

CITY OF SIBLEY, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2012

Table of Contents

	<u>Exhibit</u>	<u>Page</u>
<u>Officials</u>		3
<u>Independent Auditor's Report</u>		4 ó 5
<u>Management's Discussion and Analysis</u>		6 ó 12
<u>Basic Financial Statements:</u>		
Government-wide Financial Statements:		
Statement of Activities and Net Assets ó Cash Basis	A	14 ó 15
Government Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16 ó 17
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	18 ó 19
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets ó Cash Basis	D	20
Notes to Financial Statements		21 ó 30
<u>Other Information:</u>		
Budgetary Comparisons Schedule of Receipts, Disbursements and Changes in Balances ó Budget and Actual (Cash Basis) ó All Governmental Funds and Proprietary Funds		32 ó 33
Notes to Other Information ó Budgetary Reporting		34
<u>Supplementary Information:</u>		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances ó Nonmajor Governmental Funds	1	36 ó 37
Schedule of Indebtedness	2	38 ó 39
Schedule of Bond and Note Maturities	3	40 ó 41
Schedule of Receipts by Source and Disbursements by Function ó All Governmental Funds	4	42 ó 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 ó 45
Schedule of Findings		46 ó 48

CITY OF SIBLEY, IOWA

OFFICIALS

NAME	TITLE	TERM EXPIRES
Jerry Johnson	Mayor	January 1, 2014
Tim Nobles	Mayor Pro tem	January 1, 2016
Jayson VandeHoef	Council Member	January 1, 2014
Mike Groote	Council Member	January 1, 2014
Jan Henningsen	Council Member	January 1, 2016
Gail Buchholtz	Council Member	January 1, 2014
Dan L. Janssen	Administrator	Indefinite
Kristen Vipond	Clerk/Treasurer	Indefinite
Harold D. Dawson	Attorney	Indefinite

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

www.evwg.net

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

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

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sibley, Iowa, as of and for the year ended June 30, 2012, 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, 2012, 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 October 30, 2012 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.

Our audit was conducted 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, 2011, 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. The 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sibley's basic financial statements. 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. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

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

Certified Public Accountants

Sioux Falls, SD

October 30, 2012

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, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 3.89%, or approximately \$85,000, from fiscal 2011 to fiscal 2012. Property tax decreased \$5,000, charges for services increased \$39,000, local option sales tax increased \$90,000, and grant proceeds decreased \$70,000 while general government decreased \$139,000.
- Disbursements of the City's governmental activities increased 5.85%, or approximately \$120,000, from fiscal 2011 to fiscal 2012. Public safety increased \$9,000, public works disbursements increased \$168,000, culture and recreation increased \$44,000, community and economic development increased \$4,000, debt service increased \$1,000, and capital projects decreased \$53,000 while general government decreased \$53,000.
- The City's total cash basis net assets decreased 13.00%, or approximately \$440,000, from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities decreased approximately \$71,000 and the assets of the business type activities decreased by approximately \$370,000.

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 ó 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.

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

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

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 ó Cash Basis reports information which helps answer this question.

The Statement of Activities and Net Assets ó 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 ó 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 thirteen 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.

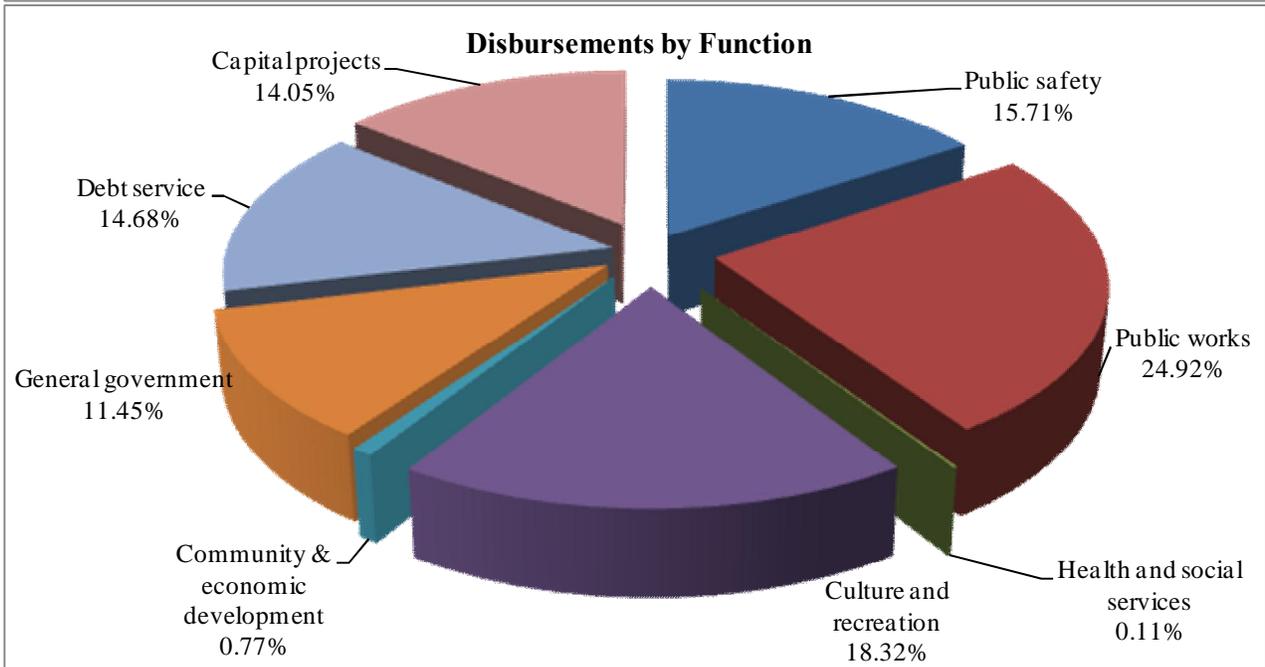
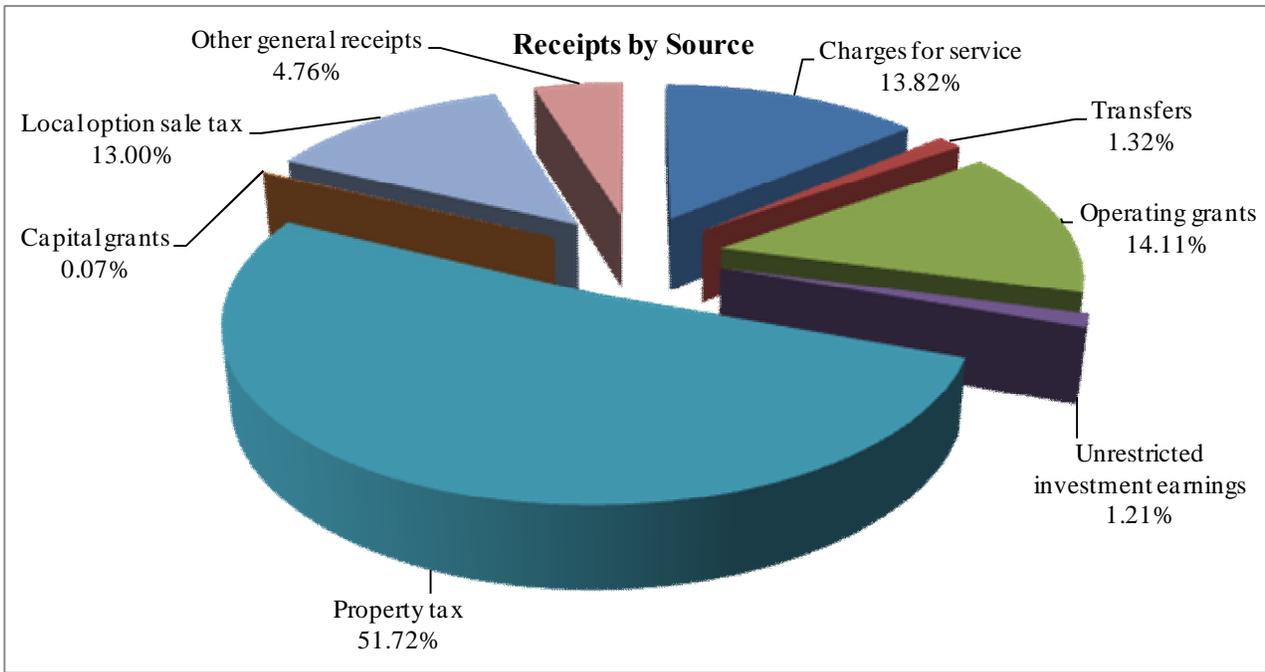
The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

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, decreasing from \$263,008 to \$192,400. 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,		
	2012	2011	change
Receipts and transfer:			
Program receipts:			
Charges for service	\$ 291	252	39
Operating grants, contributions and restricted interest	296	315	(19)
Capital grants, contributions and restricted interest	1	52	(51)
General receipts:			
Property tax	1,087	1,092	(5)
Local option sales tax	273	183	90
Unrestricted investment earnings	26	19	7
Other general receipts	100	170	(70)
Transfers, net	28	104	(76)
Total receipts and transfers	<u>2,102</u>	<u>2,187</u>	<u>(85)</u>
Disbursements:			
Public safety	341	332	9
Public works	542	374	168
Health and social services	2	2	-
Culture and recreation	398	354	44
Community and economic development	17	13	4
General government	249	302	(53)
Debt service	319	318	1
Capital projects	305	358	(53)
Total disbursements	<u>2,173</u>	<u>2,053</u>	<u>120</u>
Increase (decrease) in cash basis net assets	(71)	134	(205)
Cash basis net assets beginning of year	<u>263</u>	<u>129</u>	<u>134</u>
Cash basis net assets end of year	<u>\$ 192</u>	<u>263</u>	<u>(71)</u>



The City's total receipts for governmental activities decreased by 3.89%, from approximately \$2,187 million to \$2,102 million in 2012. The total cost of all programs and services increased by approximately \$120,000, or 5.85%, with no new programs added this year. The significant decrease in receipts was primarily the result of the reduction of Grant revenue compared to the prior year.

The City decreased property tax rates for 2012 by 0.06% and for 2013 tax rates decrease 0.2%. This decreased the City's property tax receipts by approximately \$5,000 in 2012. Based on increases in the total assessed valuation and stable tax rates, property tax receipts are budgeted to increase by \$45,000 in the next year.

The cost of all governmental activities this year was \$2,173,160 compared to \$2,053,153 last year. However, as shown in the Statement of Activities and Net Assets ó Cash Basis on pages 14-15, the amount taxpayers ultimately financed for these activities was only \$1,584,503 because some of the cost was paid by those directly benefited from the programs (\$290,640) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$298,017). The City paid for the remaining òpublic benefitó portion of governmental activities with \$1,087,348 in property tax (some of which could only be used for certain programs), local option sales tax of \$273,312, interest of \$25,500, and general entitlements of \$100,003.

Changes in Cash Basis Net Assets of Business Type Activities			
(Expressed in Thousands)			
	Year ended June 30,		
	2012	2011	\$ change
Receipts and transfer:			
Program receipts:			
Charges for service			
Electric	\$ 2,596	2,803	(207)
Water	576	554	22
Sewer	262	269	(7)
Golf	191	191	-
Other nonmajor	298	281	17
General receipts:			
Unrestricted investment earnings	2	12	(10)
Bond Proceeds	137	-	137
Miscellaneous	-	-	-
Total receipts	<u>4,062</u>	<u>4,110</u>	<u>(48)</u>
Disbursements:			
Electric	2,318	2,459	(141)
Water	469	405	64
Sewer	190	193	(3)
Golf	243	231	12
Other nonmajor	1,184	623	561
Transfers	28	104	(76)
Total disbursements	<u>4,432</u>	<u>4,015</u>	<u>417</u>
Increase (decrease) in cash basis net assets	(370)	95	(465)
Cash basis net assets beginning of year	<u>3,124</u>	<u>3,029</u>	<u>95</u>
Cash basis net assets end of year	<u>\$ 2,754</u>	<u>3,124</u>	<u>(370)</u>

Total business type activities receipts for the fiscal year were \$4,062,034 compared to \$4,109,795 from last year. This decrease was due primarily to a decrease in electric revenues. The cash balances decreased by \$369,599 from the prior year due to the Capital Projects that were started and will be financed in 2013. Total disbursements and transfers for the fiscal year increased by \$417,222 from \$4,014,411 last year to a total of \$4,431,633 this year. These increases are due primarily to the Capital Projects referenced above.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As City of Sibley completed the year, its governmental funds reported a combined fund balance of \$192,400, a decrease of \$70,608 from last year's total of \$263,008. 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 \$249,032 from the prior year to \$(1,107,480). This increase was due primarily to local option sales tax revenue and 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 decreased by \$117,990 to \$156,135 during the fiscal year. This decrease was attributable to street projects funded through reserve balances.
- The 2009 Capital Projects Fund was closed out during the year as the various projects within the City's business district for which it was set up have been completed. The cash balance of \$69,474 was transferred to another project Fund.
- The Debt Service Fund cash balance decreased by \$1,532 to \$13,808 during the fiscal year. This decrease was primarily due to an unexpected increase in bond fees that had not been levied for and smaller than anticipated reimbursement from the County on the Joint Development Area.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund combined with Lewis and Clark Fund cash balance increased by \$7,536 to \$494,967 due primarily to control spending in light of reduced revenues.
- The Electric Fund cash balance increased by \$180,865 to \$556,145, due primarily to the lower cost of purchased power.
- The Golf Course Fund cash balance decreased by \$31,900 to \$(330,563), due primarily to the purchase of a new mower for the course.
- The Sewer Fund cash balance increased by \$49,179 to \$261,826, due primarily to 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 28, 2012 and resulted in an increase in receipts as well as disbursements for public safety, public works, culture & recreation, community & economic development, general government, debt service, capital projects and business type activities. The City's receipts were \$98,511 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; general government; capital projects; and business type activities were \$2,736; \$38,994; \$1,115; \$180; \$8,068; \$11,481 and \$270,028, respectively, less than the amended budget.

DEBT ADMINISTRATION

At June 30, 2012, the City had \$2,552,911 in bonds and other long-term debt, compared to \$3,116,018 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2012	2011
Capital Loan Notes	\$ 1,245,000	\$ 1,500,000
Revenue notes	1,291,000	1,583,000
Capital Leases	16,911	33,018
Total	<u>\$ 2,552,911</u>	<u>\$ 3,116,018</u>

The change in debt is a result of making payments of \$563,107. The City has not currently been assigned a rating by national rating agencies to the City's debt. 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 \$1,261,911 is significantly below its constitutional debt limit of \$4,683,701. The City issued \$2,690,000 of GO Capital Loan Notes, Series 2012 in July 2012 for refunding the GO Capital Loan Notes, Series 2005 and for the Water Storage and Distribution Project.

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 2012 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 2008-2010. Unemployment in the City now stands at 5.0 percent, versus 5.3 percent a year ago. This compares with the State's unemployment rate of 5.7 percent and the national rate of 9.1 percent.

These indicators were taken into account when adopting the budget for fiscal year 2013. Amounts available for appropriation in the operating budget are \$9.7 million, an increase of 56.4% from the final 2012 budget. Budgeted disbursements are expected to increase approximately \$3.8 million or 55.5%. Increases in capital projects for both revenue and disbursements are the main reason for the increases. The City has added no major new programs or initiatives to the 2013 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$993,000 by the close of 2013 mostly due to the planned use of construction projects funds and enterprise reserves.

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, 2012

Functions/Programs	Disbursements	Program Revenues		
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 341,329	\$ -	-	-
Public works	541,506	-	265,393	-
Health and social services	2,330	-	-	-
Culture and recreation	398,030	172,560	-	-
Community and economic development	16,820	-	30,769	1,379
General government	248,722	26,537	-	-
Debt service	319,105	-	-	-
Capital projects	305,318	91,543	476	-
Total governmental activities	2,173,160	290,640	296,638	1,379
Business type activities:				
Electric	2,317,893	2,595,406	-	-
Water / Lewis & Clark	468,656	576,470	-	-
Sewer	189,753	261,808	-	-
Golf	242,966	191,325	-	-
Other nonmajor	1,184,633	297,870	-	-
Total business type activities	4,403,901	3,922,879	-	-
Total	6,577,061	4,213,519	296,638	1,379
General Receipts:				
Property tax levied for:				
General purposes				
Tax incremental financing				
Local option sales tax				
Unrestricted interest on investment				
Bond proceeds				
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:				
Customer Deposits				
Expendable:				
Special revenue funds				
Debt service fund				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Exhibit A

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

Governmental Activities	Business Type Activities	Total
\$ (341,329)	\$ -	\$ (341,329)
(276,113)	-	(276,113)
(2,330)	-	(2,330)
(225,470)	-	(225,470)
15,328	-	15,328
(222,185)	-	(222,185)
(319,105)	-	(319,105)
(213,299)	-	(213,299)
<u>(1,584,503)</u>	<u>-</u>	<u>(1,584,503)</u>
-	277,513	277,513
-	107,814	107,814
-	72,055	72,055
-	(51,641)	(51,641)
-	(886,763)	(886,763)
-	<u>(481,022)</u>	<u>(481,022)</u>
<u>(1,584,503)</u>	<u>(481,022)</u>	<u>(2,065,525)</u>
1,086,682	-	1,086,682
666	-	666
273,312	-	273,312
25,500	1,905	27,405
-	137,250	137,250
100,003	-	100,003
27,732	(27,732)	-
<u>1,513,895</u>	<u>111,423</u>	<u>1,625,318</u>
(70,608)	(369,599)	(440,207)
263,008	3,124,032	3,387,040
<u>\$ 192,400</u>	<u>\$ 2,754,433</u>	<u>\$ 2,946,833</u>
\$ -	\$ 85,839	\$ 85,839
248,284	-	248,284
13,808	351,695	365,503
(69,692)	2,316,899	2,247,207
<u>\$ 192,400</u>	<u>\$ 2,754,433</u>	<u>\$ 2,946,833</u>

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, 2012

	General	Road Use Tax	2009 Capital Projects
Receipts:			
Property tax	\$ 643,252	\$ -	\$ -
Tax increment financing collections	-	-	-
Local Option Sales Taxes	273,312	-	-
Other city tax	10,853	-	-
Licenses and permits	26,537	-	-
Use of money and property	25,500	-	-
Intergovernmental	22,844	265,393	-
Charges for service	149,716	-	-
Miscellaneous	7,631	-	-
Total Receipts	<u>1,159,645</u>	<u>265,393</u>	<u>-</u>
Disbursements:			
Operating:			
Public safety	334,966	-	-
Public works	102,623	383,383	-
Health and social services	2,330	-	-
Culture and recreation	334,038	-	-
Community and economic development	16,820	-	-
General government	167,116	-	-
Debt service	-	-	-
Capital projects	-	-	460
Total Disbursements	<u>957,893</u>	<u>383,383</u>	<u>460</u>
Excess of receipts over disbursements	<u>201,752</u>	<u>(117,990)</u>	<u>(460)</u>
Other financing sources (uses):			
Grant proceeds	1,379	-	-
Operating transfers in	97,250	-	-
Operating transfers out	(51,349)	-	(69,474)
Total other financing sources (uses)	<u>47,280</u>	<u>-</u>	<u>(69,474)</u>
Net change in cash balances	249,032	(117,990)	(69,934)
Cash balances beginning of year	(1,356,512)	274,125	69,934
Cash balances end of year	<u>\$ (1,107,480)</u>	<u>\$ 156,135</u>	<u>\$ -</u>
Cash Basis Fund Balances			
Nonexpendable:	\$ -	\$ -	-
Restricted for:			
Special revenue funds	-	156,135	-
Debt service fund	-	-	-
Assigned:	-	-	-
Unassigned:	(1,107,480)	-	-
Total cash basis fund balances	<u>\$ (1,107,480)</u>	<u>\$ 156,135</u>	<u>\$ -</u>

See notes to financial statements.

Exhibit B

Debt Service	Other Nonmajor Governmental Funds	Total
\$ 265,157	\$ 178,273	\$ 1,086,682
-	666	666
-	-	273,312
-	-	10,853
-	-	26,537
-	476	25,976
19,916	-	308,153
-	91,543	241,259
-	92,372	100,003
<u>285,073</u>	<u>363,330</u>	<u>2,073,441</u>
-	6,363	341,329
-	55,500	541,506
-	-	2,330
-	63,992	398,030
-	-	16,820
-	81,606	248,722
319,105	-	319,105
-	304,858	305,318
<u>319,105</u>	<u>512,319</u>	<u>2,173,160</u>
<u>(34,032)</u>	<u>(148,989)</u>	<u>(99,719)</u>
-	-	1,379
32,500	73,555	203,305
-	(54,750)	(175,573)
<u>32,500</u>	<u>18,805</u>	<u>29,111</u>
(1,532)	(130,184)	(70,608)
15,340	1,260,121	263,008
<u>\$ 13,808</u>	<u>\$ 1,129,937</u>	<u>\$ 192,400</u>
\$ -	\$ -	\$ -
-	92,149	248,284
13,808	-	13,808
-	1,037,788	1,037,788
-	-	(1,107,480)
<u>\$ 13,808</u>	<u>\$ 1,129,937</u>	<u>\$ 192,400</u>

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, 2012

	Enterprise Funds		
	Electric	Water Including Lewis & Clark	Sewer
Operating receipts:			
Use of money and property	\$ 476	\$ -	\$ -
Charge for service	2,559,472	576,470	261,808
Total operating receipts	<u>2,559,948</u>	<u>576,470</u>	<u>261,808</u>
Operating disbursements:			
Governmental activities:			
General government	-	-	-
Capital projects	-	-	-
Business type activities	2,292,883	468,656	189,753
Total operating disbursements	<u>2,292,883</u>	<u>468,656</u>	<u>189,753</u>
Excess (deficiency) of operating receipts over (under)	<u>267,065</u>	<u>107,814</u>	<u>72,055</u>
Non-operating receipts (disbursements):			
Loan & bond proceeds	-	-	-
Debt service	-	(75,578)	-
Total non-operating receipts (disbursements)	<u>-</u>	<u>(75,578)</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursement	267,065	32,236	72,055
Operating transfers in	-	-	-
Operating transfers out	(86,200)	(24,700)	(22,876)
Net change in cash balances	180,865	7,536	49,179
Cash balances beginning of year	375,280	487,431	212,647
Cash balances end of year	<u>\$ 556,145</u>	<u>\$ 494,967</u>	<u>\$ 261,826</u>
Cash Basis Fund Balances			
Restricted for Debt Service:	\$ -	\$ -	\$ -
Restricted Customer Deposits	-	-	-
Unrestricted:	556,145	494,967	261,826
Total cash basis fund balances	<u>\$ 556,145</u>	<u>\$ 494,967</u>	<u>\$ 261,826</u>

See notes to financial statements.

Exhibit C

Enterprise Funds			Internal Service Funds	
	Other Nonmajor Enterprises	Total	Employee Health	Total
Golf				
\$ -	\$ 1,429	\$ 1,905	\$ -	\$ -
191,325	297,870	3,886,945	35,934	35,934
191,325	299,299	3,888,850	35,934	35,934
-	-	-	25,010	25,010
-	542,706	542,706	-	-
242,966	289,669	3,483,927	-	-
242,966	832,375	4,026,633	25,010	25,010
(51,641)	(533,076)	(137,783)	10,924	10,924
-	137,250	137,250	-	-
-	(276,680)	(352,258)	-	-
-	(139,430)	(215,008)	-	-
(51,641)	(672,506)	(352,791)	10,924	10,924
19,741	124,499	144,240	-	-
-	(38,196)	(171,972)	-	-
(31,900)	(586,203)	(380,523)	10,924	10,924
(298,663)	2,187,455	2,964,150	159,882	159,882
\$ (330,563)	\$ 1,601,252	\$ 2,583,627	\$ 170,806	\$ 170,806
\$ -	\$ 351,695	\$ 351,695	\$ -	\$ -
-	85,839	85,839	-	-
(330,563)	1,163,718	2,146,093	170,806	170,806
\$ (330,563)	\$ 1,601,252	\$ 2,583,627	\$ 170,806	\$ 170,806

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, 2012

Exhibit D

Total enterprise funds cash balances (page 19) \$ 2,583,627

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.

170,806

Cash basis net assets of business type activities (page 15) \$ 2,754,433

Net change in cash balances (page 19) \$ (380,523)

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

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

10,924

Change in cash balance of business type activities (page 15) \$ (369,599)

See notes to financial statements.

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2012

(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 Economic Development Commission, 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 ó The Statement of Activities and Net Assets ó 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 ó 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.

The Statement of Activities and Net Assets ó 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

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2012

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 ó 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 from general and emergency levies 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 use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other receipts to be used 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 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

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2012

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.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications of committed, assigned and then unassigned balances.

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

Restricted of 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 of Amounts the Council intends to use for specific purposes.

Unassigned of 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, 2012, 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, 2012 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, 2012.

Interest rate risk of 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) Short Term Notes Payable

Short Term debt activity for the year ended June 30, 2012 resulted from an interest free Planning & Design Loan from the Iowa Finance Authority related to certain construction projects described in Note

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2012

#16 below. The loan will be repaid upon the issuance of the State Revolving Fund Note further described in Note #17.

(4) 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
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	328,000	162,135	200,000	25,105	528,000	187,240
2017 - 2021	399,000	88,130	380,000	31,845	779,000	119,975
2022 - 2026	150,000	10,650	-	-	150,000	10,650
Totals	\$ 1,291,000	\$ 391,930	\$ 1,245,000	\$ 183,355	\$ 2,536,000	\$ 575,285

Refinanced Capital Loan Note

On July 12, 2012 the City refinanced its 2005 Capital Loan Note due in 2016 resulting in an interest savings of approximately 2% on the remaining balance of \$185,000.

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 \$254,250. For the current year, principal and interest paid and total net receipts were \$257,420 and \$267,066, 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 \$317,812 which was not met but since the final bond payment is scheduled for 2013, there is sufficient funds in the reserve account to pay the bond payment.

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 \$239,440. For the current year, principal and interest paid and total net receipts

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2012

were \$18,240 and \$72,054, 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 \$20,260 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 \$1,189,240. For the current year, principal and interest paid and total net receipts were \$75,578 and \$107,564, 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 \$86,421 which was met.

(5) 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 5.38% of their annual covered salary and the City is required to contribute 8.07% 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, 2012, 2011 and 2010 were \$74,347, \$61,524 and \$54,842, 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, 2012

(6) 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, 2012, primarily relating to the General Fund and Electric funds, is as follows:

Type of Benefit	Amount
Vacation	\$ 53,570
Sick leave	133,976
Totals	\$ 187,546

This liability has been computed based on rates of pay in effect at June 30, 2012.

(7) 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.

(8) 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 663 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 member's 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, 2012 were \$86,071.

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.

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2012

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 by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total member's 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, 2012, 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.

(9) Related Party Transactions

The City had business transactions between the City and City officials totaling \$73,658 during the year ended June 30, 2012.

(10) 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.

(11) 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.

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2012

(12) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to:</u>	<u>Transfer from:</u>	<u>Amount</u>
Transit Service Fund	General Fund	\$ 12,349
Employee Benefits Fund	General Fund	22,250
Sewer Relocation Fund	Sewer Utility Fund	20,676
Electric Revenue Sinking Fd	Electric Rev Reserve	257,820
Water Revenue Sinking Fund	Water Utility Fund	22,000
Electric Improvement Fund	Golf Course Fund	12,159
General Fund	Electric Utility Fund	75,000
Water Improvement	Capital Project 2009	69,474
Debt Service Fund	Industrial Park Fund	25,000
Debt Service Fund	Feldkamp Estates Fund	7,500
Golf Course Fund	Electric Improvement Fund	31,900
Capital Reserve Fund	Electric Utility Fund	11,200
	Sewer Utility Fund	2,200
	Garbage Utility Fund	18,455
	Water Utility Fund	2,700
	General Fund	
	Police	11,500
	Fire	2,500
	Library	2,000
	Park	2,000
	Cemetary	1,000
	Street Department	15,000
	Airport	5,000
		<u>73,555</u>
	Total	<u>\$ 629,683</u>

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

(13) Deficit Fund Balance

The General Fund had a deficit balance of \$1,107,480 at June 30, 2012. 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 Special Revenue Fund ó TIF Fund had a deficit balance of \$12,498 at June 30, 2012. Certain engineering fees needed to be paid prior to the issuing of the bonds. The City funded a GO Bond in July 2012 to fund in part the projects represented by these activities.

The Enterprise Funds ó Transit Service Fund, had a deficit balance of \$526 at June 30, 2012. This is caused by increasing operating costs. The City plans to have it self-sufficient in the future years by making better use of the transit levy.

The Enterprise Funds ó Water Storage & Distribution 2011 Fund had a deficit balance of \$220,118 at June 30, 2012. Certain engineering fees and construction costs needed to be paid prior to the issuing of the bonds. The City funded a GO Bond in July 2012 to fund in part the projects represented by these

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2012

activities. There was also a pending reimbursement from a Grant that was received in July 2012.

The Enterprise Funds ó Golf Course Fund had a deficit balance of \$330,563 at June 30, 2012. This is the eighth 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.

(14) 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, 2012, this total difference amounts to a potential liability to the City of \$64,779.

(15) 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, 2012 are as follows:

		<u>Interest</u>	<u>Principal</u>	<u>Total payment</u>
Lease payments	2013	844	16,911	17,755
		<u>\$ 844</u>	<u>\$ 16,911</u>	<u>\$ 17,755</u>

(16) Construction Commitments

On April 24, 2012, the City awarded a contract for the South Elevated Tank Project to Phoenix Fabricators, Inc. in the amount of \$919,300.00. The construction started in May 2012 and is ongoing. As of June 30, 2012, the first pay request for work through June, 2012 in the amount of \$169,575.00 had not been received. It was received, approved and paid in July 2012.

On April 24, 2012, the City awarded a contract for the 2012 Water Distribution Improvements Project to Quam Construction Company, Inc. in the amount of \$504,752.50. The construction started in May 2012 and is ongoing. As of June 30, 2012, the first pay request in the amount of \$182,345.19 had been received, approved and paid while the second pay request for work through the end of June, 2012 in the amount of \$211,960.39 had not been received. It was received, approved and paid in July 2012.

On May 29, 2012, the City awarded a contract for the Second Avenue Street Improvements Project to Godbersen-Smith Construction Company in the amount of \$1,570,332.50. The construction started in June 2012 and is ongoing. As of June 30, 2012, the first pay request for work through June, 2012 in the amount of \$23,969.67 had not been received. It was received, approved and paid in July 2012.

(17) Subsequent Events

On July 12, 2012, the City issued \$2,690,000 in General Obligation Capital Loan Notes Series 2012. Of that amount, \$190,000 was used to refinance the \$185,000 outstanding balance of its 2005 Capital Loan Note due in 2013-2016 in order to reduce the interest cost on those notes. The remaining \$2,500,000 was issued to fund various projects that are detailed in Note #16.

On October 19, 2012, the City issued \$450,000 in General Obligation Capital Loan Notes Series 2012B through the State of Iowa Revolving Loan Fund as partial funding for Water Distribution Improvements Project. This funding is a prerequisite of the I-Jobs Grant received by the City of Sibley in the amount of \$490,000.

The following chart shows the resulting change in debt maturities for the one shown in Note #4 above.

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2012

Proforma Debt Schedule

Year Ending June 30,	Revenue Bonds		Capital Loan Notes		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	303,000	48,695	320,000	107,236	623,000	155,931
2014	53,000	42,255	345,000	105,732	398,000	147,987
2015	58,000	40,065	335,000	96,063	393,000	136,128
2016	328,000	162,135	290,000	86,535	618,000	248,670
2017 - 2021	399,000	88,130	1,099,000	308,938	1,498,000	397,068
2022 - 2026	150,000	10,650	805,000	206,499	955,000	217,149
2027 - 2031	-	-	908,000	105,313	908,000	105,313
2032	-	-	28,000	5,687	28,000	5,687
Totals	\$ 1,291,000	\$ 391,930	\$ 4,130,000	1,022,002	5,421,000	\$ 1,413,932

(18) 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
Other Information**

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
Other Information
Year ended June 30, 2012**

	Governmental Funds Actual	Proprietary and Internal Service Funds Actual
Receipts:		
Property tax	\$ 1,086,682	\$ -
Tax increment financing collections	666	-
Local Option Sales Taxes	273,312	-
Other city tax	10,853	-
Licenses and permits	26,537	-
Use of money and property	25,976	1,905
Intergovernmental	308,153	-
Charges for service	241,259	3,922,879
Bond Proceeds	-	137,250
Miscellaneous	100,003	-
Total receipts	<u>2,073,441</u>	<u>4,062,034</u>
Disbursements:		
Public safety	341,329	-
Public works	541,506	-
Health and social services	2,330	-
Culture and recreation	398,030	-
Community and economic development	16,820	-
General government	248,722	25,010
Debt service	319,105	-
Capital projects	305,318	542,706
Business type activities	-	3,836,185
Total disbursements	<u>2,173,160</u>	<u>4,403,901</u>
Excess of receipts over disbursements	(99,719)	(341,867)
Other financing sources, net	29,111	(27,732)
Excess of receipts and other financing sources over disbursements and other financing uses	(70,608)	(369,599)
Balances beginning of year	263,008	3,124,032
Balances end of year	<u>\$ 192,400</u>	<u>\$ 2,754,433</u>

Less Funds not Required to be Budgeted	Total Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
-	\$ 1,086,682	\$ 1,076,461	\$ 1,076,461	\$ 10,221
-	666	-	650	16
-	273,312	150,000	250,000	23,312
-	10,853	21,205	21,205	(10,352)
-	26,537	23,825	25,825	712
-	27,881	26,000	26,000	1,881
-	308,153	282,745	318,245	(10,092)
-	4,164,138	4,166,600	4,282,500	(118,362)
-	137,250	-	137,250	-
-	100,003	13,750	95,850	4,153
-	6,135,475	5,760,586	6,233,986	(98,511)
-	341,329	332,565	344,065	(2,736)
-	541,506	530,500	580,500	(38,994)
-	2,330	2,330	2,330	-
-	398,030	386,645	399,145	(1,115)
-	16,820	16,000	17,000	(180)
-	273,732	179,800	281,800	(8,068)
-	319,105	318,705	319,105	-
-	848,024	292,005	859,505	(11,481)
-	3,836,185	4,096,713	4,106,213	(270,028)
-	6,577,061	6,155,263	6,909,663	(332,602)
-	(441,586)	(394,677)	(675,677)	234,091
-	1,379	6,000	6,000	(4,621)
-	(440,207)	(388,677)	(669,677)	229,470
-	3,387,040	2,534,353	3,387,041	(1)
-	\$ 2,946,833	\$ 2,145,676	\$ 2,717,364	\$ 229,469

City of Sibley, Iowa
Notes to Other Information – Budgetary Reporting
June 30, 2012

The budgetary comparison is presented 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. 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 increasing revenues by \$386,088 and increasing the disbursements by \$667,088. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements were less than the amount budgeted in all functional categories.

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, 2012

	Special Revenue Employee Benefit	Urban Renewal Tax Increment
Receipts:		
Property tax	\$ 178,273	\$ -
Tax increment financing collections	-	666
Use of money and property	-	-
Charges for service	-	-
Miscellaneous	-	6,500
Total Receipts	<u>178,273</u>	<u>7,166</u>
Disbursements:		
Operating:		
Public safety	6,363	-
Public works	55,500	-
Culture and recreation	63,992	-
General government	23,420	-
Capital projects	-	57,829
Total Disbursements	<u>149,275</u>	<u>57,829</u>
Excess of receipts over disbursements	<u>28,998</u>	<u>(50,663)</u>
Other financing sources (uses):		
Operating transfers in	-	-
Operating transfers out	(22,250)	-
Total other financing sources (uses)	<u>(22,250)</u>	<u>-</u>
Net change in cash balances	6,748	(50,663)
Cash balances beginning of year	<u>29,517</u>	<u>38,165</u>
Cash balances end of year	<u>\$ 36,265</u>	<u>\$ (12,498)</u>
Cash Basis Fund Balances		
Nonexpendable:	\$ -	\$ -
Restricted for:		
Special revenue funds	36,265	(12,498)
Assigned:	-	-
Unassigned:	-	-
Total cash basis fund balances	<u>\$ 36,265</u>	<u>\$ (12,498)</u>

See accompanying independent auditor's report.

Schedule 1

Revolving Loan Fund	Nonmajor Special Revenue and Capital Projects	Other Nonmajor Governmental Funds Totals
\$ -	\$ -	\$ 178,273
-	-	666
-	476	476
-	91,543	91,543
60,115	25,757	92,372
<u>60,115</u>	<u>117,776</u>	<u>363,330</u>
-	-	6,363
-	-	55,500
-	-	63,992
58,186	-	81,606
-	247,029	304,858
<u>58,186</u>	<u>247,029</u>	<u>512,319</u>
<u>1,929</u>	<u>(129,253)</u>	<u>(148,989)</u>
-	73,555	73,555
-	(32,500)	(54,750)
-	41,055	18,805
<u>1,929</u>	<u>(88,198)</u>	<u>(130,184)</u>
<u>66,453</u>	<u>1,125,986</u>	<u>1,260,121</u>
<u>\$ 68,382</u>	<u>\$ 1,037,788</u>	<u>\$ 1,129,937</u>
\$ -	\$ -	\$ -
68,382	-	92,149
-	1,037,788	1,037,788
-	-	-
<u>\$ 68,382</u>	<u>\$ 1,037,788</u>	<u>\$ 1,129,937</u>

City of Sibley, Iowa
Schedule of Indebtedness
Year ended June 30, 2012

Obligation	Date of Issue	Interest Rate	Amount Originally Issued	Balance Beginning of Year
Capital Loan Notes :				
Street Projects - 2005 Series	9/28/2005	4.05 to 4.35%	\$ 410,000	\$ 225,000
2003 Capital Improvements	1/1/2003	4.40%	580,000	135,000
Fire Truck and Airport Hanger	10/15/2006	4.0 to 4.25%	430,000	275,000
Gen Oblig Capital Loan Notes 2008B	12/15/2008	3.85 to 4.5%	1,140,000	865,000
Totals				<u>\$ 1,500,000</u>
Revenue bonds :				
2008 Refunding Revenue	10/1/2008	3.40%	960,000	\$ 495,000
2006 Sewer Revenue	2/1/2006	3%	274,000	208,000
2007 Water Revenue	5/30/2007	4.5 to 4.75%	1,010,000	880,000
Totals				<u>\$ 1,583,000</u>
Capital Leases :				
2008 Sanitation Truck	5/29/2008	4.99%	\$ 116,890	\$ 33,018
Totals				<u>\$ 33,018</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	\$ 185,000	\$ 9,357	\$ 648
-	65,000	70,000	5,875	257
-	40,000	235,000	11,248	806
-	110,000	755,000	35,625	2,639
<u>\$ -</u>	<u>\$ 255,000</u>	<u>\$ 1,245,000</u>	<u>\$ 62,105</u>	<u>\$ 4,350</u>
\$ -	\$ 245,000	\$ 250,000	\$ 12,420	\$ 354
-	12,000	196,000	6,240	490
-	35,000	845,000	40,577	3,214
<u>\$ -</u>	<u>\$ 292,000</u>	<u>\$ 1,291,000</u>	<u>\$ 59,237</u>	<u>\$ 4,058</u>
<u>\$ -</u>	<u>\$ 16,107</u>	<u>\$ 16,911</u>	<u>\$ 1,648</u>	<u>\$ 70</u>
<u>\$ -</u>	<u>\$ 16,107</u>	<u>\$ 16,911</u>	<u>\$ 1,648</u>	<u>\$ 70</u>

City of Sibley, Iowa
Schedule of Bond and Note Maturities
June 30, 2012

REVENUE BONDS						
Year Ending June 30	Sewer Project		Water - Lewis & Clark		Electric Project (Refunded)	
	Issued February 1, 2006		Issued May 30, 2007		Issued Oct. 1, 2008	
	Interest Rates	Amounts	Interest Rates	Amounts	Interest Rates	Amounts
2013	3.00%	\$ 13,000	0.05	\$ 40,000	3.40%	\$ 250,000
2014	3.00%	13,000	0.05	40,000		-
2015	3.00%	13,000	0.05	45,000		-
2016	3.00%	14,000	0.05	45,000		-
2017	3.00%	14,000	0.05	50,000		-
2018	3.00%	15,000	0.05	50,000		-
2019	3.00%	15,000	0.05	55,000		-
2020	3.00%	15,000	0.05	55,000		-
2021	3.00%	16,000	0.05	55,000		-
2022	3.00%	16,000	0.05	60,000		-
2023	3.00%	17,000	0.05	65,000		-
2024	3.00%	17,000	0.05	65,000		-
2025	3.00%	18,000	0.05	70,000		-
2026		-	0.05	75,000		-
2027		-	0.05	75,000		-
TOTAL		<u><u>\$ 196,000</u></u>		<u><u>\$ 845,000</u></u>		<u><u>\$ 250,000</u></u>

CAPITAL LOAN NOTES						
Year Ending June 30	Utility Improvements		Street Project		Fire Truck & Airport Hanger	
	Issued January 1, 2003		Issued September 28, 2005		Issued October 15, 2006	
	Interest Rates	Amounts	Interest Rates	Amounts	Interest Rates	Amounts
2013	4.40%	\$ 70,000.0	0.04	\$ 45,000	4.00%	\$ 45,000
2014		-	0.04	45,000	4.05%	45,000
2015		-	0.04	45,000	4.10%	45,000
2016		-	0.04	50,000	4.15%	50,000
2017		-		-	4.25%	50,000
TOTAL		<u><u>\$ 70,000</u></u>		<u><u>\$ 185,000</u></u>		<u><u>\$ 235,000</u></u>

See accompanying independent auditor's report.

Year Ending June 30	CAPITAL LOAN NOTES	
	Equipment & Improvements	
	Issued December 15, 2008	
	Interest	
	Rates	Amounts
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		\$ 755,000

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

	2012	2011	2010	2009
Receipts:				
Property tax	\$ 1,086,682	\$ 1,048,671	\$ 1,038,534	\$ 927,265
Tax increment financing collections	666	43,715	4,185	5,925
Local Option Sales Taxes	284,165	194,746	191,464	263,881
Licenses and permits	26,537	25,163	28,425	23,240
Use of money and property	25,976	24,617	19,885	47,788
Intergovernmental	308,153	320,278	275,706	256,327
Charges for service	241,259	204,251	133,121	157,932
Special assessments	-	-	-	2,030
Grant proceeds	1,379	52,410	214,805	106,491
Bond proceeds	-	-	-	1,101,230
Miscellaneous	100,003	2,083,422	28,652	225,009
Total	<u>\$ 2,074,820</u>	<u>\$ 2,083,422</u>	<u>\$ 1,934,777</u>	<u>\$ 3,117,118</u>
Disbursements:				
Operating:				
Public safety	\$ 341,329	\$ 331,873	\$ 324,811	\$ 317,098
Public works	541,506	374,353	427,096	481,413
Health and social services	2,330	2,330	2,330	1,830
Culture and recreation	398,030	353,512	359,940	408,420
Community and economic development	16,820	12,621	14,224	11,766
General government	248,722	302,313	172,246	187,931
Debt service	319,105	318,013	347,190	425,745
Capital projects	305,318	358,138	613,057	836,320
Total	<u>\$ 2,173,160</u>	<u>\$ 2,053,153</u>	<u>\$ 2,260,894</u>	<u>\$ 2,670,523</u>

See accompanying independent auditor's report.

Schedule 4

2008	2007	2006	2005	2004	2003
\$ 877,354	\$ 796,865	\$ 762,082	\$ 748,678	\$791,530	\$694,102
180,349	163,874	161,601	198,285	139,212	134,590
-	-	-	3,327	15,379	-
24,463	25,064	25,118	20,720	22,965	14,602
42,812	49,722	31,222	16,570	18,148	55,923
262,780	254,436	377,113	252,974	253,370	297,347
157,697	180,268	160,167	186,258	173,172	173,035
20,545	28,311	13,197	28,046	23,005	5,430
-	-	-	506,505	619,377	-
-	430,000	660,476	-	-	-
14,089	12,562	28,533	9,428	110,226	107,381
<u>\$ 1,580,089</u>	<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>

\$ 298,363	\$ 300,415	\$ 266,814	\$ 271,709	\$315,545	\$256,486
356,800	308,104	735,142	470,917	295,345	363,435
1,830	1,830	1,830	1,830	1,830	1,830
348,178	311,093	340,855	291,365	297,228	483,802
18,591	153,328	63,187	327,432	6,104	-
266,106	224,711	225,712	275,337	694,879	270,500
416,302	374,491	363,834	482,075	491,450	444,798
124,086	211,777	450,720	572,264	361,990	505,595
<u>\$ 1,830,256</u>	<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>

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

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

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sibley, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated October 30, 2012. 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

The management of the City of Sibley is responsible for establishing and maintaining effective 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

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, 2012 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
October 30, 2012

**City of Sibley, Iowa
Schedule of Findings
Year ended June 30, 2012**

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, 2012**

Part II: Other Findings Related to Statutory Reporting:

- II-A-12 Certified Budget ó Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted for the City.
- II-B-12 Questionable Disbursements ó 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-12 Travel Expense ó No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-12 Business Transactions ó 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	\$726.04
Mike Groote, Council Member, employee of Cooperative Energy	Tires, repairs and maintenance expenses	\$72,931.79

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 ó 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 ó The City will consult with our attorney.

Conclusion ó Response accepted

- II-E-12 Bond Coverage ó 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-12 Council Minutes ó No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-12 Deposits and Investments ó 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-12 Revenue Bonds and Notes ó No instances of non-compliance with the revenue bond and note resolutions were noted.

City of Sibley, Iowa
Schedule of Findings
Year ended June 30, 2012

II-I-12 Financial Condition ó The following funds had deficit balances at June 30, 2012: General Fund of \$1,107,480; Special Revenue Fund ó TIF of \$12,498; Enterprise Funds ó Transit Service Fund of \$526; Enterprise Funds ó Water Storage & Distribution 2011 Fund of \$220,118; and Enterprise Funds ó Golf Course Fund of \$330,563.

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

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

Conclusion ó Response accepted.

II-J-12 Economic Development ó 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 ó 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 ó We will continue to evaluate and document the public purpose for the economic development annually.

Conclusion ó Response accepted.