activities increased 29.8% or \$609,344 from fiscal 2009 to fiscal 2010. Capital projects disbursements increased \$537,225.
- Receipts of the City's business type activities decreased 41.2%, or \$666,713, from fiscal year 2009 to fiscal year 2010. Revenue note proceeds decreased \$315,995, bank loan proceeds decreased \$70,000 and capital grants, contributions and restricted interest decreased \$282,404.
- Disbursements of the City's business type activities decreased 39.9%, or \$634,445, from fiscal year 2009 to fiscal year 2010. Sewer and sanitation disbursements decreased \$104,156 and \$62,166, respectively, and water disbursements decreased \$435,914.
- The City's total cash basis net assets decreased 7.9% or \$191,936 from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities decreased \$186,348 and the assets of the business type activities decreased by \$5,588.

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 operation 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 non-major 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 - Cash Basis reports information that helps answer this question.

The Statement of Activities and Net Assets - Cash Basis present the City's cash basis 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 water, sewer and sanitation funds. 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, 3) the Debt Service Fund, 4) the Capital Projects Funds and 5) the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operation and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

- 2) **Proprietary funds** account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three enterprise Funds to provide separate information for the water, sewer and sanitation funds, all three are considered to be major funds of the City.

The required financial statement for proprietary funds is 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 decreased from a year ago, decreasing from \$1,117,829 to \$931,481. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

| | Year Ended June 30, | |
|---|-------------------------|-------------------------|
| | <u>2010</u> | <u>2009</u> |
| Receipts and transfers: | | |
| Program receipts: | | |
| Charges for service | \$ 81,621 | \$ 82,153 |
| Operating grants, contributions and restricted interest | 384,074 | 413,802 |
| Capital grants, contributions and restricted interest | 446,151 | 173,850 |
| General receipts: | | |
| Property tax | 719,269 | 860,434 |
| Local option sales tax | 212,421 | 206,852 |
| Tax increment financing | 17,693 | 15,971 |
| Unrestricted interest on investments | 8,395 | 13,141 |
| Long term debt proceeds | 531,027 | 30,000 |
| Other general receipts | 68,653 | 4,858 |
| Transfers, net | (995) | 31,214 |
| Total receipts | <u>2,468,309</u> | <u>1,832,275</u> |
| Disbursements: | | |
| Public safety | 301,605 | 271,382 |
| Public works | 290,477 | 194,519 |
| Culture and recreation | 259,047 | 198,291 |
| Community and economic development | 184,089 | 398,302 |
| General government | 336,149 | 221,767 |
| Debt service | 396,923 | 411,910 |
| Capital projects | <u>886,367</u> | <u>349,142</u> |
| Total disbursements | <u>2,654,657</u> | <u>2,045,313</u> |
| Net change in cash basis net assets | (186,348) | (213,038) |
| Cash basis net assets beginning of year | <u>1,117,829</u> | <u>1,330,867</u> |
| Cash basis net assets end of year | \$ <u>931,481</u> | \$ <u>1,117,829</u> |

The City's total receipts and transfers for governmental activities increased 34.7% or \$636,034. Excluding transfers, receipts increased \$668,243 or 37.1% from the prior year. The increase in receipts was primarily the result of proceeds from debt during the current year.

The total cost (disbursements) of all programs and services increased by \$609,344 or 29.8%. The increase in disbursements was primarily the result of more expenditure for capital projects during the current year.

Changes in Cash Basis Net Assets of Business Type Activities

| | Year Ended June 30, | |
|---|-------------------------|-------------------------|
| | <u>2010</u> | <u>2009</u> |
| Receipts: | | |
| Program receipts: | | |
| Charges for service: | | |
| Water | \$ 434,885 | \$ 482,431 |
| Sewer | 278,564 | 284,694 |
| Sanitation | 172,716 | 156,646 |
| Operating grants, contributions and restricted interest | 419 | 3,397 |
| Capital grants, contributions, and restricted interest | - | 282,404 |
| General receipts: | | |
| Revenue note proceeds | 1,000 | 316,995 |
| Bank loan proceeds | - | 70,000 |
| Unrestricted interest on investments | 10,085 | 21,353 |
| Other general receipts | <u>53,538</u> | <u>-</u> |
| Total receipts | <u>951,207</u> | <u>1,617,920</u> |
| Disbursements and transfers: | | |
| Water | 455,757 | 891,671 |
| Sewer | 348,277 | 452,433 |
| Sanitation | 153,756 | 215,922 |
| Transfers, net | <u>(995)</u> | <u>31,214</u> |
| Total disbursements | <u>956,795</u> | <u>1,591,240</u> |
| Net change in cash basis net assets | (5,588) | 26,680 |
| Cash basis net assets beginning of year | <u>1,323,383</u> | <u>1,296,703</u> |
| Cash basis net assets end of year | \$ <u>1,317,795</u> | \$ <u>1,323,383</u> |

Total business type activities receipts for the fiscal year decreased \$666,713 or 41.2%. The decrease in receipts was primarily the result of decreases in proceeds from debt and operating grants, contributions and restricted interest.

Total business type activities disbursements and transfers decreased \$634,445 or 39.9%. Excluding transfers, disbursements decreased \$602,236 or 38.6% from the prior year. This resulted primarily from a decrease in water and sewer fund expenditures.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Sigourney, Iowa completed the year, its governmental funds reported a combined fund balance of \$883,278, a decrease of \$160,693 from last year's total of \$1,043,971. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$10,237 primarily due to an increase in general government expenditures from the prior year to \$223,246.
- The Road Use Tax Fund cash balance increased \$7,469 primarily due to an increase in intergovernmental receipts from the prior year to \$11,033.
- The Local Option Sales and Services Tax Fund cash balance increased \$68,667 primarily due to an increase in expenditures compared to the prior year (the prior year cash balance increased \$160,250) from the prior year to \$298,089.
- The Debt Service Fund cash balance decreased \$17,822 (which is comparable to the prior year decrease) from the prior year to \$10,473.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS (Continued)

- The Capital Projects Fund cash balance decreased \$40,042 (due to expenditures exceeding receipts and other financing sources) from the prior year to \$248,625.
- In total the non-major governmental funds cash balance decreased \$168,728, primarily due to an increase in transfers out from the prior year to \$91,812.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased \$30,310 to \$632,695, due primarily to less money spent on water projects in the current fiscal year.
- The Sewer Fund cash balance decreased \$55,364 to \$468,220, due primarily to the purchase of a generator in the current fiscal year.
- The Sanitation Fund cash balance increased \$18,551 to \$103,927, due primarily to rate increases in the current fiscal year.

BUDGETARY HIGHLIGHTS

During the year ended June 30, 2010, the City amended its budget once resulting in an increase in budgeted expenditures of \$165,744. Even with this amendment, the City exceeded the budgeted amount in the public works function for the year ended June 30, 2010.

DEBT ADMINISTRATION

At June 30, 2010 the City had \$4,632,933 in bonds and other long-term debt, compared to \$4,541,344 last year, as shown below.

Outstanding Debt at Year End

| | Year ending June 30, | |
|--------------------------|----------------------|---------------------|
| | <u>2010</u> | <u>2009</u> |
| General obligation notes | \$ 2,605,000 | \$ 2,470,000 |
| Revenue notes and bonds | 1,787,000 | 1,939,000 |
| Other obligations | <u>240,933</u> | <u>132,344</u> |
| Total | \$ <u>4,632,933</u> | \$ <u>4,541,344</u> |

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. At June 30, 2010, the City's general obligation debt outstanding was below its constitutional debt limit of \$4,188,264.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Sigourney, Iowa's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment (as of August 2010) in the County now stands at 7.2%. This compares with the State's unemployment rate of 6.8% and the national rate of 9.6%.

Inflation in the State was somewhat higher than the national Consumer Price Index increase. The State's CPI increase was 2.603% for the twelve month period ending June 2010 compared with the national rate of 2.272%.

These indicators were taken into account when adopting the budget for fiscal year 2011. There were no major changes to the fiscal year 2011 budget, other than a decrease in capital projects expenditures.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Angela Alderson, City Clerk, 120 North Jefferson, Sigourney, Iowa 52591.

BASIC FINANCIAL STATEMENTS

CITY OF SIGOURNEY, IOWA

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

| Functions/Programs | <u>Disbursements</u> | <u>Charges for Service</u> | <u>Program Receipts</u> | |
|------------------------------------|----------------------|--------------------------------|--|--|
| | | | <u>Operating Grants, Contributions and Restricted Interest</u> | <u>Capital Grants, Contributions and Restricted Interest</u> |
| Governmental activities: | | | | |
| Public safety | \$ 301,605 | \$ 7,179 | \$ 17,135 | \$ - |
| Public works | 290,477 | - | 204,910 | - |
| Culture and recreation | 259,047 | 56,203 | 26,425 | - |
| Community and economic development | 184,089 | - | 135,436 | - |
| General government | 336,149 | 18,239 | - | - |
| Debt service | 396,923 | - | 168 | - |
| Capital projects | 886,367 | - | - | 446,151 |
| Total governmental activities | <u>2,654,657</u> | <u>81,621</u> | <u>384,074</u> | <u>446,151</u> |
| Business type activities: | | | | |
| Water | 455,757 | 434,885 | 419 | - |
| Sewer | 348,277 | 278,564 | - | - |
| Sanitation | 153,756 | 172,716 | - | - |
| Total business type activities | <u>957,790</u> | <u>886,165</u> | <u>419</u> | <u>-</u> |
| Total | <u>\$ 3,612,447</u> | <u>\$ 967,786</u> | <u>\$ 384,493</u> | <u>\$ 446,151</u> |

General receipts:

Property tax levied for:
 General purposes
 Debt service
 Tax increment financing
 Local option sales tax
 Unrestricted interest on investments
 Revenue note proceeds
 Long term debt proceeds
 Miscellaneous
 Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:

Nonexpendable:

Permanent Funds

Expendable:

Streets

Capital projects

Debt Service

Other purposes

Unrestricted

Total cash basis net assets

See Notes to Financial Statements

Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets

| Governmental Activities | Business Type Activities | Total |
|----------------------------|-----------------------------|---------------------|
| \$ (277,291) | \$ - | \$ (277,291) |
| (85,567) | - | (85,567) |
| (176,419) | - | (176,419) |
| (48,653) | - | (48,653) |
| (317,910) | - | (317,910) |
| (396,755) | - | (396,755) |
| (440,216) | - | (440,216) |
| <u>(1,742,811)</u> | <u>-</u> | <u>(1,742,811)</u> |
| - | (20,453) | (20,453) |
| - | (69,713) | (69,713) |
| - | 18,960 | 18,960 |
| - | <u>(71,206)</u> | <u>(71,206)</u> |
| <u>(1,742,811)</u> | <u>(71,206)</u> | <u>(1,814,017)</u> |
| 426,737 | - | 426,737 |
| 292,532 | - | 292,532 |
| 17,693 | - | 17,693 |
| 212,421 | - | 212,421 |
| 8,395 | 10,085 | 18,480 |
| - | 1,000 | 1,000 |
| 531,027 | - | 531,027 |
| 68,653 | 53,538 | 122,191 |
| <u>(995)</u> | <u>995</u> | <u>-</u> |
| <u>1,556,463</u> | <u>65,618</u> | <u>1,622,081</u> |
| (186,348) | (5,588) | (191,936) |
| <u>1,117,829</u> | <u>1,323,383</u> | <u>2,441,212</u> |
| \$ <u>931,481</u> | \$ <u>1,317,795</u> | \$ <u>2,249,276</u> |
| \$ 5,675 | \$ - | \$ 5,675 |
| 11,033 | - | 11,033 |
| 248,625 | - | 248,625 |
| 10,473 | 234,632 | 245,105 |
| 384,226 | 125,302 | 509,528 |
| <u>271,449</u> | <u>957,861</u> | <u>1,229,310</u> |
| \$ <u>931,481</u> | \$ <u>1,317,795</u> | \$ <u>2,249,276</u> |

CITY OF SIGOURNEY, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

| | | <u>Special Revenue</u> | | | |
|---|-------------------|-------------------------|--|-------------------------|-----------------------------|
| | <u>General</u> | <u>Road Use Tax</u> | <u>Local Option Sales and Services Tax</u> | <u>Debt Service</u> | <u>Capital Projects</u> |
| RECEIPTS: | | | | | |
| Property tax | \$ 380,035 | \$ - | \$ - | \$ 292,532 | \$ - |
| Tax increment financing | - | - | - | - | - |
| Other City tax | 33,422 | - | 212,421 | - | - |
| Licenses and permits | 38,563 | - | - | - | - |
| Use of money and property | 17,288 | - | 2,106 | - | 1,481 |
| Intergovernmental | 52,395 | 195,262 | - | 11,124 | 444,670 |
| Charges for service | 45,167 | - | - | - | - |
| Special assessments | - | - | - | 168 | - |
| Miscellaneous | 16,941 | - | 4,525 | - | - |
| Total receipts | <u>583,811</u> | <u>195,262</u> | <u>219,052</u> | <u>303,824</u> | <u>446,151</u> |
| DISBURSEMENTS: | | | | | |
| Operating: | | | | | |
| Public safety | 297,077 | - | 12,990 | - | - |
| Public works | - | 207,022 | 46,320 | - | - |
| Culture and recreation | 233,418 | - | 4,688 | - | - |
| Community and economic development | 5,947 | - | 25,563 | - | - |
| General government | 330,983 | - | 5,166 | - | - |
| Debt service | - | - | 20,866 | 371,231 | 4,826 |
| Capital projects | - | - | - | - | 886,367 |
| Total disbursements | <u>867,425</u> | <u>207,022</u> | <u>115,593</u> | <u>371,231</u> | <u>891,193</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>(283,614)</u> | <u>(11,760)</u> | <u>103,459</u> | <u>(67,407)</u> | <u>(445,042)</u> |
| Other financing sources (uses): | | | | | |
| Long term proceeds | 180,000 | - | - | 1,027 | 350,000 |
| Sale of assets | 4,858 | - | - | - | - |
| Transfers in | 99,176 | 19,229 | - | 48,558 | 65,000 |
| Transfers out | (10,657) | - | (34,792) | - | (10,000) |
| Total other financing sources (uses) | <u>273,377</u> | <u>19,229</u> | <u>(34,792)</u> | <u>49,585</u> | <u>405,000</u> |
| Net change in cash balances | (10,237) | 7,469 | 68,667 | (17,822) | (40,042) |
| CASH BALANCES - Beginning of year | <u>233,483</u> | <u>3,564</u> | <u>229,422</u> | <u>28,295</u> | <u>288,667</u> |
| CASH BALANCES - End of year | \$ <u>223,246</u> | \$ <u>11,033</u> | \$ <u>298,089</u> | \$ <u>10,473</u> | \$ <u>248,625</u> |
| Cash Basis Fund Balances | | | | | |
| Reserved: | | | | | |
| Debt service | \$ - | \$ - | \$ - | \$ 10,473 | \$ - |
| Unreserved: | | | | | |
| General fund | 223,246 | - | - | - | - |
| Special revenue funds | - | 11,033 | 298,089 | - | - |
| Capital projects funds | - | - | - | - | 248,625 |
| Permanent funds | - | - | - | - | - |
| Total cash basis fund balances | \$ <u>223,246</u> | \$ <u>11,033</u> | \$ <u>298,089</u> | \$ <u>10,473</u> | \$ <u>248,625</u> |

EXHIBIT B

| <u>Nonmajor</u> | <u>Total</u> |
|------------------|-------------------|
| \$ 13,281 | \$ 685,848 |
| 17,693 | 17,693 |
| - | 245,843 |
| - | 38,563 |
| 2,850 | 23,725 |
| 145,321 | 848,772 |
| - | 45,167 |
| - | 168 |
| <u>4,975</u> | <u>26,441</u> |
| <u>184,120</u> | <u>1,932,220</u> |
| - | 310,067 |
| - | 253,342 |
| 23,959 | 262,065 |
| 152,579 | 184,089 |
| - | 336,149 |
| - | 396,923 |
| - | <u>886,367</u> |
| <u>176,538</u> | <u>2,629,002</u> |
| | |
| <u>7,582</u> | <u>(696,782)</u> |
| - | 531,027 |
| - | 4,858 |
| 10,000 | 241,963 |
| <u>(186,310)</u> | <u>(241,759)</u> |
| <u>(176,310)</u> | <u>536,089</u> |
| (168,728) | (160,693) |
| | |
| <u>260,540</u> | <u>1,043,971</u> |
| | |
| \$ <u>91,812</u> | \$ <u>883,278</u> |
| | |
| \$ - | \$ 10,473 |
| - | 223,246 |
| 86,137 | 395,259 |
| - | 248,625 |
| <u>5,675</u> | <u>5,675</u> |
| \$ <u>91,812</u> | \$ <u>883,278</u> |

CITY OF SIGOURNEY, IOWA

RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN CASH BALANCES TO THE STATEMENT
OF ACTIVITIES AND NET ASSETS - GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

Total governmental funds cash balances \$ 883,278

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

The Internal Service Fund is used by management to charge the costs of vehicle replacement to individual funds. A portion of the assets of the Internal Service Fund are included in governmental activities in the Statement of Activities and Net Assets. 48,203

Cash basis net assets of governmental activities \$ 931,481

Net change in cash balances \$ (160,693)

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

The Internal Service Fund is used by management to charge the costs of vehicle replacement to individual funds. A portion of the change on net assets of the Internal Service Fund is reported with governmental activities. (25,655)

Change in cash basis net assets of governmental activities \$ (186,348)

CITY OF SIGOURNEY, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

| | Enterprise Funds | | | | Internal Service Vehicle Replacement |
|---|-------------------|-------------------|-------------------|---------------------|---|
| | Water | Sewer | Sanitation | Total | |
| <u>Operating receipts:</u> | | | | | |
| Charges for service | \$ 434,885 | \$ 278,564 | \$ 172,716 | \$ 886,165 | \$ 62,500 |
| Miscellaneous | 38,563 | 2,893 | 12,082 | 53,538 | - |
| Total operating receipts | <u>473,448</u> | <u>281,457</u> | <u>184,798</u> | <u>939,703</u> | <u>62,500</u> |
| <u>Operating disbursements:</u> | | | | | |
| Governmental activities: | | | | | |
| Public works | - | - | - | - | 55,595 |
| Culture and recreation | - | - | - | - | 300 |
| Business type activities | 293,846 | 225,686 | 151,777 | 670,709 | 32,930 |
| Total operating disbursements | <u>293,846</u> | <u>225,686</u> | <u>151,777</u> | <u>670,709</u> | <u>88,825</u> |
| Excess (deficiency) of operating receipts over (under) operating disbursements | <u>179,602</u> | <u>55,771</u> | <u>33,021</u> | <u>268,994</u> | <u>(26,325)</u> |
| <u>Non-operating receipts (disbursements):</u> | | | | | |
| Intergovernmental | 419 | - | - | 419 | - |
| Interest on investments | 5,089 | 4,350 | 646 | 10,085 | 2,784 |
| Community development block grants | - | - | - | - | - |
| Revenue note proceeds | 1,000 | - | - | 1,000 | - |
| Miscellaneous | - | - | - | - | - |
| Capital projects | (32,962) | (21,000) | - | (53,962) | - |
| Debt service | (122,838) | (95,480) | (15,716) | (234,034) | - |
| Total non-operating receipts (disbursements) | <u>(149,292)</u> | <u>(112,130)</u> | <u>(15,070)</u> | <u>(276,492)</u> | <u>2,784</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>30,310</u> | <u>(56,359)</u> | <u>17,951</u> | <u>(7,498)</u> | <u>(23,541)</u> |
| <u>Other financing sources (uses):</u> | | | | | |
| Transfers in | - | 995 | - | 995 | - |
| Transfers out | - | - | - | - | (1,199) |
| Total other financing sources (uses) | <u>-</u> | <u>995</u> | <u>-</u> | <u>995</u> | <u>(1,199)</u> |
| Net change in cash balances | 30,310 | (55,364) | 17,951 | (6,503) | (24,740) |
| <u>CASH BALANCES</u> - Beginning of year | <u>602,385</u> | <u>523,584</u> | <u>85,376</u> | <u>1,211,345</u> | <u>185,896</u> |
| <u>CASH BALANCES</u> - End of year | \$ <u>632,695</u> | \$ <u>468,220</u> | \$ <u>103,327</u> | \$ <u>1,204,842</u> | \$ <u>161,156</u> |
| <u>Cash Basis Fund Balances</u> | | | | | |
| Reserved for: | | | | | |
| Debt service | \$ 84,239 | \$ 150,393 | \$ - | \$ 234,632 | \$ - |
| Water deposits | 31,727 | - | - | 31,727 | - |
| Sewer construction | - | 93,575 | - | 93,575 | - |
| Unreserved | 516,729 | 224,252 | 103,327 | 844,308 | 161,156 |
| Total cash basis fund balances | \$ <u>632,695</u> | \$ <u>468,220</u> | \$ <u>103,327</u> | \$ <u>1,204,242</u> | \$ <u>161,156</u> |

CITY OF SIGOURNEY, IOWARECONCILIATION OF THE STATEMENT OF CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN CASH BALANCES TO THE STATEMENT
OF ACTIVITIES AND NET ASSETS - PROPRIETARY FUNDSAS OF AND FOR THE YEAR ENDED JUNE 30, 2010

| | |
|--|---------------------|
| Total enterprise funds cash balance | \$ 1,204,842 |
| Amounts reported for business type activities in the Statement of Activities and Net Assets are different because: | |
| The Internal Service Fund is used by management to charge the costs of vehicle replacement to individual funds. A portion of the assets of the Internal Service Fund are included in business type activities in the Statement of Activities and Net Assets. | |
| | <u>112,953</u> |
| Cash basis net assets of business type activities | \$ <u>1,317,795</u> |
| Net change in cash balances | \$ (6,503) |
| Amounts reported for business type activities in the Statement of Activities and Net Assets are different because: | |
| The Internal Service Fund is used by management to charge the costs of vehicle replacement to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with business type activities. | |
| | <u>915</u> |
| Change in cash basis net assets of business type activities | \$ <u>(5,588)</u> |

CITY OF SIGOURNEY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sigourney, Iowa is a political subdivision of the State of Iowa located in Keokuk County. It was first incorporated in 1844 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and sanitation utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Sigourney, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

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

Blended Component Unit

The Friends of the Sigourney Library was established as a non-profit corporation in accordance with Chapter 504A of the Code of Iowa. The Friends of the Sigourney Library is legally separate from the City but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. Although the Friends of the Sigourney Library is legally separate from the City, its purpose is to benefit the City of Sigourney, Iowa (the primary government) by soliciting contributions and managing those funds.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Keokuk County Assessor's Conference Board, Keokuk County E-911 Joint Service Board and Keokuk County Emergency Management Commission.

B. Basis of Presentation

Government-wide Financial Statement – 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 service.

CITY OF SIGOURNEY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The Statement of Activities and Net Assets - Cash Basis presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

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

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Net assets restricted through enabling legislation consist of \$93,575 for sewer construction.

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

The Statement of Activities and Net Assets - 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 Local Option Sales and Services Tax Fund is used to account for receipts from the local option sales and services tax. The receipts are used to finance projects approved by the City Council.

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

CITY OF SIGOURNEY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major proprietary funds:

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

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

The Sanitation Fund accounts for the operation and maintenance of the City's sanitary disposal system.

The City also reports the following additional proprietary fund:

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

C. Measurement Focus and Basis of Accounting

The City of Sigourney, Iowa 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, 2010, disbursements exceeded the amounts budgeted in the Public Works Function.

NOTE 2: CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

CITY OF SIGOURNEY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 3: LONG-TEM DEBT

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

| Year Ending June 30, | General Obligation Capital Loan Notes | | Revenue Capital Loan Notes/Bonds | | Total | |
|----------------------------|--|-------------------|-------------------------------------|-------------------|---------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2011 | \$ 235,000 | \$ 123,505 | \$ 157,000 | \$ 55,540 | \$ 392,000 | \$ 179,045 |
| 2012 | 245,000 | 103,902 | 162,000 | 50,253 | 407,000 | 154,155 |
| 2013 | 285,000 | 93,717 | 170,000 | 44,780 | 455,000 | 138,497 |
| 2014 | 220,000 | 81,830 | 104,000 | 38,940 | 324,000 | 120,770 |
| 2015 | 150,000 | 72,940 | 106,000 | 35,820 | 256,000 | 108,760 |
| 2016-2020 | 720,000 | 269,459 | 586,000 | 129,090 | 1,306,000 | 398,549 |
| 2021-2025 | 500,000 | 115,879 | 359,000 | 47,070 | 859,000 | 162,949 |
| 2026-2028 | <u>250,000</u> | <u>27,000</u> | <u>143,000</u> | <u>8,670</u> | <u>393,000</u> | <u>35,670</u> |
| Total | \$ <u>2,605,000</u> | \$ <u>888,232</u> | \$ <u>1,787,000</u> | \$ <u>410,163</u> | \$ <u>4,392,000</u> | \$ <u>1,298,395</u> |

Revenue Notes/Bonds

On December 20, 2007, the City entered into an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank, Iowa, N.A. for the issuance of \$737,000 of water revenue bonds with interest at 3.0% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa to pay the cost of constructing improvements and extensions to the water treatment plant. An initiation fee of 1% of the authorized borrowing for the water revenue bonds was charged by the Iowa Finance Authority. The total initiation fee was withheld from the first proceeds of the water revenue bonds drawn by the City during the year ended June 30, 2008. During the year ended June 30, 2010, the City paid \$28,000 of principal and \$21,255 of interest.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,527,000 of water revenue notes and bonds issued in October 2001, February 2002, May 2002 and December 2007. Proceeds from the notes and bonds provided financing for the construction of water main extensions. The notes and bonds are payable solely from water customer net receipts and are payable through 2028. Annual principal and interest payments on the notes and bonds required 65% of net receipts. The total principal and interest remaining to be paid on the notes is \$1,340,563. For the current year, principal and interest paid and total customer net receipts were \$119,927 and \$184,691, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,395,000 of sewer revenue notes issued in November 1992 and December 2002. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2022. Annual principal and interest payments on the notes required 156% of net receipts. The total principal and interest remaining to be paid on the notes is \$856,600. For the current year, principal and interest paid and total customer net receipts were \$93,730 and \$60,121, respectively.

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

- a. The notes/bonds will only be redeemed from the future earnings of the enterprise activity and the notes/bond holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly transfers shall be made to a separate water revenue note sinking account within the Enterprise Funds for the purpose of making the notes/bond principal and interest payments when due.

CITY OF SIGOURNEY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 3: LONG TERM DEBT (Continued)

- c. A total of \$41,940 shall be set aside in a water reserve account for the notes issued in May 2002. This account is restricted for the purpose of paying the principal and interest on the notes whenever the funds in the sinking account are insufficient. In addition, a total of \$75,000 shall be set aside in a water reserve account for the bonds issued in December 2007.
- d. Water user rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year for the bonds issued in December 2007 and not less than 1.25 times the maximum amount that will be required in any fiscal year prior to the respective longest maturity of each issue of water revenue notes.
- e. Sewer user rates shall be established at a level which produces and maintains net revenues at a level not less than 220% of the amount of principal and interest on the notes falling due in the same year.

Bank Loans

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

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

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

On July 28, 2009, the City entered into a loan agreement for the purchase of real estate. The loan of \$120,000, with interest at 4.5% per annum is payable over a five year period.

Only November 6, 2009, the City entered into a loan agreement for a retaining wall. The loan of \$45,000, with interest at 4.5% per annum is payable over a five year period.

On April 6, 2010, the City entered into a loan agreement for roof repair. The loan of \$15,000, with interest at 4.5% per annum is payable over a two year period.

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.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% 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, 2010, 2009 and 2008 were \$33,516, \$29,228, and \$27,379, respectively, equal to the required contributions for each year.

CITY OF SIGOURNEY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 5: COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation, compensatory time 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 liability for earned vacation, compensatory time and sick leave payments payable to employees at June 30, 2010, primarily relating to the General Fund, is as follows:

| <u>Type of Benefit</u> | <u>Amount</u> |
|------------------------|----------------------|
| Vacation | \$ 28,881 |
| Compensatory time | 9,998 |
| Sick leave | <u>3,643</u> |
| Total | \$ <u>42,522</u> |

This liability has been computed based on rates of pay in effect at June 30, 2010.

NOTE 6: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|--------------------|------------------------|-----------------------|
| General | Special Revenue: | |
| | Employee Benefits | \$ 87,408 |
| | Emergency | 11,564 |
| | Internal Service: | |
| | Vehicle Replacement | <u>204</u> |
| | | 99,176 |
| Special Revenue: | Special Revenue: | |
| Road Use Tax | Employee Benefits | <u>19,229</u> |
| Special Revenue: | Capital Projects | <u>10,000</u> |
| Restricted Gifts | | |
| Debt Service | General | 10,657 |
| | Special Revenue: | |
| | Local Option Sales and | |
| | Services Tax | 34,792 |
| | LHAP Program | <u>3,109</u> |
| | | 48,558 |
| Capital Projects | Special Revenue: | |
| | Restricted Gifts | <u>65,000</u> |
| Enterprise: | Internal Service: | |
| Sewer | Vehicle Replacement | <u>995</u> |
| Total | | \$ <u>242,958</u> |

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

CITY OF SIGOURNEY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 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 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2010 were \$29,738.

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 \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event 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, 2010, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and 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 casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$40,000, respectively. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF SIGOURNEY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 8: DEVELOPMENT AGREEMENTS

The City entered into a development agreement to assist in urban renewal projects, as follows:

The City agreed to make payments to C, B and D Development, Inc. under Chapter 403 of the Code of Iowa. The total to be paid by the City under this agreement shall be equal to the lesser of the sum of the total applicable percentage of all tax increments collected with respect to the assessments imposed on the development property and minimum improvements as of January 1, 2006 and January 1 of each of the following fourteen years, the actual cost of the public improvements (including reasonable interest cost) for which bills and proof of payment have been submitted to the City and constructed by the Developer on or before December 31, 2015 or \$1,000,000. Each payment represents the incremental property tax received by the City with respect to the incremental value of the property. As of June 30, 2010, \$136,174 has been paid to the Developer.

NOTE 9: SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 31, 2011, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SIGOURNEY, 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, 2010**

| | Governmental Funds <u>Actual</u> | Proprietary Funds <u>Actual</u> | Less Funds not Required to be Budgeted |
|---|--|---------------------------------------|---|
| RECEIPTS: | | | |
| Property tax | \$ 685,848 | \$ - | \$ - |
| Tax increment financing | 17,693 | - | - |
| Other City tax | 245,843 | - | - |
| License and permits | 38,563 | - | - |
| Use of money and property | 23,725 | 12,869 | 2,811 |
| Intergovernmental | 848,772 | 419 | - |
| Charges for service | 45,167 | 948,665 | 62,500 |
| Special assessments | 168 | - | - |
| Miscellaneous | <u>26,441</u> | <u>53,538</u> | <u>1,485</u> |
| Total receipts | <u>1,932,220</u> | <u>1,015,491</u> | <u>66,796</u> |
| DISBURSEMENTS: | | | |
| Public safety | 310,067 | - | - |
| Public works | 253,342 | 55,595 | 55,595 |
| Culture and recreation | 262,065 | 300 | 3,149 |
| Community and economic development | 184,089 | - | - |
| General government | 336,149 | - | - |
| Debt service | 396,923 | - | - |
| Capital projects | 886,367 | - | - |
| Business type activities | <u>-</u> | <u>991,635</u> | <u>32,930</u> |
| Total disbursements | <u>2,629,002</u> | <u>1,047,530</u> | <u>91,674</u> |
| Excess (deficiency) of receipts over (under) disbursements | (696,782) | (32,039) | (24,878) |
| Other financing sources (uses), net | <u>536,089</u> | <u>796</u> | <u>(1,199)</u> |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | (160,693) | (31,243) | (26,077) |
| BALANCES - Beginning of year | <u>1,043,971</u> | <u>1,397,241</u> | <u>192,018</u> |
| BALANCES - End of year | \$ <u>883,278</u> | \$ <u>1,365,998</u> | \$ <u>165,941</u> |

| <u>Total</u> | Budgeted Amounts | | <u>Final to Total Variance</u> |
|---------------------|---------------------|---------------------|--|
| | <u>Original</u> | <u>Final</u> | |
| \$ 685,848 | \$ 728,245 | \$ 728,245 | \$ (42,397) |
| 17,693 | 15,842 | 15,842 | 1,851 |
| 245,843 | 202,681 | 235,681 | 10,162 |
| 38,563 | 5,750 | 14,750 | 23,813 |
| 33,783 | 39,245 | 52,835 | (19,052) |
| 849,191 | 1,234,506 | 855,133 | (5,942) |
| 931,332 | 836,405 | 838,030 | 93,302 |
| 168 | 75,600 | 75,768 | (75,600) |
| <u>78,494</u> | <u>55,585</u> | <u>64,820</u> | <u>13,674</u> |
| <u>2,880,915</u> | <u>3,193,859</u> | <u>2,881,104</u> | <u>(189)</u> |
| 310,067 | 319,561 | 326,711 | 16,644 |
| 253,342 | 229,256 | 252,015 | (1,327) |
| 259,216 | 241,484 | 319,422 | 60,206 |
| 184,089 | 333,919 | 377,270 | 193,181 |
| 336,149 | 228,495 | 399,395 | 63,246 |
| 396,923 | 350,869 | 398,563 | 1,640 |
| 886,367 | 663,355 | 1,122,078 | 235,711 |
| <u>958,705</u> | <u>1,734,886</u> | <u>1,072,115</u> | <u>113,410</u> |
| <u>3,584,858</u> | <u>4,101,825</u> | <u>4,267,569</u> | <u>682,711</u> |
| (703,943) | (907,966) | (1,386,465) | 682,522 |
| <u>538,084</u> | <u>304,858</u> | <u>531,067</u> | <u>7,017</u> |
| (165,859) | (603,108) | (855,398) | 689,539 |
| <u>2,249,194</u> | <u>2,526,332</u> | <u>2,526,332</u> | <u>(277,138)</u> |
| \$ <u>2,083,335</u> | \$ <u>1,923,224</u> | \$ <u>1,670,934</u> | \$ <u>412,401</u> |

CITY OF SIGOURNEY, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

JUNE 30, 2010

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 for the blended component unit and the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent 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 \$165,744. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the Public Works function.

OTHER SUPPLEMENTARY INFORMATION

CITY OF SIGOURNEY, IOWA

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

| | | | | | | Special Revenue |
|--|---------------------|-----------------------------------|----------------------|-------------------|-----------------|--------------------------------|
| | Restricted Gifts | Urban Renewal Tax Increment | Employee Benefits | CDBG Housing | LHAP Program | CLG History Presentation |
| <u>RECEIPTS:</u> | | | | | | |
| Property tax | \$ - | \$ - | \$ 2,140 | \$ - | \$ - | \$ - |
| Tax Increment Financing | - | - | - | - | 17,693 | - |
| Use of money and property | 507 | 6 | 1,226 | 180 | - | 30 |
| Intergovernmental | - | - | - | 135,250 | - | - |
| Miscellaneous | <u>3,490</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total receipts | <u>3,997</u> | <u>6</u> | <u>3,366</u> | <u>135,430</u> | <u>17,693</u> | <u>30</u> |
| <u>DISBURSEMENTS:</u> | | | | | | |
| Operating: | | | | | | |
| Culture and recreation | 18,026 | - | - | - | - | - |
| Community and economic development | - | - | - | 140,141 | 12,438 | - |
| Total disbursements | <u>18,026</u> | <u>-</u> | <u>-</u> | <u>140,141</u> | <u>12,438</u> | <u>-</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>(14,029)</u> | <u>6</u> | <u>3,366</u> | <u>(4,711)</u> | <u>5,255</u> | <u>30</u> |
| Other financing sources (uses): | | | | | | |
| Transfers in | 10,000 | - | - | - | - | - |
| Transfers out | <u>(65,000)</u> | <u>-</u> | <u>(106,637)</u> | <u>-</u> | <u>(3,109)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(55,000)</u> | <u>-</u> | <u>(106,637)</u> | <u>-</u> | <u>(3,109)</u> | <u>-</u> |
| Net change in cash balances | (69,029) | 6 | (103,271) | (4,711) | 2,146 | 30 |
| <u>CASH BALANCES</u> - Beginning of year | <u>92,585</u> | <u>3,074</u> | <u>104,282</u> | <u>(916)</u> | <u>1</u> | <u>2,757</u> |
| <u>CASH BALANCES</u> - End of year | \$ <u>23,556</u> | \$ <u>3,080</u> | \$ <u>1,011</u> | \$ <u>(5,627)</u> | \$ <u>2,147</u> | \$ <u>2,787</u> |
| <u>Cash Basis Fund Balances</u> | | | | | | |
| Unreserved: | | | | | | |
| Special revenue funds | \$ 23,556 | \$ 3,080 | \$ 1,011 | \$ (5,627) | \$ 2,147 | \$ 2,787 |
| Permanent funds | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | \$ <u>23,556</u> | \$ <u>3,080</u> | \$ <u>1,011</u> | \$ <u>(5,627)</u> | \$ <u>2,147</u> | \$ <u>2,787</u> |

SCHEDULE 1

| <u>Emergency</u> | <u>Lewis Memorial Fountain</u> | <u>Year 2044</u> | <u>I-Jobs</u> | <u>Friends of the Sigourney Public Library</u> | <u>Permanent</u> | | <u>Total</u> |
|------------------|--------------------------------|------------------|-----------------|--|-----------------------------|-------------------------------|------------------|
| | | | | | <u>Lewis Memorial Trust</u> | <u>Library Memorial Trust</u> | |
| \$ 11,141 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 13,281 |
| - | - | - | - | - | - | - | 17,693 |
| - | 556 | 318 | - | 27 | - | - | 2,850 |
| 423 | - | - | 9,648 | - | - | - | 145,321 |
| - | - | - | - | 1,485 | - | - | 4,975 |
| <u>11,564</u> | <u>556</u> | <u>318</u> | <u>9,648</u> | <u>1,512</u> | - | - | <u>184,120</u> |
| - | 3,084 | - | - | 2,849 | - | - | 23,959 |
| - | - | - | - | - | - | - | 152,579 |
| - | <u>3,084</u> | - | - | <u>2,849</u> | - | - | <u>176,538</u> |
| <u>11,564</u> | <u>(2,528)</u> | <u>318</u> | <u>9,648</u> | <u>(1,337)</u> | - | - | <u>7,582</u> |
| - | - | - | - | - | - | - | 10,000 |
| <u>(11,564)</u> | - | - | - | - | - | - | <u>(186,310)</u> |
| <u>(11,564)</u> | - | - | - | - | - | - | <u>(176,310)</u> |
| - | (2,528) | 318 | 9,648 | (1,337) | - | - | (168,728) |
| - | <u>37,290</u> | <u>9,670</u> | - | <u>6,122</u> | <u>4,675</u> | <u>1,000</u> | <u>260,540</u> |
| \$ - | \$ <u>34,762</u> | \$ <u>9,988</u> | \$ <u>9,648</u> | \$ <u>4,785</u> | \$ <u>4,675</u> | \$ <u>1,000</u> | \$ <u>91,812</u> |
| \$ - | \$ 34,762 | \$ 9,988 | \$ 9,648 | \$ 4,785 | \$ - | \$ - | \$ 86,137 |
| - | - | - | - | - | 4,675 | 1,000 | 5,675 |
| \$ - | \$ <u>34,762</u> | \$ <u>9,988</u> | \$ <u>9,648</u> | \$ <u>4,785</u> | \$ <u>4,675</u> | \$ <u>1,000</u> | \$ <u>91,812</u> |

CITY OF SIGOURNEY, IOWA
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2010

| <u>Obligation</u> | <u>Date of Issue</u> | <u>Interest Rates</u> | <u>Amount Originally Issued</u> |
|--|----------------------|-----------------------|---------------------------------|
| General obligation capital loan notes: | | | |
| Refunding Series 2002 | May 1, 2002 | 2.60% - 4.75% | \$ 635,000 |
| Refunding Series 2004 | November 17, 2004 | 3.375% - 3.75% | 635,000 |
| Series 2005 | May 1, 2005 | 4.0% - 5.0% | 750,000 |
| Series 2010 | September 29, 2009 | 3.5% - 4.1% | 350,000 |
| Refunding Series 2008 | May 1, 2008 | 4.50% | 1,255,000 |
| | | | |
| Total | | | |
| Revenue capital loan notes: | | | |
| Sewer Series 1992 | November 25, 1992 | 3.00% - 4.37% | \$ 436,000 |
| Water Series 2001 | October 1, 2001 * | 3.00% | 390,000 |
| Water Series 2002 | February 7, 2002 * | 3.00% | 50,000 |
| Water Series 2002B | May 1, 2002 | 2.55% - 4.90% | 350,000 |
| Sewer Series 2002 | December 6, 2002 * | 3.00% | 959,000 |
| Water Series 2007 | December 20, 2007 * | 3.00% | 737,000 |
| | | | |
| Total | | | |
| Other obligations: | | | |
| Bank loans: | | | |
| Demolition project | August 17, 2007 | 5.00% | \$ 75,000 |
| Street sweeper | October 25, 2007 | 5.25% | 32,000 |
| 100 North Main | July 28, 2009 | 4.50% | 120,000 |
| Retaining Wall | November 6, 2009 | 4.50% | 45,000 |
| 100 North Main roof | April 6, 2010 | 4.50% | 15,000 |
| Sanitation truck | April 16, 2009 | 4.50% | 70,000 |
| | | | |
| Total | | | |

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

SCHEDULE 2

| Balance Beginning of Year | Issued During Year | Redeemed/ Cancelled During Year | Balance End of Year | Interest Paid | Interest Due and Unpaid |
|---------------------------------|--------------------------|--|---------------------------|-------------------|-------------------------------|
| \$ 265,000 | \$ - | \$ 60,000 | \$ 205,000 | \$ 12,208 | \$ - |
| 345,000 | - | 65,000 | 280,000 | 12,058 | - |
| 655,000 | - | 30,000 | 625,000 | 30,678 | - |
| - | 350,000 | - | 350,000 | - | - |
| <u>1,205,000</u> | <u>-</u> | <u>60,000</u> | <u>1,145,000</u> | <u>54,225</u> | <u>-</u> |
| <u>\$ 2,470,000</u> | <u>\$ 350,000</u> | <u>\$ 215,000</u> | <u>\$ 2,605,000</u> | <u>\$ 109,169</u> | <u>\$ -</u> |
| \$ 114,000 | \$ - | \$ 27,000 | \$ 87,000 | \$ 3,420 | \$ - |
| 261,000 | - | 18,000 | 243,000 | 7,830 | - |
| 34,000 | - | 2,000 | 32,000 | 1,020 | - |
| 145,000 | - | 35,000 | 110,000 | 6,823 | - |
| 677,000 | - | 43,000 | 634,000 | 20,310 | - |
| <u>708,000</u> | <u>1,000</u> | <u>28,000</u> | <u>681,000</u> | <u>21,255</u> | <u>-</u> |
| <u>\$ 1,939,000</u> | <u>\$ 1,000</u> | <u>\$ 153,000</u> | <u>\$ 1,787,000</u> | <u>\$ 60,658</u> | <u>\$ -</u> |
| \$ 43,390 | \$ - | \$ 36,492 | \$ 6,898 | \$ 4,117 | \$ - |
| 19,861 | - | 6,413 | 13,448 | 926 | - |
| - | 120,000 | 5,440 | 114,560 | 4,574 | - |
| - | 45,000 | 9,627 | 35,373 | 1,159 | - |
| - | 15,000 | 561 | 14,439 | 95 | - |
| <u>69,093</u> | <u>-</u> | <u>12,878</u> | <u>56,215</u> | <u>2,847</u> | <u>-</u> |
| <u>\$ 132,344</u> | <u>\$ 180,000</u> | <u>\$ 71,411</u> | <u>\$ 240,933</u> | <u>\$ 13,718</u> | <u>\$ -</u> |

CITY OF SIGOURNEY, IOWA
BOND AND NOTE MATURITIES
JUNE 30, 2010

General Obligation Capital Loan Notes

| Year Ending June 30, | <u>Water</u> | | <u>Refunding Series 2004</u> | | <u>Series 2005</u> | |
|----------------------------|---------------------------|-------------------|---------------------------------|-------------------|---------------------------|-------------------|
| | <u>Issued May 1, 2001</u> | | <u>Issued November 17, 2004</u> | | <u>Issued May 1, 2005</u> | |
| | <u>Interest Rates</u> | <u>Amount</u> | <u>Interest Rates</u> | <u>Amount</u> | <u>Interest Rates</u> | <u>Amount</u> |
| 2011 | 4.55 % | \$ 65,000 | 3.375 % | \$ 65,000 | 4.00 % | \$ 35,000 |
| 2012 | 4.65 | 70,000 | 3.40 | 70,000 | 4.00 | 35,000 |
| 2013 | 4.75 | 70,000 | 3.60 | 75,000 | 4.25 | 35,000 |
| 2014 | - | - | 3.70 | 70,000 | 4.25 | 40,000 |
| 2015 | - | - | - | - | 4.25 | 40,000 |
| 2016 | - | - | - | - | 5.00 | 40,000 |
| 2017 | - | - | - | - | 5.00 | 40,000 |
| 2018 | - | - | - | - | 5.00 | 45,000 |
| 2019 | - | - | - | - | 5.00 | 45,000 |
| 2020 | - | - | - | - | 5.00 | 50,000 |
| 2021 | - | - | - | - | 5.00 | 50,000 |
| 2022 | - | - | - | - | 5.00 | 55,000 |
| 2023 | - | - | - | - | 5.00 | 55,000 |
| 2024 | - | - | - | - | 4.65 | 60,000 |
| 2025 | - | - | - | - | - | - |
| 2026 | - | - | - | - | - | - |
| 2027 | - | - | - | - | - | - |
| 2028 | - | - | - | - | - | - |
| Total | | \$ <u>205,000</u> | | \$ <u>280,000</u> | | \$ <u>625,000</u> |

| Year Ending June 30, | <u>Sewer Series 1992</u> | | <u>Water Series 2001</u> | | <u>Water Series 2002</u> | |
|----------------------------|---------------------------------|------------------|-------------------------------|-------------------|----------------------------|------------------|
| | <u>Issued November 25, 1992</u> | | <u>Issued October 1, 2001</u> | | <u>Issued June 1, 2002</u> | |
| | <u>Interest Rates</u> | <u>Amount</u> | <u>Interest Rates</u> | <u>Amount</u> | <u>Interest Rates</u> | <u>Amount</u> |
| 2011 | 3.00 % | \$ 28,000 | 3.00 % | \$ 19,000 | 3.00 % | \$ 2,000 |
| 2012 | 3.00 | 29,000 | 3.00 | 20,000 | 3.00 | 3,000 |
| 2013 | 3.00 | 30,000 | 3.00 | 20,000 | 3.00 | 3,000 |
| 2014 | - | - | 3.00 | 21,000 | 3.00 | 3,000 |
| 2015 | - | - | 3.00 | 21,000 | 3.00 | 3,000 |
| 2016 | - | - | 3.00 | 22,000 | 3.00 | 3,000 |
| 2017 | - | - | 3.00 | 23,000 | 3.00 | 3,000 |
| 2018 | - | - | 3.00 | 23,000 | 3.00 | 3,000 |
| 2019 | - | - | 3.00 | 24,000 | 3.00 | 3,000 |
| 2020 | - | - | 3.00 | 25,000 | 3.00 | 3,000 |
| 2021 | - | - | 3.00 | 25,000 | 3.00 | 3,000 |
| 2022 | - | - | - | - | - | - |
| 2023 | - | - | - | - | - | - |
| 2024 | - | - | - | - | - | - |
| 2025 | - | - | - | - | - | - |
| 2026 | - | - | - | - | - | - |
| 2027 | - | - | - | - | - | - |
| 2028 | - | - | - | - | - | - |
| Total | | \$ <u>87,000</u> | | \$ <u>243,000</u> | | \$ <u>32,000</u> |

See Accompanying Independent Auditor's Report

SCHEDULE 3

| Refunding Series 2008 | | | Series 2010 | | |
|-----------------------|--------------|--|---------------------------|--------|--------------|
| Issued May 7, 2008 | | | Issued September 29, 2009 | | |
| Interest Rates | Amount | | Interest Rates | Amount | Total |
| 4.50 % | \$ 70,000 | | 3.5 % | \$ - | \$ 235,000 |
| 4.50 | 70,000 | | 3.5 | - | 245,000 |
| 4.50 | 70,000 | | 3.5 | 35,000 | 285,000 |
| 4.50 | 75,000 | | 3.5 | 35,000 | 220,000 |
| 4.50 | 75,000 | | 3.5 | 35,000 | 150,000 |
| 4.50 | 80,000 | | 3.3 | 35,000 | 155,000 |
| 4.50 | 55,000 | | 3.5 | 40,000 | 135,000 |
| 4.50 | 55,000 | | 4.1 | 40,000 | 140,000 |
| 4.50 | 55,000 | | 4.1 | 40,000 | 140,000 |
| 4.50 | 55,000 | | 4.1 | 45,000 | 150,000 |
| 4.50 | 65,000 | | 4.1 | 45,000 | 160,000 |
| 4.50 | 40,000 | | - | - | 95,000 |
| 4.50 | 40,000 | | - | - | 95,000 |
| 4.50 | 40,000 | | - | - | 100,000 |
| 4.50 | 50,000 | | - | - | 50,000 |
| 4.50 | 50,000 | | - | - | 50,000 |
| 4.50 | 50,000 | | - | - | 50,000 |
| 4.50 | 150,000 | | - | - | 150,000 |
| | \$ 1,145,000 | | \$ 350,000 | | \$ 2,605,000 |

| Water Series 2002B | | | Sewer Series 2002 | | Water Series 2007 | | |
|--------------------|------------|--|-------------------------|-----------|--------------------------|-----------|------------|
| Issued May 1, 2002 | | | Issued December 6, 2002 | | Issued December 20, 2007 | | |
| Interest Rates | Amount | | Interest Rates | Amount | Interest Rates | Amount | Total |
| 4.65 % | \$ 35,000 | | 3.00 % | \$ 45,000 | 3.00 % | \$ 28,000 | \$ 157,000 |
| 4.75 | 35,000 | | 3.00 | 46,000 | 3.00 | 29,000 | 162,000 |
| 4.85 | 40,000 | | 3.00 | 47,000 | 3.00 | 30,000 | 170,000 |
| | - | | 3.00 | 49,000 | 3.00 | 31,000 | 104,000 |
| | - | | 3.00 | 50,000 | 3.00 | 32,000 | 106,000 |
| | - | | 3.00 | 52,000 | 3.00 | 33,000 | 110,000 |
| | - | | 3.00 | 53,000 | 3.00 | 35,000 | 114,000 |
| | - | | 3.00 | 55,000 | 3.00 | 36,000 | 117,000 |
| | - | | 3.00 | 57,000 | 3.00 | 37,000 | 121,000 |
| | - | | 3.00 | 58,000 | 3.00 | 38,000 | 124,000 |
| | - | | 3.00 | 60,000 | 3.00 | 39,000 | 127,000 |
| | - | | 3.00 | 62,000 | 3.00 | 40,000 | 102,000 |
| | - | | | - | 3.00 | 42,000 | 42,000 |
| | - | | | - | 3.00 | 43,000 | 43,000 |
| | - | | | - | 3.00 | 45,000 | 45,000 |
| | - | | | - | 3.00 | 46,000 | 46,000 |
| | - | | | - | 3.00 | 48,000 | 48,000 |
| | - | | | - | 3.00 | 49,000 | 49,000 |
| | \$ 110,000 | | \$ 634,000 | | \$ 681,000 | | 1,787,000 |

CITY OF SIGOURNEY, IOWA

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS

FOR THE LAST EIGHT YEARS

| | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| RECEIPTS: | | | | | |
| Property tax | \$ 685,848 | \$ 813,584 | \$ 784,884 | \$ 785,493 | \$ 679,216 |
| Tax increment financing | 17,693 | 15,971 | 10,483 | - | - |
| Other City tax | 245,843 | 253,702 | 186,336 | 46,111 | 26,141 |
| Licenses and permits | 38,563 | 13,868 | 11,040 | 5,105 | 10,313 |
| Use of money and property | 23,725 | 20,446 | 21,261 | 23,248 | 17,836 |
| Intergovernmental | 848,772 | 542,350 | 256,839 | 217,157 | 209,547 |
| Charges for service | 45,167 | 31,475 | 31,102 | 32,736 | 47,183 |
| Special assessments | 168 | 2,920 | 3,901 | 6,634 | 9,289 |
| Miscellaneous | 26,441 | 75,015 | 103,931 | 81,432 | 193,803 |
| Total | \$ <u>1,932,220</u> | \$ <u>1,769,331</u> | \$ <u>1,409,777</u> | \$ <u>1,197,916</u> | \$ <u>1,193,328</u> |
| DISBURSEMENTS: | | | | | |
| Operating: | | | | | |
| Public safety | \$ 310,067 | \$ 280,382 | \$ 245,805 | \$ 254,442 | \$ 217,030 |
| Public works | 253,342 | 190,944 | 216,013 | 200,569 | 180,334 |
| Culture and recreation | 262,065 | 199,791 | 183,933 | 208,531 | 308,714 |
| Community and economic development | 184,089 | 398,302 | 107,300 | 43,576 | 17,865 |
| General government | 336,149 | 221,767 | 215,215 | 165,318 | 209,372 |
| Debt service | 396,923 | 411,910 | 368,160 | 292,897 | 302,292 |
| Capital projects | 886,367 | 349,142 | 41,040 | 99,620 | 638,454 |
| Total | \$ <u>2,629,002</u> | \$ <u>2,052,238</u> | \$ <u>1,377,466</u> | \$ <u>1,264,953</u> | \$ <u>1,874,061</u> |

SCHEDULE 4

| <u>2005</u> | <u>2004</u> | <u>2003</u> |
|---------------------|---------------------|---------------------|
| \$ 638,995 | \$ 619,563 | \$ 615,710 |
| - | - | - |
| 25,636 | 36,143 | 34,991 |
| 2,629 | 7,545 | 7,439 |
| 14,372 | 16,253 | 25,067 |
| 304,306 | 326,862 | 734,362 |
| 39,524 | 46,035 | 97,253 |
| 8,698 | 10,681 | 14,629 |
| <u>496,157</u> | <u>398,183</u> | <u>231,347</u> |
| \$ <u>1,530,317</u> | \$ <u>1,461,265</u> | \$ <u>1,760,798</u> |
| | | |
| \$ 223,059 | \$ 240,328 | \$ 227,472 |
| 223,551 | 207,252 | 336,016 |
| 567,785 | 268,299 | 169,227 |
| | | |
| 109,899 | 125,589 | 70,891 |
| 175,003 | 159,057 | 159,196 |
| 881,616 | 268,166 | 210,140 |
| 5,000 | 170,439 | 1,322,428 |
| \$ <u>2,185,913</u> | \$ <u>1,439,130</u> | \$ <u>2,495,370</u> |

CITY OF SIGOURNEY, IOWA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

| <u>Grantor/Program</u> | <u>CFDA Number</u> | <u>Agency Pass-through Number</u> | <u>Program Expenditures</u> |
|---|------------------------|---|---------------------------------|
| Indirect: | | | |
| U.S. Department of Housing and Urban Development: | | | |
| Iowa Department of Economic Development: | | | |
| Community Development Block Grants/States Program and Non-Entitlement Grants in Hawaii | 14.228 | | \$ 152,695 |
| | | | |
| U.S. Department of Transportation: | | | |
| Iowa Department of Transportation: | | | |
| Highway Planning and Construction | 20.205 | STP-U-7027(601)--70-54 | 7,703 |
| Highway Planning and Construction | 20.205 | STP-U-7027(602)--70-54 | <u>435,320</u> |
| | | | 443,023 |
| | | | |
| Iowa Department of Public Safety: | | | |
| Safety Belt Performance Grants | 20.609 | | 17,122 |
| Step Grant | 20.609 | | <u>4,500</u> |
| | | | <u>21,622</u> |
| | | | |
| Total | | | \$ <u>617,340</u> |

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sigourney, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated January 31, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Sigourney, Iowa'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 an opinion on the effectiveness of the City of Sigourney, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Sigourney, Iowa'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 and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Sigourney, Iowa's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 and II-B-10 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We noted no deficiencies that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sigourney, Iowa'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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
January 31, 2011

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

To the Honorable Mayor and Members
of the City Council

Compliance

We have audited the compliance of the City of Sigourney, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. The City of Sigourney, Iowa's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major federal programs is the responsibility of the City of Sigourney, Iowa's management. Our responsibility is to express an opinion on the City of Sigourney, Iowa's compliance based on our audit.

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

In our opinion, the City of Sigourney, Iowa complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control over Compliance

The management of the City of Sigourney, Iowa, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Sigourney, Iowa's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Sigourney, Iowa's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than a remote likelihood that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

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

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

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
January 31, 2011

CITY OF SIGOURNEY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part I: Summary of the Independent Auditor's Results

- a. Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- b. A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- c. The audit did not disclose any noncompliance which is material to the financial statements.
- d. A material weaknesses in internal control over major programs was disclosed by the audit of the financial statements.
- e. An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f. The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g. Major programs were as follows:

CFDA Number

20.205 Highway Planning and Construction

- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. City of Sigourney, Iowa did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements

Significant Deficiencies:

II-A-10 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check of those of another. Once person has control over each of the following areas for the City:

- 1. Receipts – Opening mail, collecting, depositing, journalizing and posting.
- 2. Utility Receipts – Opening mail, billing, collecting, depositing, posting and reconciling.
- 3. Disbursements – Preparing checks, signing checks and access to accounting records.

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.

CITY OF SIGOURNEY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part II: Findings Related to the Financial Statements (Continued)

Response –

1. The City Clerk's staff is trying different approaches as to who does the posting, depositing and reconciling.
2. The City Clerk's staff is trying different approaches as to who does the posting, depositing and reconciling.
3. The Deputy City Clerk prepares checks, but the Mayor and/or City Clerk sign the checks.

Conclusion – Response accepted.

II-B-10 Reconciliation of Utility Collections and Deposits - Utility collections were not reconciled to deposits.

Recommendation – Procedures should be established to reconcile utility collections and deposits. The Council or a Council designated independent person should review the reconciliations.

Response – We are working on this.

Conclusion – Response accepted.

Part III: Findings and Questioned Costs for Federal Awards

Instances of Noncompliance:

No matters were noted.

Significant Deficiencies:

CFDA Number 20.205: Highway Planning and Construction
Federal Award Year: 2010
U.S. Department of Transportation
Passed through the Iowa Department of Transportation

III-A-10 Segregation of Duties – The City did not properly segregate collection, deposit and record-keeping for receipts, including those related to federal programs. See item II-A-10.

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-10 Certified Budget – Disbursements during the year ended June 30, 2010 exceeded the amount budgeted in the public works function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

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

Response – The City Clerk will better monitor these issues in the future.

Conclusion – Response accepted.

IV-B-10 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-10 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

CITY OF SIGOURNEY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting (Continued)

IV-D-10 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

| <u>Name, Title and Business Connection</u> | <u>Transaction Description</u> | <u>Amount</u> |
|---|--------------------------------|---------------|
| Brent Jennings, Police Reserve Officer Owner of the PTL shop | Services | \$1,046 |

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

IV-E-10 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.

IV-F-10 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not. However, in accordance with the Code of Iowa, minutes are required to be published within two weeks of the Council meeting. The minutes for the meeting held June 16, 2010, were not published within two weeks of the Council meeting. The minutes for the June 16, 2010 council meeting did not include a listing of claims.

Recommendation – The Council should ensure all minutes are published and that the minutes include all required items to comply with the Code of Iowa.

Response – We will do so from now on.

Conclusion – Response accepted.

IV-G-10 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the City's investment policy were noted.

IV-H-10 Revenue Notes/Bonds – No instances of non-compliance with the revenue note and bond resolutions were noted.

IV-I-10 Financial Condition – The Special Revenue, CDBG Housing Fund had a deficit balance at June 30, 2010 of \$5,627.

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

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

Conclusion – Response accepted.

CITY OF SIGOURNEY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

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

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

Response – The City Clerk and Deputy City Clerk will work through the outstanding obligations and try to have those remitted to the State Treasurer's Office by June 30, 2011.

Conclusion – Response accepted.