

CITY OF SIBLEY, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2011

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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
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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, 2011, 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, 2011, 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 4, 2011 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 33 through 36 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, 2010, 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, Vander Woude, Grant & Co., P.C.

East, Vander Woude, Grant & Co., P.C.
Certified Public Accountants
Sioux Falls, SD
November 4, 2011

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, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 7.79%, or approximately \$158,000, from fiscal 2010 to fiscal 2011. Property tax increased \$49,000, charges for services increased \$74,000, local option sales tax decreased \$8,000, and grant proceeds decreased \$115,000 while general government increased \$158,000.
- Disbursements of the City's governmental activities decreased 8.96%, or approximately \$203,000, from fiscal 2010 to fiscal 2011. Public safety increased \$7,000, public works disbursements decreased \$53,000, culture and recreation decreased \$6,000, community and economic development decreased \$1,000, debt service decreased \$29,000, and capital projects decreased \$255,000 while general government increased \$134,000.
- The City's total cash basis net assets increased 7.25%, or approximately \$229,000, from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities increased approximately \$125,000 and the assets of the business type activities increased by approximately \$104,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

Basis of Accounting

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

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

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

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

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

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

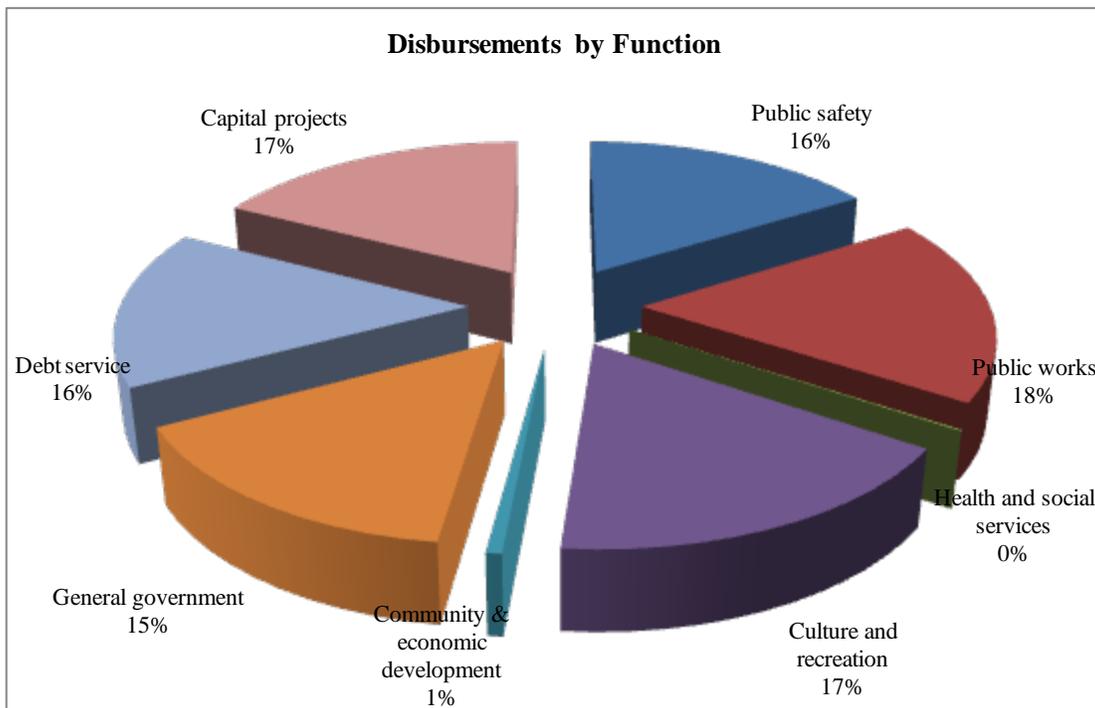
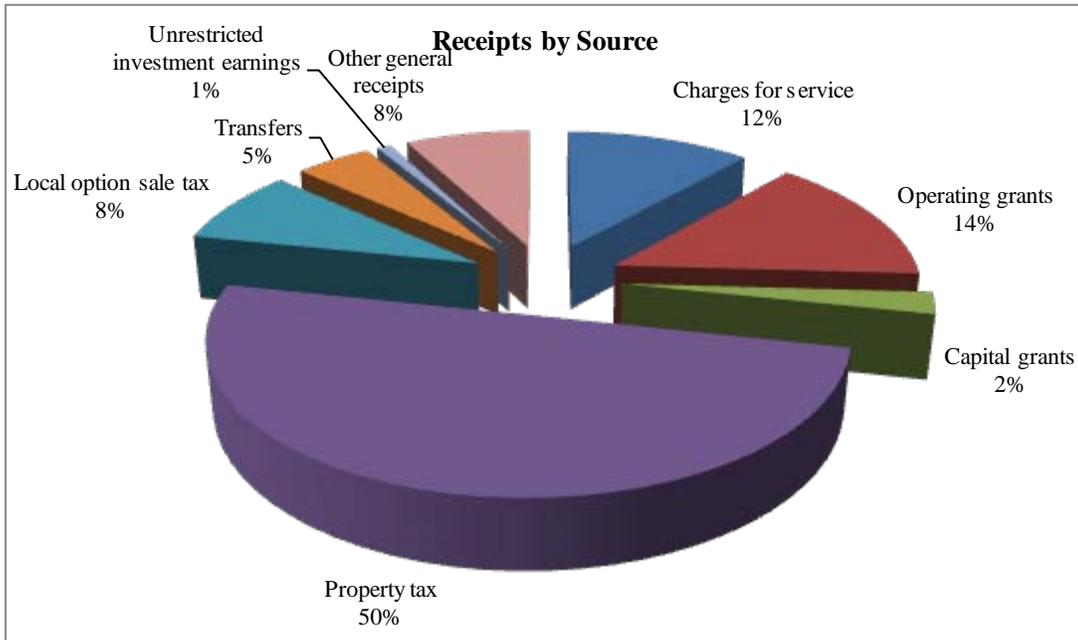
Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$195,585 to \$320,568. 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,		
	2011	2010	change
Receipts and transfer:			
Program receipts:			
Charges for service	\$ 252	\$ 178	74
Operating grants, contributions and restricted interest	315	267	48
Capital grants, contributions and restricted interest	52	215	(163)
General receipts:			
Property tax	1,092	1,043	49
Local option sales tax	183	191	(8)
Unrestricted investment earnings	19	11	8
Other general receipts	170	29	141
Transfers, net	104	95	9
Total receipts and transfers	<u>2,187</u>	<u>2,029</u>	<u>158</u>
Disbursements:			
Public safety	332	325	7
Public works	374	427	(53)
Health and social services	2	2	-
Culture and recreation	354	360	(6)
Community and economic development	13	14	(1)
General government	311	177	134
Debt service	318	347	(29)
Capital projects	358	613	(255)
Total disbursements	<u>2,062</u>	<u>2,265</u>	<u>(203)</u>
Increase (decrease) in cash basis net assets	125	(236)	361
Cash basis net assets beginning of year	<u>196</u>	<u>432</u>	<u>(236)</u>
Cash basis net assets end of year	<u>\$ 321</u>	<u>\$ 196</u>	<u>125</u>



The City's total receipts for governmental activities increased by 7.79%, from approximately \$2,029,000 to \$2,187,000 in 2011. The total cost of all programs and services decreased by approximately \$203,000, or 8.96%, 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 2011 by 0.7% and for 2011 tax rates decrease 0.06%. This increased the City's property tax receipts by approximately \$49,000 in 2011. Based on increases in the total assessed valuation and stable tax rates, property tax receipts are budgeted to increase by \$28,000 in the next year.

The cost of all governmental activities this year was \$2,061,971 compared to \$2,265,858

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 \$1,442,976 because some of the cost was paid by those directly benefited from the programs (\$251,757) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$367,238). The City paid for the remaining “public benefit” portion of governmental activities with \$1,092,386 in property tax (some of which could only be used for certain programs), local option sales tax of \$183,478, interest of \$18,992, and general entitlements of \$169,571.

Changes in Cash Basis Net Assets of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2011	2010
Receipts and transfer:		
Program receipts:		
Charges for service		
Electric	\$ 2,803	\$ 2,689
Water	554	563
Sewer	269	249
Golf	191	218
Other nonmajor	281	262
General receipts:		
Unrestricted investment earnings	12	14
Miscellaneous	-	8
Total receipts	<u>4,110</u>	<u>4,003</u>
Disbursements:		
Electric	2,450	2,294
Water	405	438
Sewer	193	183
Golf	231	205
Other nonmajor	623	619
Transfers	104	95
Total disbursements	<u>4,006</u>	<u>3,834</u>
Increase (decrease) in cash basis net assets	104	169
Cash basis net assets beginning of year	<u>2,962</u>	<u>2,793</u>
Cash basis net assets end of year	<u>\$ 3,066</u>	<u>\$ 2,962</u>

Total business type activities receipts for the fiscal year were \$4,109,795 compared to \$4,003,220 from last year. This increase was due primarily to an increase in electric revenues. The cash balances increased by \$104,202 from the prior year for the same reason. Total disbursements and transfers for the fiscal year increased by \$171,171 from \$3,834,422 last year to a total of \$4,005,593 this year. These decreases are due primarily to increase in electric supply costs.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As City of Sibley completed the year, its governmental funds reported a combined fund balance of \$320,568, a increase of \$124,983 from last year’s total of \$195,585. 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 \$146,735 from the prior year to \$(1,356,512). 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 \$41,008 to \$274,125 during the fiscal year. This increase was attributable to increased receipts countered by a larger decrease in disbursements during the fiscal year.
- The 2009 Capital Projects Fund was established in the prior year to account for various projects within the City's business district initiated during the year. The cash balance decreased by \$70,599 from the prior year to \$69,934, resulting from expenditure on projects of \$93,393 offset by grant income of \$22,794.
- The Debt Service Fund cash balance decreased by \$305 to \$15,340 during the fiscal year. This decrease was primarily due to an unexpected increase in bond fees that had not been levied for.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund combined with Lewis and Clark Fund cash balance increased by \$17,316 to \$487,431 due primarily to controlled spending in light of reduced revenues.
- The Electric Fund cash balance decreased by \$22,313 to \$375,280, due primarily to the budgeted transfer to the General Fund.
- The Golf Course Fund cash balance decreased by \$15,676 to \$(298,663), due primarily to revenues being less than budgeted and disbursement exceeding amount budgeted during the year.
- The Sewer Fund cash balance increased by \$53,093 to \$212,647, due primarily to revenues exceeding amount budgeted and disbursements being less than budgeted during the year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 23, 2011 and resulted in an increase in disbursements in several programs with corresponding increases in revenues resulting in no net change in the budget. The City's receipts were \$82,404 less than the amended budget. This was primarily due to enterprise fund revenue being less than budgeted.

The actual disbursements for the public safety; public works; culture and recreation; community and economic development; and business type activities were \$877; \$103,897; \$2,413; \$3,379; and \$167,016, respectively, less than the amended budget while general government; debt service; and capital projects were \$8,363; \$199; and \$266,583 respectively, more than the amended budget

DEBT ADMINISTRATION

At June 30, 2011, the City had \$3,116,018 in bonds and other long-term debt, compared to \$3,658,360 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2011	2010
Capital Loan Notes	\$ 1,500,000	\$ 1,745,000
Revenue notes	1,583,000	1,865,000
Capital Leases	33,018	48,360
Total	<u>\$ 3,116,018</u>	<u>\$ 3,658,360</u>

The change in debt is a result of making payments of \$542,342. 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 \$1,533,018 is significantly below its constitutional debt limit of \$4,683,026.

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 2011 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 2009-10. Unemployment in the City now stands at 5.3 percent, versus 6.6 percent a year ago. This compares with the State's unemployment rate of 6.0 percent and the national rate of 9.2 percent.

These indicators were taken into account when adopting the budget for fiscal year 2012. Amounts available for appropriation in the operating budget are \$5.9 million, a decrease of 6.3% from the final 2011 budget. Budgeted disbursements are expected to decrease approximately \$425,000 or 7.5%. 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 2012 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$389,000 by the close of 2012 mostly due to general government disbursements increasing faster than the City's ability to levy taxes.

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, 2011

Functions/Programs	Disbursements	Program Revenues		
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 331,873	\$ -	\$ -	\$ -
Public works	374,353	-	276,797	-
Health and social services	2,330	-	-	-
Culture and recreation	353,512	165,492	-	-
Community and economic development	12,621	-	32,406	29,616
General government	311,131	25,163	163	-
Debt service	318,013	-	-	-
Capital projects	358,138	61,102	5,462	22,794
Total governmental activities	2,061,971	251,757	314,828	52,410
Business type activities:				
Electric	2,450,009	2,802,939	-	-
Water / Lewis & Clark	404,626	554,254	-	-
Sewer	193,366	269,059	-	-
Golf	231,032	190,616	-	-
Other nonmajor	623,028	281,354	-	-
Total business type activities	3,902,061	4,098,222	-	-
Total	5,964,032	4,349,979	314,828	52,410
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:				
Nonexpendable:				
Expendable:				
Special revenue funds				
Debt service fund				
Capital Projects				
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
\$ (331,873)	\$ -	\$ (331,873)
(97,556)	-	(97,556)
(2,330)	-	(2,330)
(188,020)	-	(188,020)
49,401	-	49,401
(285,805)	-	(285,805)
(318,013)	-	(318,013)
(268,780)	-	(268,780)
<u>(1,442,976)</u>	<u>-</u>	<u>(1,442,976)</u>
-	352,930	352,930
-	149,628	149,628
-	75,693	75,693
-	(40,416)	(40,416)
-	(341,674)	(341,674)
-	196,161	196,161
<u>(1,442,976)</u>	<u>196,161</u>	<u>(1,246,815)</u>
1,048,671	-	1,048,671
43,715	-	43,715
183,478	-	183,478
18,992	11,573	30,565
169,571	-	169,571
103,532	(103,532)	-
<u>1,567,959</u>	<u>(91,959)</u>	<u>1,476,000</u>
124,983	104,202	229,185
195,585	2,962,271	3,157,856
<u>\$ 320,568</u>	<u>\$ 3,066,473</u>	<u>\$ 3,387,041</u>
\$ -	\$ -	\$ -
408,260	-	408,260
15,340	367,596	382,936
69,934	-	69,934
(172,966)	2,698,877	2,525,911
<u>\$ 320,568</u>	<u>\$ 3,066,473</u>	<u>\$ 3,387,041</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, 2011

	General	Road Use Tax	2009 Capital Projects
Receipts:			
Property tax	\$ 623,783	\$ -	\$ -
Tax increment financing collections	-	-	-
Local Option Sales Taxes	183,478	-	-
Other city tax	11,268	-	-
Licenses and permits	25,163	-	-
Use of money and property	18,992	-	-
Intergovernmental	22,344	269,367	-
Charges for service	143,149	-	-
Miscellaneous	-	-	-
Total Receipts	1,028,177	269,367	-
Disbursements:			
Operating:			
Public safety	327,128	-	-
Public works	104,771	213,500	-
Health and social services	2,330	-	-
Culture and recreation	311,741	-	-
Community and economic development	12,621	-	-
General government	176,384	-	-
Debt service	-	-	-
Capital projects	-	-	93,393
Total Disbursements	934,975	213,500	93,393
Excess of receipts over disbursements	93,202	55,867	(93,393)
Other financing sources (uses):			
Grant proceeds	29,616	-	22,794
Operating transfers in	112,500	-	-
Operating transfers out	(88,583)	(14,859)	-
Total other financing sources (uses)	53,533	(14,859)	22,794
Net change in cash balances	146,735	41,008	(70,599)
Cash balances beginning of year	(1,503,247)	233,117	140,533
Cash balances end of year	\$ (1,356,512)	\$ 274,125	\$ 69,934
Cash Basis Fund Balances			
Nonexpendable:	\$ -	\$ -	\$ -
Restricted for:			
Special revenue funds	-	274,125	-
Debt service fund	-	-	-
Capital Projects	-	-	69,934
Assigned:	-	-	-
Unassigned:	(1,356,512)	-	-
Total cash basis fund balances	\$ (1,356,512)	\$ 274,125	\$ 69,934

See notes to financial statements.

Exhibit B

Debt Service	Other Nonmajor Governmental Funds	Total
\$ 263,570	\$ 161,318	\$ 1,048,671
-	43,715	43,715
-	-	183,478
-	-	11,268
-	-	25,163
-	5,625	24,617
21,138	7,429	320,278
-	61,102	204,251
-	169,571	169,571
<u>284,708</u>	<u>448,760</u>	<u>2,031,012</u>
-	4,745	331,873
-	56,082	374,353
-	-	2,330
-	41,771	353,512
-	-	12,621
-	125,929	302,313
318,013	-	318,013
-	264,745	358,138
<u>318,013</u>	<u>493,272</u>	<u>2,053,153</u>
<u>(33,305)</u>	<u>(44,512)</u>	<u>(22,141)</u>
-	-	52,410
33,000	131,974	277,474
-	(70,500)	(173,942)
<u>33,000</u>	<u>61,474</u>	<u>155,942</u>
(305)	16,962	133,801
15,645	1,243,159	129,207
<u>\$ 15,340</u>	<u>\$ 1,260,121</u>	<u>\$ 263,008</u>
\$ -	\$ -	\$ -
-	134,135	408,260
15,340	-	15,340
-	-	69,934
-	1,125,986	1,125,986
-	-	(1,356,512)
<u>\$ 15,340</u>	<u>\$ 1,260,121</u>	<u>\$ 263,008</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, 2011

Exhibit C

Total governmental funds cash balances (page 17)	\$	263,008
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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.

57,560

Cash basis net assets of governmental activities (page 15)	\$	<u>320,568</u>
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Net change in cash balances (page 17)	\$	133,801
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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.

(8,818)

Change in cash balance of governmental activities (page 15)	\$	<u>124,983</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, 2011

	Enterprise Funds		
	Electric	Water Including Lewis & Clark	Sewer
Operating receipts:			
Use of money and property	\$ 1,441	\$ 578	\$ 612
Charge for service	2,802,939	554,254	269,059
Miscellaneous	-	-	-
Total operating receipts	<u>2,804,380</u>	<u>554,832</u>	<u>269,671</u>
Operating disbursements:			
Governmental activities:			
General government	-	-	-
Business type activities	2,429,963	404,626	193,366
Total operating disbursements	<u>2,429,963</u>	<u>404,626</u>	<u>193,366</u>
Excess (deficiency) of operating receipts over (under)	<u>374,417</u>	<u>150,206</u>	<u>76,305</u>
Non-operating receipts (disbursements):			
Debt service	-	(77,590)	-
Total non-operating receipts (disbursements)	<u>-</u>	<u>(77,590)</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursement	374,417	72,616	76,305
Operating transfers in	-	-	-
Operating transfers out	(396,730)	(55,300)	(23,212)
Net change in cash balances	(22,313)	17,316	53,093
Cash balances beginning of year	<u>397,593</u>	<u>470,115</u>	<u>159,554</u>
Cash balances end of year	<u>\$ 375,280</u>	<u>\$ 487,431</u>	<u>\$ 212,647</u>
Cash Basis Fund Balances			
Restricted for debt service:	\$ -	\$ -	\$ -
Unrestricted:	375,280	487,431	212,647
Total cash basis fund balances	<u>\$ 375,280</u>	<u>\$ 487,431</u>	<u>\$ 212,647</u>

See notes to financial statements.

Enterprise Funds			Internal Service Funds		
Golf	Other Nonmajor Enterprises	Total	Employee Health	Payroll	Total
\$ -	\$ 8,942	\$ 11,573	\$ 52	\$ -	\$ 52
190,616	281,354	4,098,222	846	-	846
-	-	-	-	-	-
190,616	290,296	4,109,795	898	-	898
-	-	-	26,733	3,029	29,762
231,032	270,973	3,529,960	-	-	-
231,032	270,973	3,529,960	26,733	3,029	29,762
(40,416)	19,323	579,835	(25,835)	(3,029)	(28,864)
-	(274,465)	(352,055)	-	-	-
-	(274,465)	(352,055)	-	-	-
(40,416)	(255,142)	227,780	(25,835)	(3,029)	(28,864)
24,740	385,791	410,531	-	4,369	4,369
-	(43,190)	(518,432)	-	-	-
(15,676)	87,459	119,879	(25,835)	1,340	(24,495)
(282,987)	2,099,996	2,844,271	185,717	(1,340)	184,377
\$ (298,663)	\$ 2,187,455	\$ 2,964,150	\$ 159,882	\$ -	\$ 159,882
\$ -	\$ 367,596	\$ 367,596	\$ -	\$ -	\$ -
(298,663)	1,819,859	2,596,554	159,882	-	159,882
\$ (298,663)	\$ 2,187,455	\$ 2,964,150	\$ 159,882	\$ -	\$ 159,882

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, 2011

Exhibit E

Total enterprise funds cash balances (page 21)	\$ 2,964,150
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.	
	102,323
Cash basis net assets of business type activities (page 15)	\$ 3,066,473
Net change in cash balances (page 21)	\$ 119,879
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.	
	(15,677)
Change in cash balance of business type activities (page 15)	\$ 104,202

See notes to financial statements.

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2011

(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, Osceola County Public Safety Commission and Lewis and Clark Regional Water System.

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 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 Fund.

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.

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.

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2011

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

The City also reports the following additional proprietary funds:

An Internal Service Fund is utilized to account for the processing of employee health insurance reimbursement under a deductible reimbursement plan 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

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2011

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. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements were less than the amounts budgeted in all functional categories except General Government, Debt Service and Capital Projects. This was the result of legal services costs being higher than anticipated, an unexpected increase in bond fees and prior year budgeted projects running into the current fiscal year, respectively.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2011 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, 2011.

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.

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2011

(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
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	59,000	37,650	200,000	25,105	259,000	62,755
2017 - 2021	340,000	148,470	380,000	31,845	720,000	180,315
2022 - 2026	403,000	71,233	-	-	403,000	71,233
2027 - 2031	75,000	3,563	-	-	75,000	3,563
Totals	\$ 1,583,000	\$ 451,168	\$ 1,500,000	\$ 245,460	\$ 3,083,000	\$ 696,628

Revenue Notes

The City has pledged future electric customer receipts, net of specified operating disbursements, to repay \$960,000 in electric revenue notes issued December 2008. Proceeds from the notes provided financing to replace project notes previously issued to provide funds to pay costs of improvements and extensions to the Municipal Electric Utility including the purchase and installation of an 1825 KW prime/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 2013. The total principal and interest remaining to be paid on the notes is \$511,670. For the current year, principal and interest paid and total net receipts were \$254,865 and \$337,315, 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 \$319,794 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 \$257,680. For the current year, principal and interest paid and total net receipts were \$18,600 and \$75,305, respectively.

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

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2011

- (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 \$20,234 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 \$1,264,817. For the current year, principal and interest paid and total net receipts were \$77,590 and \$148,706, 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 \$86,956 which was met.

(4) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% 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, 2011, 2010 and 2009 were \$61,524, \$54,842 and \$51,754, 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.

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2011

(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, 2011, primarily relating to the General Fund and Electric funds, is as follows:

Type of Benefit	Amount
Vacation	\$ 56,737
Sick leave	138,132
Totals	<u>\$ 194,869</u>

This liability has been computed based on rates of pay in effect at June 30, 2011.

(6) Anticipatory Warrants

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

(7) Risk Management

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

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 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, 2011 were \$86,944.

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

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2011

per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, 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 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, 2011, 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 \$52,149 during the year ended June 30, 2011.

(9) Health Care Facility Revenue Bonds

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

(10) Senior Housing Revenue Bonds

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

(11) 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, 2011, this total difference amounts to a potential liability to the City of \$63,750.

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2011

(12) 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, 2011 are as follows:

		<u>Interest</u>	<u>Principal</u>	<u>Total payment</u>
Lease payments	2012	1,648	16,107	17,755
	2013	844	16,911	17,755
		<u>\$ 2,492</u>	<u>\$ 33,018</u>	<u>\$ 35,510</u>

(13) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to:</u>	<u>Transfer from:</u>	<u>Amount</u>
Transit Service Fund	General Fund	\$ 18,195
Employee Benefits Fund	General Fund	37,500
Sewer Relocation Fund	Sewer Utility Fund	21,012
Electric Revenue Reserve Fd	Electric Utility Fund	63,719
Electric Revenue Sinking Fd	Electric Utility Fund	255,265
Industrial Site Fund	Road Use Tax Fund	14,859
Water Revenue Sinking Fund	Water Utility Fund	27,600
Electric Improvement Fund	Golf Course Fund	8,811
General Fund	Electric Utility Fund	50,000
General Fund	Water Utility Fund	25,000
Debt Service Fund	Industrial Park Fund	25,000
Debt Service Fund	Feldkamp Estates Fund	8,000
Golf Course Fund	Electric Improvement Fund	33,551
Payroll Fund	Electric Utility Fund	4,370
Airport Hanger Project Fund	General Fund	14,231
Capital Reserve Fund	Electric Utility Fund	23,377
	Sewer Utility Fund	2,200
	Garbage Utility Fund	18,450
	Water Utility Fund	2,700
	General Fund	
	Administration	
	Fire	14,000
	Library	2,500
	Park	2,000
	Street Department	16,111
	Airport	5,000
	Administration	16,546
		<u>102,884</u>
	Total	<u>\$ 709,997</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 Sibley, Iowa
Notes to Financial Statements
June 30, 2011

(14) Deficit Fund Balance

The General Fund had a deficit balance of \$1,356,512 at June 30, 2011. 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 \$2,149 at June 30, 2011. 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 \$298,663 at June 30, 2011. 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.

(15) Construction Commitments

As of June 30, 2011, the City had no Construction Commitments outstanding.

(16) Jointly Governed Organizations

The City is a member of the Lewis and Clark Regional Water System, Inc. (the "System"). The System's twenty members include fifteen municipalities and five rural water systems within South Dakota, Iowa, and Minnesota that provide drinking water to consumers. The System will collect, treat and distribute drinking water to its members when the water treatment plant and pipelines are completed to members. The System's board of directors is comprised of twenty directors, one from each member. No member of the System has an equity interest.

The City has entered into a commitment for (1) the City's portion of the base system costs and (2) the City's costs associated with additional capacity modifications for the Lewis and Clark Regional Water System.

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, 2011

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 1,048,671	\$ -
Tax increment financing collections	43,715	-
Local Option Sales Taxes	183,478	-
Other city tax	11,268	-
Licenses and permits	25,163	-
Use of money and property	24,617	11,573
Intergovernmental	320,278	-
Charges for service	204,251	4,098,222
Miscellaneous	169,571	-
Total receipts	<u>2,031,012</u>	<u>4,109,795</u>
Disbursements:		
Public safety	331,873	-
Public works	374,353	-
Health and social services	2,330	-
Culture and recreation	353,512	-
Community and economic development	12,621	-
General government	302,313	-
Debt service	318,013	-
Capital projects	358,138	-
Business type activities	-	3,882,015
Total disbursements	<u>2,053,153</u>	<u>3,882,015</u>
Excess of receipts over disbursements	(22,141)	227,780
Other financing sources, net	<u>155,942</u>	<u>(107,901)</u>
Excess of receipts and other financing sources over disbursements and other financing uses	133,801	119,879
Balances beginning of year	<u>129,207</u>	<u>2,844,271</u>
Balances end of year	<u>\$ 263,008</u>	<u>\$ 2,964,150</u>

	Less Funds not Required to be Budgeted	Total Actual	Budgeted Amounts		Final to Actual Variance
			Original	Final	
\$	-	\$ 1,048,671	\$ 1,040,721	\$ 1,040,721	\$ 7,950
	-	43,715	44,451	44,451	(736)
	-	183,478	150,000	150,000	33,478
	-	11,268	11,721	11,721	(453)
	-	25,163	23,950	23,950	1,213
	-	36,190	29,000	32,400	3,790
	-	320,278	378,168	378,168	(57,890)
	-	4,302,473	4,315,400	4,366,800	(64,327)
	-	169,571	-	175,000	(5,429)
	-	6,140,807	5,993,411	6,223,211	(82,404)
	-	331,873	323,198	332,750	(877)
	-	374,353	478,250	478,250	(103,897)
	-	2,330	2,330	2,330	-
	-	353,512	355,925	355,925	(2,413)
	-	12,621	15,000	16,000	(3,379)
	-	302,313	169,950	293,950	8,363
	-	318,013	317,814	317,814	199
	-	358,138	80,800	91,555	266,583
	-	3,882,015	3,914,538	4,049,031	(167,016)
	-	5,935,168	5,657,805	5,937,605	(2,437)
	-	205,639	335,606	285,606	(79,967)
	-	48,041	-	50,000	(1,959)
	-	253,680	335,606	335,606	(81,926)
	-	2,973,478	2,927,675	3,157,857	(184,379)
\$	-	\$ 3,227,158	\$ 3,263,281	\$ 3,493,463	\$ (266,305)

City of Sibley, Iowa
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2011

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, 2011, 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, 2011

	Special Revenue Employee Benefit	Urban Renewal Tax Increment
Receipts:		
Property tax	\$ 161,318	\$ -
Tax increment financing collections	-	43,715
Use of money and property	163	-
Intergovernmental	-	-
Charges for service	-	-
Miscellaneous	-	-
Total Receipts	161,481	43,715
Disbursements:		
Operating:		
Public safety	4,745	-
Public works	56,082	-
Culture and recreation	41,771	-
General government	23,371	-
Capital projects	-	12,086
Total Disbursements	125,969	12,086
Excess of receipts over disbursements	35,512	31,629
Other financing sources (uses):		
Operating transfers in	-	-
Operating transfers out	(37,500)	-
Total other financing sources (uses)	(37,500)	-
Net change in cash balances	(1,988)	31,629
Cash balances beginning of year	31,505	6,536
Cash balances end of year	\$ 29,517	\$ 38,165
Cash Basis Fund Balances		
Nonexpendable	\$ -	\$ -
Restricted for:		
Special revenue funds	29,517	38,165
Assigned:	-	-
Unassigned:	-	-
Total cash basis fund balances	\$ 29,517	\$ 38,165

See accompanying independent auditor's report.

Schedule 1

Revolving Loan Fund	Nonmajor Special Revenue and Capital Projects	Other Nonmajor Governmental Funds Totals
\$ -	\$ -	\$ 161,318
-	-	43,715
-	5,462	5,625
-	7,429	7,429
-	61,102	61,102
169,011	560	169,571
<u>169,011</u>	<u>74,553</u>	<u>448,760</u>
-	-	4,745
-	-	56,082
-	-	41,771
102,558	-	125,929
-	252,659	264,745
<u>102,558</u>	<u>252,659</u>	<u>493,272</u>
<u>66,453</u>	<u>(178,106)</u>	<u>(44,512)</u>
-	131,974	131,974
-	(33,000)	(70,500)
-	98,974	61,474
<u>66,453</u>	<u>(79,132)</u>	<u>16,962</u>
-	1,205,118	1,243,159
<u>\$ 66,453</u>	<u>\$ 1,125,986</u>	<u>\$ 1,260,121</u>
\$ -	\$ -	\$ -
66,453	-	134,135
-	1,125,986	1,125,986
-	-	-
<u>\$ 66,453</u>	<u>\$ 1,125,986</u>	<u>\$ 1,260,121</u>

City of Sibley, Iowa
Schedule of Indebtedness
Year ended June 30, 2011

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	\$ 265,000
2003 Capital Improvements	1/1/2003	2.1 to 4.4%	580,000	195,000
Fire Truck and Airport Hanger	10/15/2006	3.8 to 4.25%	430,000	315,000
Gen Oblig Capital Loan Notes 2008B	12/15/2008	3 to 4.5%	1,140,000	970,000.00
Totals				<u>\$ 1,745,000</u>
Revenue bonds:				
2008 Refunding Revenue	10/1/2008	2.75 to 3.4%	960,000	730,000
2006 Sewer Revenue	2/1/2006	3%	274,000	220,000
2007 Water Revenue	5/30/2007	4.5 to 5.75%	1,010,000	915,000
Totals				<u>\$ 1,865,000</u>
Capital Leases:				
2008 Sanitation Truck	5/29/2008	4.99%	\$ 116,890	\$ 48,360
Totals				<u>\$ 48,360</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	\$ 225,000	\$ 10,898	\$ 780
-	60,000	135,000	8,365	490
-	40,000	275,000	12,808	937
-	105,000	865,000	39,143	2,969
<u>\$ -</u>	<u>\$ 245,000</u>	<u>\$ 1,500,000</u>	<u>\$ 71,214</u>	<u>\$ 5,176</u>
-	235,000	495,000	19,865	\$ 1,035
-	12,000	208,000	6,600	520
-	35,000	880,000	42,590	3,381
<u>\$ -</u>	<u>\$ 282,000</u>	<u>\$ 1,583,000</u>	<u>\$ 69,055</u>	<u>\$ 4,936</u>
<u>\$ -</u>	<u>\$ 15,342</u>	<u>\$ 33,018</u>	<u>\$ 2,413</u>	<u>\$ 137</u>
<u>\$ -</u>	<u>\$ 15,342</u>	<u>\$ 33,018</u>	<u>\$ 2,413</u>	<u>\$ 137</u>

**City of Sibley, Iowa
Bond and Note Maturities
June 30, 2011**

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		Interest		Interest	
	Rates	Amounts	Rates	Amounts	Rates	Amounts
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>\$ 208,000</u>		<u>\$ 880,000</u>		<u>\$ 495,000</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		Interest		Interest	
	Rates	Amounts	Rates	Amounts	Rates	Amounts
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>\$ 135,000</u>		<u>\$ 225,000</u>		<u>\$ 275,000</u>

See accompanying independent auditor's report.

**City of Sibley, Iowa
Bond and Note Maturities
June 30, 2011**

Schedule 3

Year Ending June 30	CAPITAL LOAN NOTES	
	Equipment & Improvements	
	Issued December 15, 2008	
	Interest	
	Rates	Amounts
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		\$ 865,000

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

	2011	2010	2009	2008
Receipts:				
Property tax	\$ 1,048,671	\$ 1,038,534	\$ 927,265	\$ 877,354
Tax increment financing collections	43,715	4,185	5,925	180,349
Local Option Sales Taxes	194,746	191,464	263,881	-
Licenses and permits	25,163	28,425	23,240	24,463
Use of money and property	24,617	19,885	47,788	42,812
Intergovernmental	320,278	275,706	256,327	262,780
Charges for service	204,251	133,121	157,932	157,697
Special assessments	-	-	2,030	20,545
Grant proceeds	52,410	214,805	106,491	-
Bond proceeds	-	-	1,101,230	-
Miscellaneous	169,571	28,652	225,009	14,089
Total	<u>\$ 2,083,422</u>	<u>\$ 1,934,777</u>	<u>\$ 3,117,118</u>	<u>\$ 1,580,089</u>
Disbursements:				
Operating:				
Public safety	\$ 331,873	\$ 324,811	\$ 317,098	\$ 298,363
Public works	374,353	427,096	481,413	356,800
Health and social services	2,330	2,330	1,830	1,830
Culture and recreation	353,512	359,940	408,420	348,178
Community and economic development	12,621	14,224	11,766	18,591
General government	302,313	172,246	187,931	266,106
Debt service	318,013	347,190	425,745	416,302
Capital projects	358,138	613,057	836,320	124,086
Total	<u>\$ 2,053,153</u>	<u>\$ 2,260,894</u>	<u>\$ 2,670,523</u>	<u>\$ 1,830,256</u>

See accompanying independent auditor's report.

Schedule 4

2007	2006	2005	2004	2003
\$ 796,865	\$ 762,082	\$ 748,678	\$ 791,530	\$ 694,102
163,874	161,601	198,285	139,212	134,590
-	-	3,327	15,379	-
25,064	25,118	20,720	22,965	14,602
49,722	31,222	16,570	18,148	55,923
254,436	377,113	252,974	253,370	297,347
180,268	160,167	186,258	173,172	173,035
28,311	13,197	28,046	23,005	5,430
-	-	506,505	619,377	-
430,000	660,476	-	-	-
12,562	28,533	9,428	110,226	107,381
<u>\$ 1,941,102</u>	<u>\$ 2,219,509</u>	<u>\$ 1,970,791</u>	<u>\$ 2,166,384</u>	<u>\$ 1,482,410</u>

\$ 300,415	\$ 266,814	\$ 271,709	\$ 315,545	\$ 256,486
308,104	735,142	470,917	295,345	363,435
1,830	1,830	1,830	1,830	1,830
311,093	340,855	291,365	297,228	483,802
153,328	63,187	327,432	6,104	-
224,711	225,712	275,337	694,879	270,500
374,491	363,834	482,075	491,450	444,798
211,777	450,720	572,264	361,990	505,595
<u>\$ 1,885,749</u>	<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, 2011, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated November 4, 2011. 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, 2011 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.

East, Vander Woude, Grant & Co., P.C.
Certified Public Accountants
Sioux Falls, SD
November 4, 2011

City of Sibley, Iowa
Schedule of Findings
Year ended June 30, 2011

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, 2011**

Part II: Other Findings Related to Statutory Reporting:

II-A-10 Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the general government, debt service and capital projects. 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 budget will be amended in the future, if applicable.

Conclusion– Response accepted.

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	\$1,269.70
Mike Groote, Council Member, employee of Cooperative Energy	Tires, repairs and maintenance expenses	\$50,879.67

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.

**City of Sibley, Iowa
Schedule of Findings
Year ended June 30, 2011**

- II-F-10 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- 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 – No instances of non-compliance with the revenue bond and note resolutions were noted.
- II-I-10 Financial Condition – The following funds had deficit balances at June 30, 2011: General Fund of \$1,356,512; Enterprise Funds - Transit Service Fund of \$2,149; and Enterprise Funds - Golf Course Fund of \$298,663.
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 \$42,614 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.