

CITY OF SIBLEY, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2010

Table of Contents

	<u>Exhibit</u>	<u>Page</u>
Officials		3
Independent Auditor's Report		4 - 5
Management's Discussion and Analysis		6 - 12
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Activities and Net Assets - Cash Basis	A	14 - 15
Government Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16 - 17
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets - Cash Basis	C	19
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D	20 - 21
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets - Cash Basis	E	22
Notes to Financial Statements		23 - 30
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds		32 - 33
Notes to Required Supplementary Information - Budgetary Reporting		34
Other Supplementary Information:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	36 - 37
Schedule of Indebtedness	2	38 - 39
Bond and Note Maturities	3	40 - 41
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds	4	42 - 43
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 <u>Government Auditing Standards</u>		44 - 45
Schedule of Findings		46 - 48

CITY OF SIBLEY, IOWA

OFFICIALS

NAME	TITLE	TERM EXPIRES
Jerry Johnson	Mayor	January 1, 2012
Tim Nobles	Mayor Pro tem	January 1, 2012
Jayson VandeHoef	Council Member	January 1, 2014
Mike Groote	Council Member	January 1, 2014
Jan Henningsen	Council Member	January 1, 2012
Gail Buchholtz	Council Member	January 1, 2014
Dan Janssen	Administrator	Indefinite
Kristen Vipond	Clerk/Treasurer	Indefinite
Harold D. Dawson	Attorney	Indefinite

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

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Sioux Falls, SD 57104
(605)334-9111
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Independent Auditor's Report

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

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sibley as of June 30, 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 reports dated November 2, 2010 on our consideration of the City of Sibley's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That

report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 12 and 32 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Sibley's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statement for the years ended June 30, 2009, 2008 and 2007 (which are not presented herein) and expressed unqualified opinion on that financial statement which was prepared in conformity with an other comprehensive basis of accounting. The previous audits for June 30, 2006, 2005, 2004 and 2003 were not done by this office, but were in accordance with the standards referred to in the second paragraph of this report, and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

East VanderWoude Grant & Co. P.C.

East, Vander Woude, Grant & Co., P.C.
Certified Public Accountants
Sioux Falls, SD
November 2, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Sibley provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 decreased 34.93%, or approximately \$1,089,000, from fiscal 2009 to fiscal 2010. Property tax increased \$110,000, charges for services decreased \$28,000, bond proceeds decreased \$1,101,000, local option sales tax decreased \$73,000, and grant proceeds increased \$109,000 while general receipts decreased \$168,000.
- Disbursements of the City's governmental activities decreased 15.01%, or approximately \$400,000, from fiscal 2009 to fiscal 2010. Public works disbursements decreased \$54,000, culture and recreation decreased \$48,000, debt service decreased \$79,000, and capital projects decreased \$224,000 while general government decreased \$5,000.
- The City's total cash basis net assets decreased 2.10%, or approximately \$67,000, from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities decreased approximately \$236,000 and the assets of the business type activities increased by approximately \$169,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Basis of Accounting

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

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

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

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

to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

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

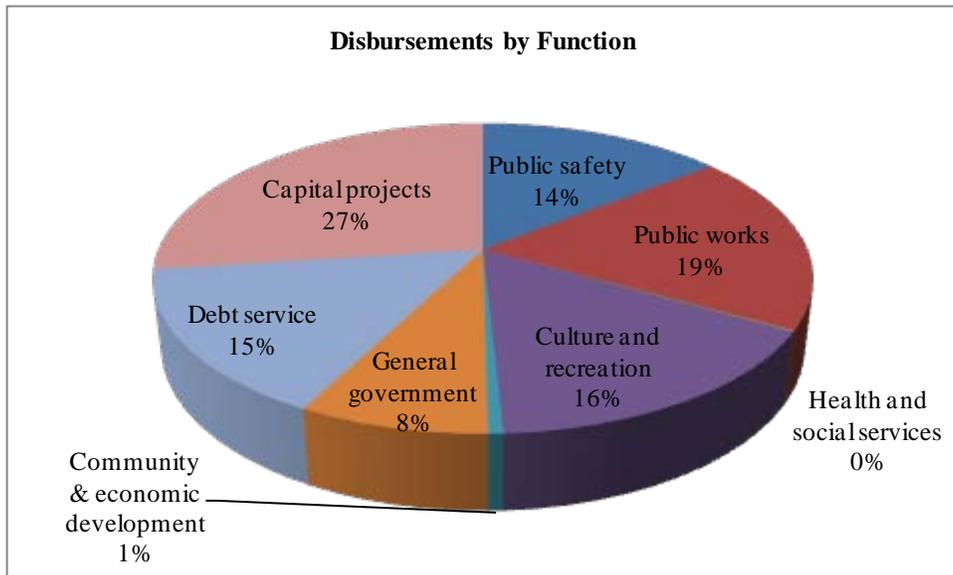
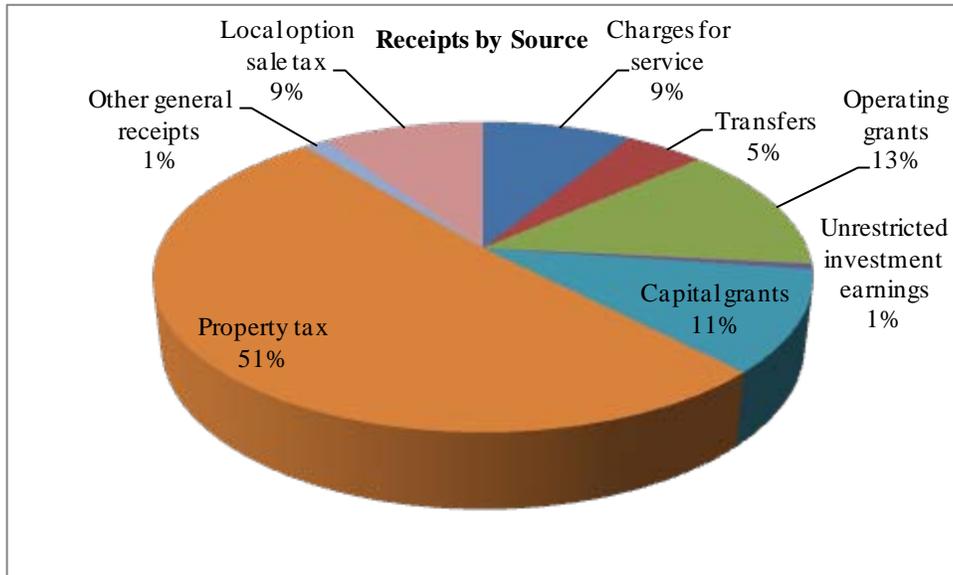
Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$432,087 to \$195,585. The analysis that follows focuses on the changes in cash balances for governmental activities.

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

	Year ended June 30,		
	2010	2009	\$ change
Receipts and transfer:			
Program receipts:			
Charges for service	\$ 178	\$ 206	\$ (28)
Operating grants, contributions and restricted interest	267	270	(3)
Capital grants, contributions and restricted interest	215	106	109
General receipts:			
Property tax	1,043	933	110
Local option sales tax	191	264	(73)
Unrestricted investment earnings	11	12	(1)
Bond proceeds	-	1,101	(1,101)
Sale of assets	-	28	(28)
Other general receipts	29	197	(168)
Transfers, net	95	1	94
Total receipts and transfers	<u>2,029</u>	<u>3,118</u>	<u>(1,089)</u>
Disbursements:			
Public safety	325	317	8
Public works	427	481	(54)
Health and social services	2	2	-
Culture and recreation	360	408	(48)
Community and economic development	14	12	2
General government	177	182	(5)
Debt service	347	426	(79)
Capital projects	613	837	(224)
Total disbursements	<u>2,265</u>	<u>2,665</u>	<u>(400)</u>
Increase (decrease) in cash basis net assets	(236)	453	(689)
Cash basis net assets beginning of year	<u>432</u>	<u>(21)</u>	<u>453</u>
Cash basis net assets end of year	<u>\$ 196</u>	<u>\$ 432</u>	<u>\$ (236)</u>



The City's total receipts for governmental activities decreased by 34.93%, from approximately \$3.118 million to \$2.029 million in 2010. The total cost of all programs and services decreased by approximately \$400,000, or 15.01%, with no new programs added this year. The significant decrease in receipts was primarily the result of the issuing of bonds during the prior.

The City increased property tax rates for 2010 by 7.3% and for 2011 tax rates decrease 0.7%. This increased the City's property tax receipts by approximately \$110,000 in 2010. Based on increases in the total assessed valuation and stable tax rates, property tax receipts are budgeted to increase by \$11,000 in the next year.

The cost of all governmental activities this year was \$2,265,857 compared to \$2,664,682 last year. However, as shown in the Statement of Activities and Net Assets – Cash Basis on pages 14-15, the amount taxpayers ultimately financed for these activities was only \$1,604,664 because some of the cost was paid by those directly benefited from the programs (\$177,890) or by other governments and organizations that subsidized certain programs with grants, contributions and

restricted interest (\$483,303). The City paid for the remaining “public benefit” portion of governmental activities with \$1,042,719 in property tax (some of which could only be used for certain programs), local option sales tax of \$191,464, interest of \$10,749, and general entitlements of \$28,652.

Changes in Cash Basis Net Assets of Business Type Activities			
(Expressed in Thousands)			
	Year ended June 30,		
	2010	2009	\$ change
Receipts and transfer:			
Program receipts:			
Charges for service			
Electric	\$ 2,689	\$ 2,760	(71)
Water	563	608	(45)
Sewer	249	272	(23)
Golf	218	204	14
Other nonmajor	262	247	15
General receipts:			
Unrestricted investment earnings	22	38	(16)
Bond proceeds	-	960	(960)
Total receipts	<u>4,003</u>	<u>5,089</u>	<u>(1,086)</u>
Disbursements:			
Electric	2,294	2,298	(4)
Water	438	948	(510)
Sewer	183	186	(3)
Golf	205	206	(1)
Other nonmajor	619	1,598	(979)
Transfers	95	1	94
Total disbursements	<u>3,834</u>	<u>5,237</u>	<u>(1,403)</u>
Increase (decrease) in cash basis net assets	169	(148)	317
Cash basis net assets beginning of year	<u>2,793</u>	<u>2,941</u>	<u>(148)</u>
Cash basis net assets end of year	<u>\$ 2,962</u>	<u>\$ 2,793</u>	<u>\$ 169</u>

Total business type activities receipts for the fiscal year were \$4,003,220 compared to \$5,088,918 from last year. This decrease was due primarily to electric revenue bonds that were refinanced in December 2008 for \$960,000. The cash balances increased by \$168,799 from the prior year because the Lewis and Clark project was fully funded in 2009. Total disbursements and transfers for the fiscal year decreased by \$1,401,874 from \$5,236,296 last year to a total of \$3,834,421 this year. These decreases are due to the Lewis and Clark project as stated above.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As City of Sibley completed the year, its governmental funds reported a combined fund balance of \$195,585, a decrease of \$236,502 from last year’s total of \$432,087. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$102,375 from the prior year to \$(1,503,247). This increase was due primarily to the decision to transfer available funds from the enterprise funds to the General Fund. The City intends to continue close monitoring of the disbursements to insure only necessary purchases are made while attempting to secure other sources of receipts.

- The Road Use Tax Fund cash balance increased by \$2,401 to \$233,117 during the fiscal year. This increase was attributable to increased receipts countered by a smaller increase in disbursements during the fiscal year.
- The 2009 Capital Projects Fund was established to account for various projects within the City's business district initiated during the year. At the end of the fiscal year, the cash balance was \$140,533, resulting from expenditures on projects of \$494,556 offset by grant income of \$205,725 and interest income of \$1,872.
- The Debt Service Fund cash balance decreased by \$800 to \$15,645 during the fiscal year. This decrease was due to tax levy receipts being less than anticipated.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund combined with Lewis and Clark Fund cash balance increased by \$678 to \$470,115 due primarily to the installment construction costs for the Lewis and Clark Rural Water Project being paid in full in the prior year.
- The Electric Fund cash balance increased by \$24,044 to \$397,593, due primarily to increases in the electricity rates charged to customers during the year.
- The Golf Course Fund cash balance increased by \$12,981 to \$(282,987), due primarily to revenues exceeding disbursements during the year.
- The Sewer Fund cash balance increased by \$25,979 to \$159,554, due primarily to revenues exceeding disbursements during the year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 24, 2010 and resulted in an increase in disbursements for public works and a corresponding decrease in disbursements for Capital Project resulting in no net change in the budget. The City's receipts were \$787,488 less than the amended budget. This was primarily due to the City budgeting certain transfers between enterprise funds as revenue and expenditures rather than transfers.

The actual disbursements for the public safety; public works; culture and recreation; community and economic development; general government; debt service; capital projects and business type activities were \$15,187; \$195,554; \$410; \$4,928; \$19,904; \$1; \$159,682 and \$324,745, respectively, less than the amended budget.

DEBT ADMINISTRATION

At June 30, 2010, the City had \$3,658,360 in bonds and other long-term debt, compared to \$4,213,972 last year, as shown below.

Outstanding Debt at Year-End		
	June 30,	
	2010	2009
Capital Loan Notes	\$ 1,745,000	\$ 2,010,000
Revenue notes	1,865,000	2,141,000
Capital Leases	48,360	62,972
Total	<u>\$ 3,658,360</u>	<u>\$ 4,213,972</u>

The change in debt is a result of making payments of \$555,612. The City continues to carry a general obligation bond rating of A3 assigned by national rating agencies to the City's debt since 1990. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,793,360 is significantly below its constitutional debt limit of \$4,576,541.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

City of Sibley's elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. The City's employment growth had been flat to declining in recent years. The City experienced significant layoffs due to plant closures and cutbacks during 2008-10. Unemployment in the City now stands at 6.6 percent, versus 5.6 percent a year ago. This compares with the State's unemployment rate of 6.5 percent and the national rate of 10 percent.

These indicators were taken into account when adopting the budget for fiscal year 2011. Amounts available for appropriation in the operating budget are \$6.3 million, a decrease of 4.4% from the final 2010 budget. Budgeted disbursements are expected to decrease approximately \$1,055,000 or 15.7%. Increases in wage and cost-of-living adjustments are offset by decreases in the City's business type activities due to plant closures. The City has added no major new programs or initiatives to the 2011 budget.

If these estimates are realized, the City's budgeted cash balance is expected to increase by approximately \$318,000 by the close of 2011 mostly due to utility increases approved in prior years.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kristen Vipond, City Clerk, 808 Third Ave., Sibley, Iowa, 51249.

City of Sibley, Iowa
Basic Financial Statements

City of Sibley, Iowa
Statement of Activities and Net Assets - Cash Basis
As of and for the year ended June 30, 2010

Functions/Programs	Disbursements	Program Revenues		
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 324,811	\$ -	\$ -	\$ -
Public works	427,096	-	259,362	-
Health and social services	2,330	-	-	-
Culture and recreation	359,940	107,373	-	-
Community and economic development	14,224	-	-	-
General government	177,209	28,425	283	-
Debt service	347,190	-	-	-
Capital projects	613,057	42,092	8,853	214,805
Total governmental activities	2,265,857	177,890	268,498	214,805
Business type activities:				
Electric	2,294,043	2,689,065	-	-
Water / Lewis & Clark	437,669	562,648	-	-
Sewer	183,458	249,308	-	-
Golf	205,415	218,396	-	-
Other nonmajor	619,258	261,494	-	-
Total business type activities	3,739,843	3,980,911	-	-
Total	\$ 6,005,700	\$ 4,158,801	\$ 268,498	\$ 214,805
General Receipts:				
Property tax levied for:				
General purposes				
Tax incremental financing				
Local option sales tax				
Unrestricted interest on investment				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year, as restated				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Urban renewal purposes				
Debt service				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

**Net (Expense) Revenue
and Changes in Net Assets**

Governmental Activities	Business Type Activities	Total
\$ (324,811)	\$ -	\$ (324,811)
(167,734)	-	(167,734)
(2,330)	-	(2,330)
(252,567)	-	(252,567)
(14,224)	-	(14,224)
(148,501)	-	(148,501)
(347,190)	-	(347,190)
(347,307)	-	(347,307)
<u>(1,604,664)</u>	<u>-</u>	<u>(1,604,664)</u>
-	395,022	395,022
-	124,979	124,979
-	65,850	65,850
-	12,981	12,981
-	(357,764)	(357,764)
-	241,068	241,068
<u>(1,604,664)</u>	<u>241,068</u>	<u>(1,363,596)</u>
1,038,534	-	1,038,534
4,185	-	4,185
191,464	-	191,464
10,749	13,923	24,672
28,652	8,386	37,038
94,578	(94,578)	-
<u>1,368,162</u>	<u>(72,269)</u>	<u>1,295,893</u>
(236,502)	168,799	(67,703)
432,087	2,793,473	3,225,560
<u>\$ 195,585</u>	<u>\$ 2,962,272</u>	<u>\$ 3,157,857</u>
\$ 233,117	\$ -	\$ 233,117
172,038	-	172,038
15,645	367,212	382,857
(225,215)	2,595,060	2,369,845
<u>\$ 195,585</u>	<u>\$ 2,962,272</u>	<u>\$ 3,157,857</u>

See notes to financial statements.

City of Sibley, Iowa
Statement of Cash Receipts, Disbursements and Changes in
Cash Balances - Governmental Funds - Cash Basis
As of and for the year ended June 30, 2010

	General	Road Use Tax	2009 Capital Projects
Receipts:			
Property tax	\$ 632,474	\$ -	\$ -
Tax increment financing collections	-	-	-
Local Option Sales Taxes	191,464	-	-
Licenses and permits	28,425	-	-
Use of money and property	10,749	-	1,872
Intergovernmental	16,344	259,362	-
Charges for service	91,029	-	-
Miscellaneous	23,437	-	-
Total Receipts	993,922	259,362	1,872
Disbursements:			
Operating:			
Public safety	319,419	-	-
Public works	108,581	244,749	-
Health and social services	2,330	-	-
Culture and recreation	300,338	-	-
Community and economic development	14,224	-	-
General government	148,510	-	-
Debt service	-	-	-
Capital projects	18,774	-	494,556
Total Disbursements	912,176	244,749	494,556
Excess of receipts over disbursements	81,746	14,613	(492,684)
Other financing sources (uses):			
Grant proceeds	-	-	205,725
Operating transfers in	114,899	-	-
Operating transfers out	(94,270)	(12,212)	-
Total other financing sources (uses)	20,629	(12,212)	205,725
Net change in cash balances	102,375	2,401	(286,959)
Cash balances beginning of year	(1,605,622)	230,716	427,492
Cash balances end of year	\$ (1,503,247)	\$ 233,117	\$ 140,533
Cash Basis Fund Balances			
Reserved:			
Debt service	\$ -	\$ -	\$ -
Unreserved:			
General fund	(1,503,247)	-	-
Special revenue funds	-	233,117	140,533
Capital projects funds	-	-	-
Total cash basis fund balances	\$ (1,503,247)	\$ 233,117	\$ 140,533

See notes to financial statements.

Debt Service	Other Nonmajor Governmental Funds	Total
\$ 301,390	\$ 104,670	\$ 1,038,534
-	4,185	4,185
-	-	191,464
-	-	28,425
-	7,264	19,885
-	-	275,706
-	42,092	133,121
-	5,215	28,652
<u>301,390</u>	<u>163,426</u>	<u>1,719,972</u>
-	5,392	324,811
-	73,766	427,096
-	-	2,330
-	59,602	359,940
-	-	14,224
-	23,736	172,246
347,190	-	347,190
-	99,727	613,057
<u>347,190</u>	<u>262,223</u>	<u>2,260,894</u>
<u>(45,800)</u>	<u>(98,797)</u>	<u>(540,922)</u>
-	9,080	214,805
45,000	110,013	269,912
-	(68,852)	(175,334)
<u>45,000</u>	<u>50,241</u>	<u>309,383</u>
(800)	(48,556)	(231,539)
16,445	1,291,715	360,746
<u>\$ 15,645</u>	<u>\$ 1,243,159</u>	<u>\$ 129,207</u>
\$ 15,645	\$ -	\$ 15,645
-		(1,503,247)
-	31,505	405,155
-	1,211,654	1,211,654
<u>\$ 15,645</u>	<u>\$ 1,243,159</u>	<u>\$ 129,207</u>

See notes to financial statements.

City of Sibley, Iowa

City of Sibley, Iowa
Reconciliation of the Statement of Cash Receipts, Disbursements and
Changes in Cash Balances to the Statement of Activities and
Net Assets - Governmental Funds - Cash Basis
As of and for the year ended June 30, 2010

Exhibit C

Total governmental funds cash balances (page 17)	\$	129,207
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Amounts reported for governmental activities in the
Statements of Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

66,378

Cash basis net assets of governmental activities (page 15)	\$	<u>195,585</u>
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Net change in cash balances (page 17)	\$	(231,539)
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Amounts reported for governmental activities in the
Statements of Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change on net assets of the Internal Service Fund is reported with governmental activities.

(4,963)

Change in cash balance of governmental activities (page 15)	\$	<u>(236,502)</u>
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See notes to financial statements.

City of Sibley, Iowa
Statement of Cash Receipts, Disbursements and Changes in
Cash Balances - Proprietary Funds - Cash Basis
As of and for the year ended June 30, 2010

	Enterprise Funds		
	Electric	Water Including Lewis & Clark	Sewer
Operating receipts:			
Use of money and property	\$ 2,496	\$ 2,316	\$ 845
Licenses and permits	-	600	300
Charge for service	2,689,065	562,048	249,008
Miscellaneous	-	8,386	-
Total operating receipts	<u>2,691,561</u>	<u>573,350</u>	<u>250,153</u>
Operating disbursements:			
Governmental activities:			
General government	-	-	-
Capital projects	-	-	-
Business type activities	2,285,221	437,669	183,458
Total operating disbursements	<u>2,285,221</u>	<u>437,669</u>	<u>183,458</u>
Excess (deficiency) of operating receipts over (under)	<u>406,340</u>	<u>135,681</u>	<u>66,695</u>
Non-operating receipts (disbursements):			
Debt service	-	(79,603)	-
Total non-operating receipts (disbursements)	<u>-</u>	<u>(79,603)</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursement	<u>406,340</u>	<u>56,078</u>	<u>66,695</u>
Operating transfers in	-	-	-
Operating transfers out	(382,296)	(55,400)	(40,716)
Net change in cash balances	24,044	678	25,979
Cash balances beginning of year	<u>373,549</u>	<u>469,437</u>	<u>133,575</u>
Cash balances end of year	<u>\$ 397,593</u>	<u>\$ 470,115</u>	<u>\$ 159,554</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ -	\$ -	\$ -
Unreserved	397,593	470,115	159,554
Total cash basis fund balances	<u>\$ 397,593</u>	<u>\$ 470,115</u>	<u>\$ 159,554</u>

See notes to financial statements.

Enterprise Funds			Internal Service Funds		
	Other Nonmajor Enterprises	Total	Employee Health	Payroll	Total
\$	-	\$ 8,266	\$ 403	\$ -	\$ 403
	-	15,380	-	-	-
	218,396	246,114	-	-	-
	-	8,386	135,002	983,095	1,118,097
	218,396	269,760	135,405	983,095	1,118,500
	-	-	147,212	985,074	1,132,286
	193	193	-	-	-
	205,222	264,195	-	-	-
	205,415	264,195	147,212	985,074	1,132,286
	12,981	5,565	(11,807)	(1,979)	(13,786)
	-	(275,460)	-	-	-
	-	(275,460)	-	-	-
	12,981	(269,895)	(11,807)	(1,979)	(13,786)
	-	400,034	-	-	-
	-	(16,200)	-	-	-
	12,981	113,939	(11,807)	(1,979)	(13,786)
	(295,968)	1,986,057	197,524	639	198,163
\$	(282,987)	\$ 2,099,996	\$ 185,717	\$ (1,340)	\$ 184,377
\$	-	\$ 367,212	\$ -	\$ -	\$ -
	(282,987)	1,732,784	185,717	(1,340)	184,377
\$	(282,987)	\$ 2,099,996	\$ 185,717	\$ (1,340)	\$ 184,377

See notes to financial statements.

City of Sibley, Iowa
Reconciliation of the Statement of Cash Receipts, Disbursements and
Changes in Cash Balances to the Statement of Activities and
Net Assets - Proprietary Funds - Cash Basis
As of and for the year ended June 30, 2010

Exhibit E

Total enterprise funds cash balances (page 21) \$ 2,844,271

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

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets.

118,001

Cash basis net assets of business type activities (page 15)

\$ 2,962,272

Net change in cash balances (page 21)

\$ 177,621

Amounts reported for business type activities in the
Statements of Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit to individual funds. The change on net assets of the Internal Service Fund is reported with business type activities.

(8,822)

Change in cash balance of business type activities (page 15)

\$ 168,799

See notes to financial statements.

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2010

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Jointly Governed Organizations

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

B. Basis of Presentation

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

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

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

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

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

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2010

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

The City also reports the following additional proprietary funds:

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

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2010

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 were less than the amounts budgeted in all functional categories.

(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 did not have any deposits that qualified as investments at June 30, 2010.

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

(3) Bonds and Notes Payable

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

Year Ending June 30,	Revenue Bonds		Capital Loan Notes		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 282,000	\$ 69,055	\$ 245,000	\$ 71,213	\$ 527,000	\$ 140,268
2012	292,000	59,238	255,000	62,105	547,000	121,343
2013	303,000	48,695	270,000	52,190	573,000	100,885
2014	53,000	42,255	205,000	41,253	258,000	83,508
2015	58,000	40,065	190,000	32,963	248,000	73,028
2016 - 2020	328,000	162,135	580,000	56,950	908,000	219,085
2021 - 2025	399,000	88,130	-	-	399,000	88,130
2026 - 2029	150,000	10,650	-	-	150,000	10,650
Totals	\$ 1,865,000	\$ 520,223	\$ 1,745,000	\$ 316,673	\$ 3,610,000	\$ 836,895

Revenue Notes

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

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2010

financing to replace project notes previously issued to provide funds to pay costs of improvements and extensions to the Municipal Electric Utility including the purchase and installation of an 1825 KWprime/2000 KW standby Caterpillar generator and accessories for electrical substation number 2. The notes are payable solely from electric customer net receipts and are payable through 2012. The total principal and interest remaining to be paid on the notes is \$766,535.00. For the current year, principal and interest paid and total net receipts were \$256,553 and \$345,140, respectively.

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

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bondholders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly cash transfers shall be made to separate electric revenue bond sinking accounts within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) The bond requires a reserve in the electric revenue bond improvement fund of \$300,000 which the City has met.
- (d) Net revenues of the system for the preceding fiscal year need to be 1.25 times the average annual amount that will be required for both principal and interest. The required amount was \$318,581 which was met.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$274,000 in sewer revenue notes issued February 2007. Proceeds from the notes provided financing to construct certain wastewater treatment facilities serving the City. The notes are payable solely from sewer customer net receipts and are payable through 2025. The total principal and interest remaining to be paid on the notes is \$276,280. For the current year, principal and interest paid and total net receipts were \$17,930 and \$44,295, respectively.

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

- (a) Sewer use charges must be established to a level which produces and maintains net revenues at a level not less than 110% of principal and interest falling due in the same year. The required amount was \$20,261 which was met.

The City has pledged future water customer Lewis and Clark receipts, net of specified operating disbursements, to repay \$1,010,000 in water revenue notes issued May 30, 2007. Proceeds from the notes provided financing to pay a portion of the costs of improvements and extensions to the Municipal Water Utility. The notes are payable solely from water customer net receipts from the Lewis and Clark fund and are payable through 2027. The total principal and interest remaining to be paid on the notes is \$1,342,408. For the current year, principal and interest paid and total net receipts were \$79,603 and \$74,277, respectively.

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

- (a) Reserve fund requires deposits equal to 10% of the amount required to maintain a debt service fund.
- (b) Audit report issued by 180 days after fiscal year end.
- (c) Net revenues of the system for the preceding fiscal year need to be 1.10 times the average annual amount that will be required for both principal and interest. The required amount was \$85,862 which was not met.

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2010

(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 \$54,842, \$51,754 and \$49,739, respectively, equal to the required contributions for each year.

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

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2010, primarily relating to the General Fund and Electric funds, is as follows:

Type of Benefit	Amount
Vacation	\$ 52,289
Sick leave	112,941
Totals	<u>\$ 165,230</u>

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

(6) Anticipatory Warrants

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

(7) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 563 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2010

in insurance coverage from prior years.

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

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2010 were \$86,049.

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

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

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling \$40,298 during the year ended June 30, 2010.

(9) Health Care Facility Revenue Bonds

The City has issued a total of \$5,800,000 of health care facility revenue bonds under the provisions of Chapter 419 of the Code of Iowa; this was approved November 12, 2007. The bonds and related

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2010

interest are payable solely from the revenue generated by the Osceola Community Hospital, and the bond principal and interest do not constitute liabilities of the City.

(10) Senior Housing Revenue Bonds

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

(11) Interfund Transfers

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

Transfer to:	Transfer from:	Amount
Transit Service	General	\$ 32,822
Civic Center	General	13,374
Feldkamp Estates	Road Use	12,212
Sewer Relocation	Sewer	18,516
Electric Revenue Reserve	Electric	64,140
Electric Revenue Sinking	Electric	256,956
Airport Apron Improvement	General	10,834
Water Revenue Sinking	Water	27,600
General Fund	Employee Benefit Fund	39,899
General Fund	Electric	50,000
General Fund	Water	25,000
Debt Service	Industrial Park Fund	25,000
Debt Service	Sewer	20,000
Airport Hanger Project	General-Airport	3,240
Capital Reserve	Electric	11,200
	Sewer	2,200
	Garbage	16,200
	Water	2,800
	Civic Center	3,953
	General	
	Airport	5,000
	Fire	14,000
	Street Department	15,000
		70,353
	Total	\$ 669,946

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

(12) Deficit Fund Balance

The Capital Projects – Airport Hanger project has a deficit balance of \$14,791 at June 30, 2010. This represents the unfunded balance of the local match on this project which will be eliminated by transfers from other funds.

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2010

The General Fund had a deficit balance of \$1,503,247 at June 30, 2010. The City is working towards eliminating this deficit over the next several years using the local option sales tax revenue that went into effect July 1, 2008 as well as transfers from the Utility Funds.

The Enterprise Funds - Transit Service Fund, had a deficit balance of \$9,298 at June 30, 2010. This is caused by increasing operating costs and reduction of donations. The City plans to have it self-sufficient in the future years by making better use of the transit levy.

The Enterprise Funds - Golf Course Fund had a deficit balance of \$282,987 at June 30, 2010. This is the seventh year that the golf course fund is operating as an enterprise fund. The City's goal is to make the golf course self-sufficient in the future years.

(11) Contingency

The City has a self-insurance program in place for the medical insurance that it provides to its employees. Under the program, the employee pays a deductible of \$250 for family coverage and \$250 for single coverage. The insurance policies that the City maintains provide for a \$5,000 deductible for family coverage and \$2,500 single coverage. The City is therefore, liable for the difference in these deductible amounts for each employee. As of June 30, 2010, this total difference amounts to a potential liability to the City of \$61,500.

(14) Capital Lease

The City acquired a sanitation truck under a long-term lease. The lease expires June 1, 2013. The City entered into the capital lease on May 29, 2009 with an initial payment of \$40,000. Future minimum lease payments under this capital lease at June 30, 2010 are as follows:

		Interest	Principal	Total payment
Lease payments	2011	\$ 2,413	\$ 15,342	\$ 17,755
	2012	1,648	16,107	17,755
	2013	844	16,911	17,755
		\$ 4,905	\$ 48,360	\$ 53,265

(15) Construction Commitments

As of June 30, 2010, the City had no Construction Commitments outstanding.

**City of Sibley, Iowa
Required Supplementary Information**

City of Sibley, Iowa
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year ended June 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 1,038,534	\$ -
Tax increment financing collections	4,185	-
Local Option Sales Taxes	191,464	
Licenses and permits	28,425	16,280
Use of money and property	19,885	13,923
Intergovernmental	275,706	-
Charges for service	133,121	3,964,631
Special assessments	-	-
Miscellaneous	28,652	8,386
Total receipts	<u>1,719,972</u>	<u>4,003,220</u>
Disbursements:		
Public safety	324,811	-
Public works	427,096	-
Health and social services	2,330	-
Culture and recreation	359,940	-
Community and economic development	14,224	-
General government	172,246	-
Debt service	347,190	-
Capital projects	613,057	193
Business type activities	-	3,730,828
Total disbursements	<u>2,260,894</u>	<u>3,731,021</u>
Excess of receipts over disbursements	(540,922)	272,199
Other financing sources, net	<u>309,383</u>	<u>(94,578)</u>
Excess of receipts and other financing sources over disbursements and other financing uses	(231,539)	177,621
Balances beginning of year	<u>360,746</u>	<u>2,666,650</u>
Balances end of year	<u>\$ 129,207</u>	<u>\$ 2,844,271</u>

	Less Funds not Required to be Budgeted	Total Actual	Budgeted Amounts		Final to Actual Variance
			Original	Final	
\$	-	\$ 1,038,534	\$ 1,028,049	\$ 1,028,049	\$ 10,485
	-	4,185	4,152	4,152	33
		191,464	211,105	211,105	(19,641)
	-	44,705	23,100	23,100	21,605
	-	33,808	40,750	40,750	(6,942)
	-	275,706	692,677	692,677	(416,971)
	-	4,097,752	4,412,110	4,412,110	(314,358)
	-	-	2,500	2,500	(2,500)
	-	37,038	-	-	37,038
	-	5,723,192	6,414,443	6,414,443	(691,251)
	-	324,811	339,998	339,998	(15,187)
	-	427,096	542,650	622,650	(195,554)
	-	2,330	2,330	2,330	-
	-	359,940	360,350	360,350	(410)
	-	14,224	19,152	19,152	(4,928)
	-	172,246	192,150	192,150	(19,904)
	-	347,190	347,191	347,191	(1)
	-	613,250	852,932	772,932	(159,682)
	-	3,730,828	4,055,573	4,055,573	(324,745)
	-	5,991,915	6,712,326	6,712,326	(720,411)
	-	(268,723)	(297,883)	(297,883)	29,160
	-	214,805	311,042	311,042	(96,237)
	-	(53,918)	13,159	13,159	(67,077)
	-	3,027,396	2,681,363	2,681,363	346,033
\$	-	\$ 2,973,478	\$ 2,694,522	\$ 2,694,522	\$ 278,956

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregate function level, not the fund. During the year, one budget amendment was approved with no net effect on budgeted disbursements. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements were less than the amount budgeted in all functional categories.

Other Supplementary Information

City of Sibley, Iowa
Statement of Cash Receipts, Disbursements and
Changes in Cash Balances - Governmental Funds - Nonmajor Governmental Funds
As of and for the year ended June 30, 2010

	Special Revenue Employee Benefit	Urban Renewal Tax Increment
Receipts:		
Property tax	\$ 104,670	\$ -
Tax increment financing collections	-	4,185
Use of money and property	283	-
Charges for service	-	-
Miscellaneous	-	-
Total Receipts	<u>104,953</u>	<u>4,185</u>
Disbursements:		
Operating:		
Public safety	5,392	-
Public works	48,531	-
Culture and recreation	32,354	-
General government	21,569	-
Capital projects	-	-
Total Disbursements	<u>107,846</u>	<u>-</u>
Excess of receipts over disbursements	<u>(2,893)</u>	<u>4,185</u>
Other financing sources (uses):		
Grant proceeds	-	-
Operating transfers in	-	-
Operating transfers out	(39,899)	-
Total other financing sources (uses)	<u>(39,899)</u>	<u>-</u>
Net change in cash balances	<u>(42,792)</u>	<u>4,185</u>
Cash balances beginning of year	<u>74,297</u>	<u>2,351</u>
Cash balances end of year	<u><u>\$ 31,505</u></u>	<u><u>\$ 6,536</u></u>
Cash Basis Fund Balances		
Reserved:		
Debt service	\$ -	\$ -
Unreserved:		
Special revenue funds	31,505	-
Capital projects fund	-	6,536
Total cash basis fund balances	<u><u>\$ 31,505</u></u>	<u><u>\$ 6,536</u></u>

See accompanying independent auditor's report.

Schedule 1

Nonmajor Special Revenue and Capital Projects	Other Nonmajor Governmental Funds Totals
\$ -	\$ 104,670
-	4,185
6,981	7,264
42,092	42,092
5,215	5,215
<u>54,288</u>	<u>163,426</u>

-	5,392
25,235	73,766
27,248	59,602
2,167	23,736
99,727	99,727
<u>154,377</u>	<u>262,223</u>
<u>(100,089)</u>	<u>(98,797)</u>

9,080	9,080
110,013	110,013
(28,953)	(68,852)
<u>90,140</u>	<u>50,241</u>
(9,949)	(48,556)
<u>1,215,067</u>	<u>1,291,715</u>
<u>\$ 1,205,118</u>	<u>\$ 1,243,159</u>

\$ -	\$ -
-	31,505
1,205,118	1,211,654
<u>\$ 1,205,118</u>	<u>\$ 1,243,159</u>

City of Sibley, Iowa
Schedule of Indebtedness
Year ended June 30, 2010

Obligation	Date of Issue	Interest Rate	Amount Originally Issued	Balance Beginning of Year
Capital Loan Notes:				
Street Projects - 2005 Series	9/28/2005	3.45 to 4.35%	\$ 410,000	\$ 305,000
2003 Capital Improvements	1/1/2003	2.1 to 4.4%	580,000	255,000
Fire Truck and Airport Hanger	10/15/2006	3.8 to 4.25%	430,000	355,000
Gen Oblig Capital Loan Notes 2008B	12/15/2008	3 to 4.5%	1,140,000	1,095,000
Totals				<u>\$ 2,010,000</u>
Revenue bonds:				
2008 Refunding Revenue	10/1/2008	2.75 to 3.4%	\$ 960,000	\$ 960,000
2006 Sewer Revenue	2/1/2006	3%	274,000	231,000
2007 Water Revenue	5/30/2007	4.5 to 5.75%	1,010,000	950,000
Totals				<u>\$ 2,141,000</u>
Capital Leases:				
2008 Sanitation Truck	5/29/2008	4.99%	\$ 116,890	\$ 62,972
Totals				<u>\$ 62,972</u>

See accompanying independent auditor's report.

Schedule 2

	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$	-	\$ 40,000	\$ 265,000	\$ 12,398	\$ 908
	-	60,000	195,000	10,765	697
	-	40,000	315,000	14,348	1,067
	-	125,000	970,000	43,080	3,262
\$	-	\$ 265,000	\$ 1,745,000	\$ 80,591	\$ 5,934
\$	-	\$ 230,000	\$ 730,000	\$ 26,553	\$ 1,655
	-	11,000	220,000	6,930	550
	-	35,000	915,000	44,603	3,549
\$	-	\$ 276,000	\$ 1,865,000	\$ 78,086	\$ 5,754
\$	-	\$ 14,612	\$ 48,360	\$ 3,143	\$ 201
\$	-	\$ 14,612	\$ 48,360	\$ 3,143	\$ 201

City of Sibley, Iowa
Bond and Note Maturities
June 30, 2010

REVENUE BONDS						
Year Ending June 30	Sewer Project Issued February 1, 2006		Water - Lewis & Clark Issued May 30, 2007		Electric Project (Refunded) Issued Oct. 1, 2008	
	Interest Rates	Amounts	Interest Rates	Amounts	Interest Rates	Amounts
	2011	3.00%	12,000	5.75%	35,000	5.50%
2012	3.00%	12,000	5.75%	35,000	5.55%	245,000
2013	3.00%	13,000	4.50%	40,000	5.60%	250,000
2014	3.00%	13,000	4.50%	40,000		-
2015	3.00%	13,000	4.50%	45,000		-
2016	3.00%	14,000	4.50%	45,000		-
2017	3.00%	14,000	4.50%	50,000		-
2018	3.00%	15,000	4.50%	50,000		-
2019	3.00%	15,000	4.50%	55,000		-
2020	3.00%	15,000	4.50%	55,000		-
2021	3.00%	16,000	4.50%	55,000		-
2022	3.00%	16,000	4.50%	60,000		-
2023	3.00%	17,000	4.55%	65,000		-
2024	3.00%	17,000	4.60%	65,000		-
2025	3.00%	18,000	4.65%	70,000		-
2026		-	4.70%	75,000		-
2027		-	4.75%	75,000		-
TOTAL		<u>\$ 220,000</u>		<u>\$ 915,000</u>		<u>\$ 730,000</u>

CAPITAL LOAN NOTES						
Year Ending June 30	Utility Improvements Issued January 1, 2003		Street Project Issued September 28, 2005		Fire Truck & Airport Hanger Issued October 15, 2006	
	Interest Rates	Amounts	Interest Rates	Amounts	Interest Rates	Amounts
	2011	4.15%	60,000	3.85%	40,000	3.90%
2012	4.30%	65,000	3.95%	40,000	3.95%	40,000
2013	4.40%	70,000	4.05%	45,000	4.00%	45,000
2014		-	4.15%	45,000	4.05%	45,000
2015		-	4.25%	45,000	4.10%	45,000
2016		-	4.35%	50,000	4.15%	50,000
2017		-		-	4.25%	50,000
TOTAL		<u>\$ 195,000</u>		<u>\$ 265,000</u>		<u>\$ 315,000</u>

See accompanying independent auditor's report.

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

Schedule 3

Year Ending June 30	<u>CAPITAL LOAN NOTES</u>	
	<u>Equipment & Improvements</u>	
	<u>Issued December 15, 2008</u>	
	Interest	
	Rates	Amounts
2011	3.35%	105,000
2012	3.60%	110,000
2013	3.85%	110,000
2014	4.00%	115,000
2015	4.10%	100,000
2016	4.20%	100,000
2017	4.30%	105,000
2018	4.40%	110,000
2019	4.50%	115,000
TOTAL		<u>\$ 970,000</u>

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

	2010	2009	2008	2007
Receipts:				
Property tax	\$ 1,038,534	\$ 927,265	\$ 877,354	\$ 796,865
Tax increment financing collections	4,185	5,925	180,349	163,874
Local Option Sales Taxes	191,464	263,881	-	-
Licenses and permits	28,425	23,240	24,463	25,064
Use of money and property	19,885	47,788	42,812	49,722
Intergovernmental	275,706	256,327	262,780	254,436
Charges for service	133,121	157,932	157,697	180,268
Special assessments	-	2,030	20,545	28,311
Grant proceeds	214,805	106,491	-	-
Bond proceeds	-	1,101,230	-	430,000
Miscellaneous	28,652	225,009	14,089	12,562
Total	<u>\$ 1,934,777</u>	<u>\$ 3,117,118</u>	<u>\$ 1,580,089</u>	<u>\$ 1,941,102</u>
Disbursements:				
Operating:				
Public safety	\$ 324,811	\$ 317,098	\$ 298,363	\$ 300,415
Public works	427,096	481,413	356,800	308,104
Health and social services	2,330	1,830	1,830	1,830
Culture and recreation	359,940	408,420	348,178	311,093
Community and economic development	14,224	11,766	18,591	153,328
General government	172,246	187,931	266,106	224,711
Debt service	347,190	425,745	416,302	374,491
Capital projects	613,057	836,320	124,086	211,777
Total	<u>\$ 2,260,894</u>	<u>\$ 2,670,523</u>	<u>\$ 1,830,256</u>	<u>\$ 1,885,749</u>

See accompanying independent auditor's report.

Schedule 4

2006	2005	2004	2003
\$ 762,082	\$ 748,678	\$ 791,530	\$ 694,102
161,601	198,285	139,212	134,590
-	3,327	15,379	-
25,118	20,720	22,965	14,602
31,222	16,570	18,148	55,923
377,113	252,974	253,370	297,347
160,167	186,258	173,172	173,035
13,197	28,046	23,005	5,430
-	506,505	619,377	-
660,476	-	-	-
28,533	9,428	110,226	107,381
<u>\$ 2,219,509</u>	<u>\$ 1,970,791</u>	<u>\$ 2,166,384</u>	<u>\$ 1,482,410</u>

\$ 266,814	\$ 271,709	\$ 315,545	\$ 256,486
735,142	470,917	295,345	363,435
1,830	1,830	1,830	1,830
340,855	291,365	297,228	483,802
63,187	327,432	6,104	-
225,712	275,337	694,879	270,500
363,834	482,075	491,450	444,798
450,720	572,264	361,990	505,595
<u>\$ 2,448,094</u>	<u>\$ 2,692,929</u>	<u>\$ 2,464,371</u>	<u>\$ 2,326,446</u>

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sibley, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated November 2, 2010. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Sibley's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinions on the effectiveness of City of Sibley's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Sibley's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses or other deficiencies we consider to be significant deficiencies.

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 combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Sibley's financial statements will not be prevented or detected and correct misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

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

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

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

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



East, Vander Woude, Grant & Co., P.C.

Certified Public Accountants

Sioux Falls, SD

November 2, 2010

**City of Sibley, Iowa
Schedule of Findings
Year ended June 30, 2010**

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

**City of Sibley, Iowa
Schedule of Findings
Year ended June 30, 2010**

Part II: Other Findings Related to Statutory Reporting:

- II-A-10 Certified Budget – Disbursements during the year ended June 30, 2010 did not exceed amounts budgeted. Chapter 384.20 of the Code of Iowa states in part that public monies may not be disbursed except under an annual or continuing appropriation.
- II-B-10 Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-C-10 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-10 Business Transactions – Business transactions between City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Jayson VandeHoef, Council Member, Bosma Water Service	Supplies for Sewer and Golf funds	\$1,086.81
Mike Groote, Council Member, employee of Cooperative Energy	Tires, repairs and maintenance expenses	\$39,211.09

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Council Member VandeHoef do not appear to represent conflicts of interest since total transactions with the individual were less than \$1,500 during the fiscal year. The transactions with the Council Member Groote’s employer Cooperative Energy (Coop) do not appear to represent conflicts of interest as the decision to use the Coop is made by the Department Heads and is the only business within the City of Sibley that provides those services and products.

Recommendation – The City should be aware of the potential for a conflict of interest when dealing with members of the City Council, its employees, and relatives of council and employees. The City should consult with its attorney before entering into any transactions with these people.

Response – The City will consult with our attorney.

Conclusion– Response accepted

- II-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.
- II-F-10 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

City of Sibley, Iowa
Schedule of Findings
Year ended June 30, 2010

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

II-H-10 Revenue Bonds and Notes – The City has complied with the Electric and Sewer Revenue Bond resolutions. The City has not complied with all of the Water Revenue Capital Loan Note resolutions. The City’s revenues for the Lewis & Clark Fund must be at a level which produces and maintains a level not less than 125% of principal and interest falling due in the same year. Net revenues were \$11,072 less than required.

Recommendation – The City should consider options to maintain the required levels of funds in order to comply with the Water Fund – Lewis & Clark Capital Loan Note resolutions.

Response – The City is assessing the requirements and the City is taking measures to eliminate the noncompliance of the Capital Loan Note resolutions.

Conclusion– Response accepted.

II-I-10 Financial Condition – The following funds had deficit balances at June 30, 2010: **The Capital Projects - Airport Hanger Project of \$14,791; General Fund of \$1,503,247; Enterprise Funds - Transit Service Fund of \$9,299; and Enterprise Funds - Golf Course Fund of \$282,987.**

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

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

Conclusion – Response accepted.

II-J-10 Economic Development – The City paid **\$39,672** to the Osceola County Economic Development Committee which may not be an appropriate disbursement of public funds.

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

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

Response – We will continue to evaluate and document the public purpose for the economic development annually.

Conclusion – Response accepted.