

CITY OF REMSEN

Remsen, Iowa

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

June 30, 2005

CITY OF REMSEN

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CITY OF REMSEN

CITY OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>(BEFORE JANUARY 2005)</u>		
Tom Letsche	Mayor	January 2008
Dick Sievers	Council Member	January 2008
Craig Bartolozzi	Council Member	January 2006
Dean Douvia	Council Member	January 2006
Mike Nelson	Council Member	January 2008
Dale Schroeder	Council Member	January 2006
Steven Pick	Clerk/Treasurer	January 2006

(AFTER JANUARY 2005)

Tom Letsche	Mayor	January 2008
Dick Sievers	Council Member	January 2008
Craig Bartolozzi	Council Member	January 2006
Dean Douvia	Council Member	January 2006
Mike Nelson	Council Member	January 2008
Dale Schroeder	Council Member	January 2006
Steven Pick	Clerk/Treasurer	January 2006

MUNICIPAL UTILITIES

(BEFORE JANUARY 2005)

Don Kolker	Chairman	January 2008
Richard Gengler	Trustee	January 2006
Stephen Matgen	Trustee	January 2010
Ron Mayer	Superintendent	

(AFTER JANUARY 2005)

Don Kolker	Chairman	January 2008
Richard Gengler	Trustee	January 2006
Stephen Matgen	Trustee	January 2010
Ron Mayer	Superintendent	



KING, REINSCH, PROSSER & CO., L.L.P.
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Remsen
Remsen, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Remsen, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Remsen's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in the notes, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Remsen, Iowa, as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in the notes to the financial statements.



KING, REINSCH, PROSSER & CO., L.L.P.
Certified Public Accountants

To the Honorable Mayor and
Members of the City Council
City of Remsen
Remsen, Iowa

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2005 on our consideration of the City of Remsen's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on 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.

The management's discussion and analysis and budgetary comparison information on pages 4 through 9 and 22 through 23 are not required parts of the basis financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Remsen's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 3 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.

King, Reinsch, Prosser & Co., L.L.P.

Sioux City, Iowa
September 28, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Remsen 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, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2005 Financial Highlights

- Receipts of the City's governmental activities decreased 10 percent, or approximately \$120,000, from fiscal 2004 to fiscal 2005. Property tax increased approximately \$46,000, capital grants decreased approximately \$89,000, and local option sales tax decreased approximately \$24,000.
- Disbursements of the City's governmental activities decreased 26 percent, or approximately \$322,000, in fiscal 2005 from fiscal 2004. Culture and recreation and capital projects disbursements decreased approximately \$119,000 and \$223,000, respectively. General government disbursements increased approximately \$23,000.
- The City's total cash basis net assets increased 17 percent, or approximately \$196,000, from June 30, 2004 to June 30, 2005. Of this amount, the assets of the governmental activities increased approximately \$189,000 and the assets of the business type activities increased by approximately \$7,000.

Using This Annual Report

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the City's indebtedness and debt maturities.

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 Statements

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

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

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

- Governmental Activities includes 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 sanitary sewer system and garbage utility. These activities are financed primarily by user charges.

The City's financial reporting entity includes the funds of the City (primary government) and organizations for which the City is accountable (component units). A legally separate organization operates independently and provides services directly to the citizens though the City remains accountable for their activities. This organization, Municipal Utilities, is governed by a board of trustees. It is reported separately from the primary government though included in the City's overall reporting entity.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund, and 4) the Capital Projects 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. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the funds. Sewer Utility and Garbage Utility funds are considered to be major funds of the City.

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

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$846,589 to \$1,035,543. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities Year Ended June 30,

	<u>2005</u>	<u>2004</u>
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 76,274	\$ 75,172
Operating grants, contributions and restricted interest	202,354	200,735
Capital grants, contributions and restricted interest	35,556	124,718
General receipts:		
Property tax	535,985	490,341
Local option sales tax	138,900	162,563
Grants and contributions not restricted to specific purposes	10,496	10,094
Unrestricted investment earnings	32,731	27,792
Sale of assets	7,500	20,000
Other general receipts	3,882	24,262
Transfers, net	<u>54,250</u>	<u>82,473</u>
Total receipts and transfers	<u>\$ 1,097,928</u>	<u>\$ 1,218,150</u>

	<u>2005</u>	<u>2004</u>
Disbursements:		
Public safety	\$ 299,461	\$ 290,561
Public works	250,924	261,402
Culture and recreation	133,693	252,414
General government	149,393	126,107
Debt service	75,503	77,702
Capital projects	-	222,923
Total disbursements	<u>\$ 908,974</u>	<u>\$ 1,231,109</u>
Increase (decrease) in cash basis net assets	\$ 188,954	\$ (12,959)
Cash basis net assets beginning of year	<u>846,589</u>	<u>859,548</u>
Cash basis net assets end of year	<u>\$ 1,035,543</u>	<u>\$ 846,589</u>

The City's total receipts for governmental activities decreased by 10 percent, or \$120,222. The total cost of all programs and services decreased by approximately \$322,000, or 26 percent, with no new programs added this year. The significant decrease in receipts was primarily from fewer receipts of capital grants. The significant decrease in cost of programs and services was primarily due to the completion of construction of the new street maintenance building in fiscal year 2004.

The cost of all governmental activities this year was \$908,974 compared to \$1,231,109 last year. However, as shown in the Statement of Activities and Net Assets on page 10, the amount taxpayers ultimately financed for these activities was only \$783,744 because some of the cost was paid by those directly benefited from the programs (\$76,274) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$237,910). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2005 from approximately \$401,000 to approximately \$314,000, principally due to receiving fewer grant proceeds. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$675,000 in tax (some of which could only be used for certain programs and with other receipts, such as interest and general entitlements).

Changes in Cash Basis Net Assets of Business Type Activities
Year Ended June 30,

	<u>2005</u>	<u>2004</u>
Receipts:		
Program receipts:		
Charges for services:		
Sewer utility	\$ 112,609	\$ 107,274
Garbage utility	127,970	111,080
General receipts:		
Unrestricted interest on investments	2,157	1,602
Total receipts	<u>\$ 242,736</u>	<u>\$ 219,956</u>
Disbursements:		
Sewer utility	\$ 136,843	\$ 78,297
Garbage utility	99,264	95,526
Total disbursements	<u>\$ 236,107</u>	<u>\$ 173,823</u>
Increase in cash balance	\$ 6,629	\$ 46,133
Cash basis net assets beginning of year	<u>337,801</u>	<u>291,668</u>
Cash basis net assets end of year	<u>\$ 344,430</u>	<u>\$ 337,801</u>

Total business type activities receipts for the fiscal year were \$242,736 compared to \$219,956 last year. This increase was due primarily to approximately \$17,000 in additional garbage receipts for charges for services. The cash balance decreased by approximately \$40,000 from the prior year because of a sewer improvement project. Total disbursements increased by 36 percent to a total of \$236,107 for the fiscal year.

Individual Major Governmental Fund Analysis

As City of Remsen completed the year, its governmental funds reported a combined fund balance of \$1,035,543, an increase of \$188,954 from last year's total of \$846,589. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$31,957 from the prior year to \$519,585. The decrease is due to less intergovernmental receipts.
- The Road Use Tax Fund cash balance increased by \$93,248 to \$126,817 during the fiscal year. This increase is due to the City undertaking less capital projects.
- The Tax Increment Financing Fund cash balance increased by \$65,404 to \$157,986 during the fiscal year. This increase is due to collecting current TIF revenues for future urban renewal projects.
- The Local Option Sales Tax cash was \$78,768 at the end of the fiscal year, an increase of \$18,686 from the previous year. The increase was due to current receipts not being spent.
- The Employee Benefits Fund cash balance increased \$42,736 from the prior year to \$120,655. The increase is due to an increased property tax rate and receipt of increased property tax dollars.

Individual Major Business Type Fund Analysis

- The Sewer Utility cash balance decreased by \$22,187 to \$264,613, due primarily to the additional cost for investigating a sewer improvement project.
- The Garbage Utility cash balance increased by \$28,816 to \$79,817, due primarily to an increase in garbage receipts.

Budgetary Highlights

Over the course of the year, the City amended its budget. The amendment was approved on May 31, 2005 and resulted in an increase in operating revenues to provide for additional disbursements in certain city departments and business type activities.

Debt Administration

At June 30, 2005, the City had approximately \$553,477 in bonds and other long-term debt, compared to approximately \$613,477 last year, as shown below.

<u>Outstanding Debt at Year-End</u>		
<u>June 30,</u>		
	<u>2005</u>	<u>2004</u>
General obligation bonds	\$ 490,000	\$ 540,000
Bank notes	<u>63,477</u>	<u>73,477</u>
Total	<u>\$ 553,477</u>	<u>\$ 613,477</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$490,000 is significantly below its constitutional debt limit of \$1,723,444.

Economic Factors and Next Year's Budgets and Rates

City of Remsen's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the state of the economy.

As there has been no increase in rates since April 1977, the Electric Utility is projected to see an increase in electric rates of 20 percent for the next fiscal year. With this future increase, the City has decided that it is necessary to review the revenue on a semi-annual basis and implement an increase in rates if deemed necessary.

Due to the high volatility of the natural gas market, the Gas Utility is projected to restructure its natural gas rate to customers to reflect monthly actual costs. With this future change, the City has decided that it is necessary to review the revenue on a monthly basis and implement rate changes if deemed necessary.

These indicators were taken into account when adopting the budget for fiscal year 2006. Amounts available for appropriation in the operating budget are \$3.2 million, a decrease of 6 percent over the final 2005 budget. Budgeted disbursements are expected to decrease by approximately \$468,000. The City has added no major new programs or initiatives to the 2006 budget.

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 Steve Pick, City Clerk, PO Box 510, Remsen, IA 51050.

FINANCIAL STATEMENTS

CITY OF REMSEN, IOWA

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

	Program Receipts			
	Charges	Operating	Contributions,	Capital
FUNCTIONS/PROGRAMS:	Disbursements	for Services	and Restricted	Grants,
			Interest	Grants,
				and Restricted
				Interest
Governmental activities:				
Public safety	\$ 299,461	\$ 48,841	\$ 36,690	\$ 33,131
Public works	250,924	-	151,275	-
Culture and recreation	133,693	27,413	14,389	-
General government	149,393	20	-	2,425
Debt service	<u>75,503</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 908,974</u>	<u>\$ 76,274</u>	<u>\$ 202,354</u>	<u>\$ 35,556</u>
Business type activities:				
Sewer utility	\$ 136,843	\$ 112,609	\$ -	\$ -
Garbage utility	<u>99,264</u>	<u>127,970</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>\$ 236,107</u>	<u>\$ 240,579</u>	<u>\$ -</u>	<u>\$ -</u>
Total primary government	<u>\$ 1,145,081</u>	<u>\$ 316,853</u>	<u>\$ 202,354</u>	<u>\$ 35,556</u>
Component unit:				
Municipal utilities	<u>\$ 2,096,315</u>	<u>\$ 1,933,748</u>	<u>\$ -</u>	<u>\$ -</u>
Total component unit	<u>\$ 2,096,315</u>	<u>\$ 1,933,748</u>	<u>\$ -</u>	<u>\$ -</u>
GENERAL RECEIPTS:				
Property tax levied for:				
General purposes				
Employee benefits				
Tax increment financing				
Debt service				
Local option sales tax				
Grants and contributions not restricted to specific purposes				
Unrestricted interest on investments and rents received				
Miscellaneous				
Sale of assets				
Transfers				
Total general receipts and transfers				
CHANGE IN CASH BASIS NET ASSETS				
CASH BASIS NET ASSETS BEGINNING OF YEAR				
CASH BASIS NET ASSETS END OF YEAR				
CASH BASIS NET ASSETS:				
Restricted:				
Streets				
Tax increment financing				
Local option sales tax				
Employee benefits				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
\$ (180,799)	\$ -	\$ (180,799)	\$ -
(99,649)	-	(99,649)	-
(91,891)	-	(91,891)	-
(146,948)	-	(146,948)	-
<u>(75,503)</u>	<u>-</u>	<u>(75,503)</u>	<u>-</u>
<u>\$ (594,790)</u>	<u>\$ -</u>	<u>\$ (594,790)</u>	<u>\$ -</u>
\$ -	\$ (24,234)	\$ (24,234)	\$ -
<u>-</u>	<u>28,706</u>	<u>28,706</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 4,472</u>	<u>\$ 4,472</u>	<u>\$ -</u>
<u>\$ (594,790)</u>	<u>\$ 4,472</u>	<u>\$ (590,318)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (162,567)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (162,567)</u>
\$ 282,724	\$ -	\$ 282,724	\$ -
111,517	-	111,517	-
65,404	-	65,404	-
76,340	-	76,340	-
138,900	-	138,900	-
10,496	-	10,496	-
32,731	2,157	34,888	26,630
3,882	-	3,882	-
7,500	-	7,500	7,505
<u>54,250</u>	<u>-</u>	<u>54,250</u>	<u>(54,250)</u>
<u>\$ 783,744</u>	<u>\$ 2,157</u>	<u>\$ 785,901</u>	<u>\$ (20,115)</u>
\$ 188,954	\$ 6,629	\$ 195,583	\$ (182,682)
<u>846,589</u>	<u>337,801</u>	<u>1,184,390</u>	<u>1,249,575</u>
<u>\$ 1,035,543</u>	<u>\$ 344,430</u>	<u>\$ 1,379,973</u>	<u>\$ 1,066,893</u>
\$ 126,817	\$ -	\$ 126,817	\$ -
157,986	-	157,986	-
78,768	-	78,768	-
120,655	-	120,655	-
31,732	-	31,732	2,501
<u>519,585</u>	<u>344,430</u>	<u>864,015</u>	<u>1,064,392</u>
<u>\$ 1,035,543</u>	<u>\$ 344,430</u>	<u>\$ 1,379,973</u>	<u>\$ 1,066,893</u>

CITY OF REMSEN, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES

GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

	General	Special Revenue			Nonmajor Governmental Fund	Total
		Road Use Tax	TIF	Local Option Sales Tax	Employee Benefit	
RECEIPTS:						
Property tax	\$ 282,724	\$ -	\$ -	\$ -	\$ 111,517	\$ 470,581
Tax increment financing collections	\$ -	\$ -	\$ 65,404	\$ -	\$ -	\$ 65,404
Other city tax:						
Local option sales tax	\$ -	\$ -	\$ -	\$ 138,900	\$ -	\$ 138,900
Licenses and permits	\$ 12,013	\$ -	\$ -	\$ -	\$ -	\$ 12,013
Use of money and property:						
Interest	\$ 28,591	\$ -	\$ -	\$ -	\$ -	\$ 28,591
Rents	4,140	-	-	-	-	4,140
	\$ 32,731	\$ -	\$ -	\$ -	\$ -	\$ 32,731
Intergovernmental:						
Bank franchise tax	\$ 10,496	\$ -	\$ -	\$ -	\$ -	\$ 10,496
State grants	1,788	-	-	-	-	1,788
County contributions	26,691	-	-	-	-	26,691
Township contributions	24,653	-	-	-	-	24,653
Road use tax allocation	-	146,503	-	-	-	146,503
	\$ 63,628	\$ 146,503	\$ -	\$ -	\$ -	\$ 210,131
Charges for services:						
Police service fees	\$ 52	\$ -	\$ -	\$ -	\$ -	\$ 52
Ambulance service charges	42,082	-	-	-	-	42,082
Pool receipts	19,768	-	-	-	-	19,768
	\$ 61,902	\$ -	\$ -	\$ -	\$ -	\$ 61,902
Miscellaneous:						
Contributions	\$ 33,504	\$ -	\$ -	\$ -	\$ -	\$ 33,504
Refunds and reimbursements	4,772	-	-	-	-	4,772
Fines	1,125	-	-	-	-	1,125
Miscellaneous	5,115	-	-	-	-	5,115
	\$ 44,516	\$ -	\$ -	\$ -	\$ -	\$ 44,516
Total receipts	\$ 497,514	\$ 146,503	\$ 65,404	\$ 138,900	\$ 111,517	\$ 1,036,178
DISBURSEMENTS:						
Operating:						
Public safety:						
Police:						
Personal services	\$ 99,660	\$ -	\$ -	\$ -	\$ 22,825	\$ 122,485
Services and commodities	10,819	-	-	-	-	10,819
Capital outlay	-	-	-	27,105	-	27,105
	\$ 110,479	\$ -	\$ -	\$ 27,105	\$ 22,825	\$ 160,409
Jail:						
Services and commodities	\$ -	\$ -	\$ -	\$ 18,290	\$ -	\$ 18,290
Fire department:						
Personal services	\$ 212	\$ -	\$ -	\$ -	\$ -	\$ 212
Services and commodities	25,416	-	-	-	-	25,416
Capital outlay	34,586	-	-	-	-	34,586
	\$ 60,214	\$ -	\$ -	\$ -	\$ -	\$ 60,214

CITY OF REMSEN, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES

GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

(CONTINUED)

	General	Special Revenue				Nonmajor Governmental Fund	Total
		Road Use Tax	TIF	Local Option Sales Tax	Employee Benefits	Debt Service	
DISBURSEMENTS (CONTINUED):							
Public safety (continued):							
Ambulance:							
Personal services	\$ 17,755	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,755
Services and commodities	30,080	-	-	-	-	-	30,080
Capital outlay	2,450	-	-	-	-	-	2,450
Debt service	10,000	-	-	-	-	-	10,000
	<u>\$ 60,285</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,285</u>
Animal control:							
Services and commodities	\$ 263	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 263
	<u>\$ 231,241</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,395</u>	<u>\$ 22,825</u>	<u>\$ -</u>	<u>\$ 299,461</u>
Public works:							
Roads, bridges and sidewalks:							
Personal services	\$ 116,053	\$ -	\$ -	\$ -	\$ 36,392	\$ -	\$ 152,445
Services and commodities	25,683	936	-	-	-	-	26,619
Capital outlay	-	52,319	-	17,200	-	-	69,519
	<u>\$ 141,736</u>	<u>\$ 53,255</u>	<u>\$ -</u>	<u>\$ 17,200</u>	<u>\$ 36,392</u>	<u>\$ -</u>	<u>\$ 248,583</u>
Street lighting:							
Services and commodities	\$ 2,341	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,341
	<u>\$ 144,077</u>	<u>\$ 53,255</u>	<u>\$ -</u>	<u>\$ 17,200</u>	<u>\$ 36,392</u>	<u>\$ -</u>	<u>\$ 250,924</u>
Culture and recreation:							
Library:							
Personal services	\$ 43,418	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,418
Services and commodities	19,153	-	-	-	-	-	19,153
Capital outlay	9,561	-	-	-	-	-	9,561
	<u>\$ 72,132</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,132</u>
Parks:							
Personal services	\$ 1,850	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,850
Services and commodities	2,562	-	-	-	-	-	2,562
Capital outlay	4,250	-	-	5,924	-	-	10,174
	<u>\$ 8,662</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,924</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,586</u>
Swimming pool:							
Personal services	\$ 29,332	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,332
Services and commodities	6,342	-	-	-	-	-	6,342
Capital outlay	-	-	-	11,301	-	-	11,301
	<u>\$ 35,674</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,301</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,975</u>
	<u>\$ 116,468</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,225</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,693</u>
General government:							
Major and council members:							
Personal services	\$ 7,655	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,655
Clerk and treasurer:							
Personal services	\$ 44,596	\$ -	\$ -	\$ -	\$ 9,564	\$ -	\$ 54,160
Services and commodities	44,759	-	-	-	-	-	44,759
Capital outlay	2,425	-	-	40,394	-	-	42,819
	<u>\$ 91,780</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,394</u>	<u>\$ 9,564</u>	<u>\$ -</u>	<u>\$ 141,738</u>
	<u>\$ 99,435</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,394</u>	<u>\$ 9,564</u>	<u>\$ -</u>	<u>\$ 149,393</u>

CITY OF REMSEN, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES

GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

(CONTINUED)

	General	Special Revenue				Nonmajor Governmental Fund	Total
		Road Use Tax	TIF	Local Option Sales Tax	Employee Benefits	Debt Service	
DISBURSEMENTS (CONTINUED):							
Debt service:							
Principal redemption	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,000	\$ 50,000
Interest	-	-	-	-	-	25,503	25,503
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,503	\$ 75,503
Total disbursements	\$ 591,221	\$ 53,255	\$ -	\$ 120,214	\$ 68,781	\$ 75,503	\$ 908,974
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS							
	\$ (93,707)	\$ 93,248	\$ 65,404	\$ 18,686	\$ 42,736	\$ 837	\$ 127,204
OTHER FINANCING SOURCES (USES):							
Sale of capital assets	\$ 7,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,500
Operating transfers in	54,250	-	-	-	-	-	54,250
Total other financing sources (uses)	\$ 61,750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,750
NET CHANGE IN CASH BALANCES	\$ (31,957)	\$ 93,248	\$ 65,404	\$ 18,686	\$ 42,736	\$ 837	\$ 188,954
CASH BALANCES BEGINNING OF YEAR	551,542	33,569	92,582	60,082	77,919	30,895	846,589
CASH BALANCES END OF YEAR	\$ 519,585	\$ 126,817	\$ 157,986	\$ 78,768	\$ 120,655	\$ 31,732	\$ 1,035,543
CASH BASIS FUND BALANCES							
Reserved:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,732	\$ 31,732
Unreserved:							
General fund	519,585	-	-	-	-	-	519,585
Special revenue funds	-	126,817	157,986	78,768	120,655	-	484,226
Total cash basis fund balances	\$ 519,585	\$ 126,817	\$ 157,986	\$ 78,768	\$ 120,655	\$ 31,732	\$ 1,035,543

CITY OF REMSEN, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES

PROPRIETARY FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

	Sewer Utility	Garbage Utility	Total
OPERATING RECEIPTS:			
Charges for services	\$ 112,609	\$ 127,970	\$ 240,579
Total operating receipts	<u>\$ 112,609</u>	<u>\$ 127,970</u>	<u>\$ 240,579</u>
OPERATING DISBURSEMENTS:			
Business type activities:			
Personal services	\$ 48,878	\$ 43,541	\$ 92,419
Services and commodities	28,453	55,723	84,176
Capital Outlay	<u>59,512</u>	<u>-</u>	<u>59,512</u>
Total disbursements	<u>\$ 136,843</u>	<u>\$ 99,264</u>	<u>\$ 236,107</u>
EXCESS (DEFICIENCY) OF OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS	<u>\$ (24,234)</u>	<u>\$ 28,706</u>	<u>\$ 4,472</u>
NON-OPERATING RECEIPTS:			
Interest	\$ 2,047	\$ 110	\$ 2,157
Total non-operating receipts	<u>\$ 2,047</u>	<u>\$ 110</u>	<u>\$ 2,157</u>
NET CHANGE IN CASH BALANCES	\$ (22,187)	\$ 28,816	\$ 6,629
CASH BALANCES BEGINNING OF YEAR	<u>286,800</u>	<u>51,001</u>	<u>337,801</u>
CASH BALANCES END OF YEAR	<u>\$ 264,613</u>	<u>\$ 79,817</u>	<u>\$ 344,430</u>
CASH BASIS FUND BALANCES:			
Unreserved:			
Designated	\$ 245,784	\$ -	\$ 245,784
Undesignated	<u>18,829</u>	<u>79,817</u>	<u>98,646</u>
Total cash basis fund balances	<u>\$ 264,613</u>	<u>\$ 79,817</u>	<u>\$ 344,430</u>

CITY OF REMSEN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Remsen, Iowa, is a political subdivision of the State of Iowa located in Plymouth County. It was first incorporated in 1889 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, and general government services. The City also provides sewer and garbage utilities for its citizens.

A. Reporting Entity

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

These financial statements present the City of Remsen (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Certain disclosures about the discretely presented component unit are not included because the component unit has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the City Clerk's office.

Discretely Presented Component Unit

The City of Remsen Municipal Utilities is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Utilities are governed by a three-member board appointed by the Mayor and approved by the City Council and Utilities' operating budget is subject to the approval of the City Council.

CITY OF REMSEN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Emergency Medical Technicians

The financial statements of the City's emergency medical technicians are presented within the general fund. The emergency medical technicians are financially accountable to the City and the technicians are approved by the City Council.

Fire Department

The financial statements of the City's fire department are presented within the general fund. The fire department is financially accountable to the City and the firemen are approved by the City Council.

B. Government-wide Financial Statements

The Statement of Activities and Net Assets reports information of all of the nonfiduciary activities of the City. The primary government and its component unit are presented separately within the financial statements with the focus on the primary government. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

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

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

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

CITY OF REMSEN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts included 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.

C. 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 and proprietary funds are aggregated and reported as nonmajor funds.

In the fund financial statements, governmental funds report fund balances as either a reserved fund balance or an unreserved fund balance.

Reserved fund balance consists of the portion of fund balance which is not available for appropriation or which has been legally segregated for a specific purpose.

Unreserved fund balance is composed of designated and undesignated portions. The undesignated portion of the unreserved fund balance represents that portion of fund balance that is available for budgeting in future periods. Designated fund balances represents tentative plans for future use of financial resources.

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. All general tax receipts and other receipts that are 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 through other funds.

CITY OF REMSEN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Special Revenue Funds -

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

The Tax Increment Financing (TIF) Fund is used to account for urban renewal projects financed by tax increment financing.

The Local Option Sales Tax Fund is used to account for receipt of City's share of the one percent local option sales tax.

The Employee Benefit Fund is used to account for receipt of property taxes restricted for payment of certain employee's health benefits.

The City reports the following major proprietary funds:

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

Garbage Utility Fund - The Garbage Utility Fund accounts for the operation and maintenance of the City's garbage removal.

D. Measurement Focus and Basis of Accounting

The City of Remsen 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 accounting principles generally accepted in the United States of America.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements general 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.

CITY OF REMSEN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

NOTE 2 - CASH AND POOLED INVESTMENTS:

The City's deposits in banks at June 30, 2005, 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.

NOTE 3 - BONDS AND NOTES PAYABLE:

Annual debt service requirements to maturity for general obligation capital loan notes, real estate mortgage loan, water revenue bonds and water revenue capital loan notes are as follows:

Year Ending June 30,	General Obligation Capital Loan Notes		Real Estate Mortgage Loan	
	Principal	Interest	Principal	Interest
2006	\$ 55,000	\$ 23,253	\$ 9,238	\$ 1,186
2007	55,000	20,750	7,441	2,983
2008	60,000	18,220	7,850	2,574
2009	60,000	15,430	8,282	2,142
2010	65,000	12,610	8,737	1,687
2011-2013	<u>195,000</u>	<u>19,144</u>	<u>21,929</u>	<u>2,069</u>
	<u>\$ 490,000</u>	<u>\$ 109,407</u>	<u>\$ 63,477</u>	<u>\$ 12,641</u>

CITY OF REMSEN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 3 - BONDS AND NOTES PAYABLE (CONTINUED):

Year Ending June 30,	<u>Component Unit</u>					
	<u>Water Revenue Bonds</u>		<u>Water Revenue Capital Loan Notes</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 25,000	\$ 5,038	\$ 20,000	\$ 7,935	\$ 45,000	\$ 12,973
2007	25,000	4,863	20,000	7,185	45,000	12,048
2008	25,000	3,675	25,000	6,425	50,000	10,100
2009	25,000	2,475	25,000	5,425	50,000	7,900
2010	25,000	1,250	25,000	4,413	50,000	5,663
2011	-	-	80,000	3,400	80,000	3,400
	<u>\$ 125,000</u>	<u>\$ 17,301</u>	<u>\$ 195,000</u>	<u>\$ 34,783</u>	<u>\$ 320,000</u>	<u>\$ 52,084</u>

General Obligation Capital Loan Notes - The City has issued a total of \$800,000 of General Obligation Capital Loan Notes of which \$490,000 is outstanding as of June 30, 2005. The notes were used to finance construction of a new swimming pool and will be retired by property taxes levied specifically for that purpose. The outstanding notes mature annually in amounts varying from \$45,000 to \$65,000 with final payment due in 2013, and pay interest semi-annually from 4.25 to 4.95 percent.

Real Estate Mortgage Loan - The City is mortgagor with respect to a real estate mortgage dated February 12, 1998 secured by a lot and building constructed for use by Remsen EMTs. The balance of the mortgage loan is \$63,477 as of June 30, 2005. The mortgage bears interest at the per annum rate of 5.5 percent, and is to be retired by annual payments of \$10,424 through the year 2012. It is anticipated these payments will be made by the Remsen EMTs.

Water Revenue Bonds - On March 1, 1999, the City's component unit issued \$245,000 in new water revenue bonds to refinance pre-existing water revenue bonds of which \$125,000 is outstanding as of June 30, 2005. The bonds have interest rates ranging between 4.45 percent and 5.00 percent, and mature annually in amounts of \$20,000 and \$25,000, until the year 2010. The bonds pay interest semi-annually on October 1 and April 1, with principal being due on April 1.

Water Revenue Capital Loans Notes - On December 15, 2001, the City's component unit issued \$235,000 in new Water Revenue Capital Loan Notes, of which \$195,000 is outstanding as of June 30, 2005, to provide funds to pay for construction improvements and extensions to the Municipal Water Utility. The bonds have interest rates ranging between 3.25 percent and 4.25 percent, and mature annually in amounts of \$10,000, \$20,000, \$25,000 and \$80,000 until the year 2011. The notes pay interest semi-annually on June 1 and December 1, with principal being due on June 1.

CITY OF REMSEN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 4 - PENSION AND RETIREMENT BENEFITS:

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

Plan members are required to contribute 3.70 percent of their annual covered salary and the City is required to contribute 5.75 percent of annual covered payroll, except for police employees, in which case the percentages are 6.16 percent and 9.23 percent, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93 percent and 8.907 percent, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04 percent and 9.07 percent, respectively. Contribution requirements are established by state statute. The City and its component unit's contributions to IPERS were as follows:

<u>Fiscal Year</u>		<u>City of Remsen</u>		<u>Municipal Utilities</u>		<u>Total</u>
2005	\$	20,918	\$	9,777	\$	30,695
2004		20,272		8,934		29,206
2003		19,152		8,784		27,936

NOTE 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 termination payments payable to employees at June 30, 2005, was \$18,154 for the primary government and \$6,749 for the Municipal Utilities, a component unit. This liability has been computed based on rates of pay in effect at June 30, 2005.

NOTE 6 - TRANSFERS:

Municipal Utilities - During the year ended June 30, 2005, transfers totaling \$54,250 were made to the primary government from its component unit. \$50,000 was a routine transfer to the City in lieu of taxes. The remaining \$4,250 was not a routine transfer and was for improvements to the Thelen baseball park.

CITY OF REMSEN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 7 - UNRESERVED, DESIGNATED FUND BALANCE:

Proceeds from a special charge (of \$2 per month) to all sewer customers are to provide for maintenance and replacement costs of the sewer plant.

NOTE 8 - URBAN RENEWAL PROJECT AREA:

By Council resolution adopted October 22, 1997, the City has established the Country Club Estates Urban Renewal Project Area and by Council resolution adopted September 22, 1999, the City has established the Arens Second Addition Urban Renewal Plan enabling the City to utilize tax increment financing with respect to certain indebtedness incurred by the City in conjunction with development of the Urban Renewal Project Areas. Property taxes collected each year in excess of the "base period" taxes with respect to the Urban Renewal Project Areas are allocated to a special tax increment fund from which principal and any interest on the indebtedness incurred on the Project shall be paid. The amount of debt certified with the Plymouth County Auditor on November 26, 2002 after completion of the Country Club Estates development project totaled \$495,172, of which, \$370,363 remains unpaid as certified with the Plymouth County Auditor on December 1, 2004 as of June 30, 2004. The amount of debt certified with the Plymouth County Auditor on November 26, 2002 with respect to the Arens Second Addition project totaled \$134,188, of which, \$127,583 remains unpaid as certified with the Plymouth County Auditor on December 1, 2004. As of June 30, 2004, property taxes in the amount of \$65,404 have been collected that are eligible to be used to retire the tax increment debts, but the City has decided to accumulate the property taxes for future urban renewal projects.

NOTE 9 - RELATED PARTY TRANSACTIONS:

The City and its component unit, the Municipal Utilities, had business transactions totaling \$19,157 and \$51,385, respectively, between the City and City officials during the year ended June 30, 2005.

NOTE 10 - RISK MANAGEMENT:

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

CITY OF REMSEN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 11 - AGREEMENT WITH DEVELOPER:

On December 9, 1998, the City entered into an agreement with a local developer providing for the advance of \$75,467 by the City to the developer for purposes of completing certain local road construction projects. The City is to be reimbursed by the developer \$4,000 from the sale of each lot located in the affected development area. If the sale of lots does not pay off the advanced monies by January 1, 2006, the total unpaid balance shall become due. The unpaid balance bears no interest and as of June 30, 2005, \$35,467 remains outstanding.

NOTE 12 - COMMITMENTS:

The City has entered into the following contracts to be completed after June 30, 2005:

<u>Description</u>	<u>Contract</u>	<u>Progress Bills</u>	<u>Remaining Contract</u>
Fulton and Second Street Paving	\$ 81,167	\$ -	\$ 81,167
Reconstruction of Sunrise Park Shelter			
house restroom facilities	34,550	-	34,550
Siding for Sunrise Park Shelter house restroom facilities	<u>3,500</u>	<u>-</u>	<u>3,500</u>
 Total	 <u>\$ 119,217</u>	 <u>\$ -</u>	 <u>\$ 119,217</u>

The City's component unit has entered into the following contracts to be completed after June 30, 2005:

<u>Description</u>	<u>Contract</u>	<u>Progress Bills</u>	<u>Remaining Contract</u>
Municipal Utilities:			
Gas improvement project	\$ 94,100	\$ -	\$ 94,100
Replace Water Well #5	7,912	-	7,912
Utility maintenance building parking overlay project	<u>35,490</u>	<u>-</u>	<u>35,490</u>
 Total	 <u>\$ 137,502</u>	 <u>\$ -</u>	 <u>\$ 137,502</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF REMSEN, 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, 2005

	Governmental	Proprietary	Component Unit	Less Funds Not Required To Be	Net	Budgeted Amounts		Final to Net Variance
	Funds	Funds		Budgeted		Original	Final	
	Actual	Actual		Budgeted		Original	Final	
RECEIPTS:								
Property tax	\$ 470,581	\$ -	\$ -	\$ -	\$ 470,581	\$ 465,326	\$ 465,326	\$ 5,255
Tax increment financing revenues	65,404	-	-	-	65,404	61,036	61,036	4,368
Other city tax	138,900	-	-	-	138,900	150,000	150,000	(11,100)
Licenses and permits	12,013	-	-	-	12,013	9,910	9,910	2,103
Use of money and property	32,731	2,157	26,630	(2,582)	58,936	53,450	53,450	5,486
Intergovernmental	210,131	-	-	(40,653)	169,478	162,327	162,327	7,151
Charges for services	61,902	240,579	1,933,748	(42,082)	2,194,147	2,110,902	2,425,402	(231,255)
Miscellaneous	44,516	-	-	(29,169)	15,347	76,775	80,275	(64,928)
Total receipts	<u>\$ 1,036,178</u>	<u>\$ 242,736</u>	<u>\$ 1,960,378</u>	<u>\$ (114,486)</u>	<u>\$ 3,124,806</u>	<u>\$ 3,089,726</u>	<u>\$ 3,407,726</u>	<u>\$ (282,920)</u>
DISBURSEMENTS:								
Public safety	\$ 299,461	\$ -	\$ -	\$ (120,499)	\$ 178,962	\$ 223,440	\$ 239,391	\$ 60,429
Public works	250,924	-	-	-	250,924	572,527	584,727	333,803
Culture and recreation	133,693	-	-	-	133,693	148,307	148,307	14,614
Community and economic development	-	-	-	-	-	61,036	61,036	61,036
General government	149,393	-	-	-	149,393	164,813	164,813	15,420
Debt service	75,503	-	-	-	75,503	75,503	75,503	-
Business type activities	-	236,107	2,096,315	-	2,332,422	2,150,681	2,406,681	74,259
Total disbursements	<u>\$ 908,974</u>	<u>\$ 236,107</u>	<u>\$ 2,096,315</u>	<u>\$ (120,499)</u>	<u>\$ 3,120,897</u>	<u>\$ 3,396,307</u>	<u>\$ 3,680,458</u>	<u>\$ 559,561</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>\$ 127,204</u>	<u>\$ 6,629</u>	<u>\$ (135,937)</u>	<u>\$ 6,013</u>	<u>\$ 3,909</u>	<u>\$ (306,581)</u>	<u>\$ (272,732)</u>	
OTHER FINANCING SOURCES, NET	<u>\$ 61,750</u>	<u>\$ -</u>	<u>\$ (46,745)</u>	<u>\$ -</u>	<u>\$ 15,005</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	<u>\$ 188,954</u>	<u>\$ 6,629</u>	<u>\$ (182,682)</u>	<u>\$ 6,013</u>	<u>\$ 18,914</u>	<u>\$ (305,581)</u>	<u>\$ (271,732)</u>	
BALANCES BEGINNING OF YEAR	<u>846,589</u>	<u>337,801</u>	<u>1,249,575</u>	<u>-</u>	<u>2,433,965</u>	<u>2,277,831</u>	<u>2,277,831</u>	
BALANCES END OF YEAR	<u>\$ 1,035,543</u>	<u>\$ 344,430</u>	<u>\$ 1,066,893</u>	<u>\$ 6,013</u>	<u>\$ 2,452,879</u>	<u>\$ 1,972,250</u>	<u>\$ 2,006,099</u>	

CITY OF REMSEN, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -

BUDGETARY REPORTING

JUNE 30, 2005

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 ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, the City amended its budget and increased budgeted disbursements by \$284,151. The budget amendment is reflected in the final budgeted amounts.

Due to the emergency medical technicians and fire department maintaining separate accounting records, the City does not budget for these items. Therefore, these items have been included in the Less Funds Not Required to be Budgeted Column.

OTHER SUPPLEMENTAL INFORMATION

CITY OF REMSEN, IOWA

SCHEDULE OF INDEBTEDNESS

YEAR ENDED JUNE 30, 2005

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
General Obligation Notes: Swimming pool	January 1, 1998	4.10% - 4.95%	\$ 800,000	\$ 540,000	\$ -	\$ 50,000	\$ 490,000	\$ 25,503	\$ -
Real Estate Mortgage: Ambulance/EMTs building	February 12, 1998	5.50%	\$ 126,394	\$ 73,477	\$ -	\$ 10,000	\$ 63,477	\$ -	\$ 12,508
Water Revenue Bonds	March 1, 1999	4.45% - 5.00%	\$ 245,000	\$ 145,000	\$ -	\$ 20,000	\$ 125,000	\$ 6,968	\$ -
Water Revenue Capital Loan Notes	December 15, 2001	3.25% - 4.25%	\$ 235,000	\$ 205,000	\$ -	\$ 10,000	\$ 195,000	\$ 8,280	\$ -
				<u>\$ 963,477</u>	<u>\$ -</u>	<u>\$ 90,000</u>	<u>\$ 873,477</u>	<u>\$ 40,751</u>	<u>\$ 12,508</u>

CITY OF REMSEN, IOWA

BOND AND NOTE MATURITIES

JUNE 30, 2005

Year Ending	General Obligation Capital January 1, 1998		Real Estate Mortgage February 12, 1998		
	<u>June 30,</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2006		4.55%	\$ 55,000	5.50%	\$ 9,238
2007		4.60%	55,000	5.50%	7,441
2008		4.65%	60,000	5.50%	7,850
2009		4.70%	60,000	5.50%	8,282
2010		4.75%	65,000	5.50%	8,737
2011		4.80%	65,000	5.50%	9,218
2012		4.90%	65,000	5.50%	9,725
2013		4.95%	<u>65,000</u>	5.50%	<u>2,986</u>
			<u>\$ 490,000</u>		<u>\$ 63,477</u>

Year Ending	Water Revenue Bonds March 1, 1999		Water Revenue Capital Loan Notes December 15, 2001		
	<u>June 30,</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2006		4.70%	\$ 25,000	3.75%	\$ 20,000
2007		4.75%	25,000	3.80%	20,000
2008		4.80%	25,000	4.00%	25,000
2009		4.90%	25,000	4.05%	25,000
2010		5.00%	25,000	4.05%	25,000
2011			<u>-</u>	4.25%	<u>80,000</u>
			<u>\$ 125,000</u>		<u>\$ 195,000</u>

CITY OF REMSEN, IOWA

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION

ALL GOVERNMENTAL FUNDS - PRIMARY GOVERNMENT

FOR THE LAST TWO YEARS

	<u>2005</u>	<u>2004</u>
RECEIPTS:		
Property tax	\$ 470,581	\$ 468,066
Tax increment financing collections	65,404	22,275
Other city tax	138,900	162,563
Licenses and permits	12,013	9,388
Use of money and property	32,731	27,792
Intergovernmental	210,131	287,158
Charges for services	61,902	63,531
Miscellaneous	<u>44,516</u>	<u>74,904</u>
 Total	 <u>\$ 1,036,178</u>	 <u>\$ 1,115,677</u>
 DISBURSEMENTS:		
Operating:		
Public safety	\$ 299,461	\$ 290,561
Public works	250,924	261,402
Culture and recreation	133,693	252,414
General government	149,393	126,107
Debt service	75,503	77,702
Capital projects	<u>-</u>	<u>222,923</u>
 Total	 <u>\$ 908,974</u>	 <u>\$ 1,231,109</u>



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
City of Remsen
Remsen, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Remsen, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Remsen, Iowa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying schedule of findings and responses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the following reportable conditions described, we believe item I-A-05 is a material weakness.



KING, REINSCH, PROSSER & CO., L.L.P.
Certified Public Accountants

To the Honorable Mayor and
Members of the City Council
City of Remsen
Remsen, Iowa

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City of Remsen, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying schedule of findings and responses.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

We also noted certain additional matters that we reported to management of City of Remsen, Iowa in a separate letter dated September 28, 2005.

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

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

King, Reinsch, Prosser & Co., L.L.P.

September 28, 2005
Sioux City, Iowa

CITY OF REMSEN

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2005

Part I: Findings Related to the Financial Statements

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual from handling duties which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetrate and conceal errors or irregularities. To accomplish proper segregation of duties, the system, insofar as possible, should provide for different individuals to perform the functions of (a) authorizing transactions, (b) recording transactions, (c) maintaining custody of the assets that result from transactions, and (d) comparing assets with the related amounts recorded in the accounting records. In performing our audit, we noted that recordkeeping for the City is the primary responsibility of one person, with review by the Council. The City Treasurer and the City Clerk are the same person.

Recommendation - The size of the City's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Council should remain actively involved in the financial affairs of the City to provide oversight and review functions. The City should consider appointing a Treasurer independent of the City Clerk.

Response - The City understands the nature of the weakness and the necessity for the Council to provide oversight and review functions. The City will review its procedures and implement changes as deemed necessary.

Conclusion - Response accepted.

I-B-05 Records of Accounts - The emergency medical technicians and fire department maintain some accounting records and bank balances pertaining to the operations of the EMTs and fire service. These transactions and the resulting balances are not recorded in the Clerk's records. Chapter 384.20 of the Code of Iowa states in part that "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose."

Recommendation - For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be recorded in the Clerk's records.

CITY OF REMSEN

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2005

(CONTINUED)

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

REPORTABLE CONDITIONS (CONTINUED):

- Response - The bank balances for the emergency medical technicians but not the fire department are currently being recorded in the City Clerk's monthly reports; however, the individual receipts and disbursements records are maintained by an outside accounting service. We will endeavor to obtain at least a quarterly report of receipts and disbursements from the fire department and EMTs accounting service and include such transactions in the City's ledger.
- Conclusion - Response accepted.
- I-C-05 Reconciliation of Utility Billings, Collections and Delinquencies - Utility billings, collections and delinquent accounts were not reconciled throughout the year.
- Recommendation - We have worked with CMS software technical support to assist in preparation of reports with little success. We will consider exploring other software or contracting for some support with CMS software in preparing reconciliations.
- Response - These procedures will be implemented as recommended.
- Conclusion - Response accepted.
- I-D-05 Meter Deposits and Library Computer Trust Savings Accounts - During our audit, it was noted that the activity of the meter deposits bank account was not recorded in the general ledger. It was also noted that the activity of the library computer trust savings account was not recorded in the general ledger.
- Recommendation - The activity of the meter deposits needs to be recorded in a separate fund. The activity of the library computer trust savings accounts needs to be recorded in the General Fund.
- Response - We will record as recommended in the future.
- Conclusion - Response accepted.

CITY OF REMSEN

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2005

(CONTINUED)

Part II: Other Findings Related to Required Statutory Reporting

II-A-05 Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

II-B-05 Certified Budget - Disbursements for the year ended June 30, 2005 did not exceed the amount budgeted. The budget was amended in accordance with Chapter 384.18 of the Code of Iowa.

II-C-05 Questionable Disbursements - No disbursements were noted that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-05 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-E-05 Business Transactions - The City and its component unit had business transactions of \$70,165 for insurance coverage with Matgen Insurance, which is owned by Steve Matgen, Municipal Utilities trustee, during the year ended June 30, 2005. It also had business transactions of \$377 for supplies with Gengler Feed Service, which is partly owned by Dale Schroeder, City Council Member, during the year ended June 30, 2005.

Recommendation - The transaction with Matgen Insurance exceeded \$1,500 and may represent a conflict of interest. We recommend the Council consult legal counsel on the disposition of this matter.

Response - We will consult legal counsel.

Conclusion - Response accepted.

II-F-05 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 ensure that the coverage is adequate for current operations.

CITY OF REMSEN

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2005

(CONTINUED)

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

- II-G-05 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of Council proceedings were published, they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. It was also noted that the City does not maintain documentation of proof of publications of minutes for all minutes.

The City did not publish annual gross salaries in accordance with an Attorney General's opinion dated April 12, 1978.

Recommendation - The City should comply with Chapter 21 of the Code of Iowa and should publish salaries, minutes, disbursements by fund, and receipts as required and maintain adequate documentation of publications.

Response - We will publish salaries, minutes, disbursements by fund and receipts as required.

Conclusion - Response accepted.

- II-H-05 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

- II-I-05 Water Revenue Bonds - We noted no instances of non-compliance with the terms of the City's Water Revenue Bonds. All scheduled payments of bond principal and interest were properly made.

- II-J-05 Water Revenue Capital Loan Notes - We noted no instances of non-compliance with the terms of the City's Water Revenue Capital Loan Notes. All scheduled payments of bond principal and interest were properly made.

- II-K-05 Tax Increment Financing - The Code of Iowa, Chapter 403.19, specifies that tax collections for a TIF tax levy should be recorded in a special revenue fund. Currently, the City has recorded receipts in the debt service fund.

CITY OF REMSEN

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2005

(CONTINUED)

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

Recommendation - The City should record the TIF levy and any related disbursements in a special revenue fund in accordance with Iowa law.

Response - We will record as required in the future.

Conclusion - Response accepted.

II-L-05 Local Option Sales Tax - The City records local option sales tax receipts in the General Fund.

Recommendation - The City should record all local option sales tax receipts and any related disbursements in a special revenue fund in accordance with Iowa law.

Response - We will record as required in the future.

Conclusion - Response accepted.

II-M-05 Employee Tax Benefit Tax Levy - The City budgets for the employee benefit tax levy in the Special Revenue fund, but records the receipt and disbursement in the General Fund. The City has collected employee benefit tax levies for the payment of health insurance premiums on Enterprise Fund employees. In accordance with City Finance Committee rules, the levy must be used only for benefits for employees whose salary is paid from the General Fund or the Road Use Tax Account.

Recommendation - The City should record all special tax levies and any related disbursements in a special revenue fund in accordance with Iowa law. Property tax levies should be reduced to correct the surplus of fund balance that was created due to erroneously collecting levies on Enterprise Fund employees.

Response - We will implement as recommended.

Conclusion - Response accepted.

CITY OF REMSEN

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2005

(CONTINUED)

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

II-N-05 General Sinking Fund - The City transfers any unexpended disbursement line items to a Special Revenue fund established by the City.

Recommendation - The City should discontinue use of the General Sinking Fund and prepare a schedule of unreserved, designated fund balance for the amount of unexpended disbursement items that the City wants to appropriate for a specific item.

Response - We will record as recommended in the future.

Conclusion - Response accepted.

II-O-05 Enterprise Funds - The City budgets for sewer and garbage receipts and disbursements in an enterprise fund, but records the receipts in the General Fund and the General Sinking Fund and records disbursements in the General Fund.

Recommendation - The City should establish two enterprise funds. There should be one for the sewer utility and one for the garbage utility. The receipts and disbursements should then be recorded in the corresponding enterprise fund.

Response - We will record as recommended in the future.

Conclusion - Response accepted.

CITY OF REMSEN, IOWA

STAFF

The audit was performed by:

Angel Neuroth, CPA, Supervisor
Becky George, Staff Accountant
Michelle Jahn, Staff Accountant

Michael H. Prosser, CPA
Partner