CITY OF REINBECK

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
& SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS

June 30, 2007

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City of Reinbeck

Officials

Name	Title	Term Expires
Lon Larsen	Mayor	Dec 2011
Jamie Eiffler	Mayor Pro-Tem	Dec 2009
Jeff Etringer	Council Member	Dec 2009
Jack Boyer	Council Member	Dec 2011
Allen Stickfort	Council Member	Dec 2009
Shawn Murphy	Council Member	Dec 2011
Quentin Mayberry	City Administrator	Indefinite
Janalyn Harris	Administrative Assistant	Indefinite
Kurt Leistikow	Attorney	Indefinite

Keith Oltrogge, CPA, P.C.

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

I 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 Reinbeck, Iowa, as of and for the year ended June 30, 2007, 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 Reinbeck's management. My responsibility is to express opinions on these financial statements based on my audit.

Except as discussed in the following paragraph:
I conducted my 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 and provisions require that I 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. I believe my audit provides a reasonable basis for my 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 generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2006.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to verify the distribution by fund of the total fund balance at July 1, 2006, as discussed in the preceding paragraph, the aforementioned financial statements present fairly, in all material respects, the results of the cash transactions of the funds of the City of Reinbeck as of and for the year ended June 30, 2007 on the basis of accounting described in Note 1. Also, in my 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 Reinbeck as of June 30, 2007, 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, I have also issued my reports dated July 8, 2008 on my consideration of the City of Reinbeck's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my 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. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

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• American Institute of Certified Accountants • Division for CPA Firms • Private Companies Practice Section

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 22 through 21 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Reinbeck's basic financial statements. Other supplementary information included in Schedules 1 and 2 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 my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Keith Oltrogge CPA PC

Keith Oltrogge
Certified Public Accountant

July 8, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Reinbeck 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, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 2.5% or approximately $41,000 from fiscal 2006 to fiscal 2007. Property tax increased approximately $44,700 from fiscal 2006 to fiscal 2007.

- Disbursements of the City's governmental activities increased 21%, or approximately $537,000, in fiscal 2007 from fiscal 2006. Disbursements increase in the Capital project activities by approximately $316,000.

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 non-major governmental funds.

Basis of Accounting

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets 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 include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

- Business Type Activities include the water, sewer and telecommunication utilities. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, 3) the Debt Service Fund, 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 six Enterprise Funds to provide separate information for the water, sewer and telecommunication funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from $437,436 to $609,767. 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, 2007		
Receipts and transfers:		
Program receipts:		
Charges for service	$	161,174
Operating grants, contributions and restricted interest		235,351
Capital grants, contributions and restricted interest		135,000
General receipts:		
Property tax		614,260
Tax increment financing		407,204
Unrestricted investment earnings		25,369
Other general receipts		73,628
Total receipts	$	1,651,986
Disbursements:		
Public safety	$	158,833
Public works		251,739
Health and social services		2,323
Culture and recreation		289,809
Community and economic development		64,397
General government		83,282
Debt service		441,828
Capital projects		1,265,561
Total disbursements	$	2,557,772
Change in cash basis net assets before transfers	$	-905,786
Loan proceed and net transfers		1,078,117
Change cash basis net assets	$	172,331
Cash basis net assets beginning of year		437,436
Cash basis net assets end of year	$	609,767

The City's total receipts for governmental activities increased 2.5%, or approximately $41,000. The total cost of all programs and services increased approximately $537,000, or 21% with no new programs added this year.

The following table presents the total and net cost of the City's governmental activities:

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services 2007	Net Cost of Services 2007
Function/Programs:		
Governmental activities:		
Public safety	$ 158,833	$ 108,288
Public works	251,739	20,929
Health and social services	2,323	2,323
Culture and recreation	289,809	89,639
Community and economic development	64,397	14,397
General government	83,282	83,282
Total governmental activities	$ 850,383	$ 318,858

Changes in Cash Basis Net Assets of Business Type Activities
Year Ended June 30, 2007

Receipts:		
Program receipts:		
Charges for service:		
Water	$	170,998
Sewer		372,489
Cable TV		175,802
Internet		102,844
Telephone		426,092
Sewer plant		-
General receipts:		
Unrestricted interest on investments		172
Miscellaneous		76,556
Total receipts	$	1,324,953
Disbursements:		
Water	$	139,791
Sewer		388,134
Cable TV		177,651
Internet		97,776
Telephone		477,829
Sewer plant		5,850
Total disbursements	$	1,287,031
Change in cash basis net assets before transfers	$	37,922
Loan proceeds, net transfers		23,424
Increase in cash balance	$	61,346
Cash basis net assets beginning of year		293,142
Cash basis net assets end of year	$	354,488

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Reinbeck completed the year, its governmental funds reported a combined fund balance of $609,767, an increase of more than $172,331above last year's total of $437,436. The following are major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased $227,653 from the prior year to $956,912. This increase was due to money transferred from other funds.
- The Special Revenue, Road Use Tax Fund cash balance increased $21,068 to $102,588 during the fiscal year. This increase was attributable to revenues exceeded expenditures.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 24, 2007 and resulted in an increase in operating disbursements related to additional fire department equipment repairs and economic development costs. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were $261,078 more than budgeted. This was primarily due to the City receiving more in miscellaneous income than anticipated.

Even with the budget amendments, total disbursements in the culture and recreation, community and economic development functions exceeded the amended 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 Quentin Mayberry, City Administrator, 414 Main Street, Reinbeck IA 50669.

Basic Financial Statements

City of Reinbeck

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2007

		Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions, & Restricted Interest	Capital Grants, Contributions & Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	$ 158,833	$ 5,357	$ 15,188	$ 30,000
Public works	251,739	84,873	145,937	-
Health and social services	2,323	-	-	-
Culture and recreation	289,809	70,944	24,226	105,000
Community and economic development	64,397	-	50,000	-
General government	83,282	-	-	-
Debt service	441,828	-	-	-
Capital projects	1,265,561	-	-	-
Total governmental activities	$ 2,557,772	$ 161,174	$ 235,351	$ 135,000
Business type activities:				
Water	$ 139,791	$ 170,998	$ -	$ -
Sewer	388,134	372,489	-	-
Cable TV	177,651	175,802	-	-
Internet	97,776	102,844	-	-
Telephone	477,829	426,092	-	-
Sewer plant	5,850	-	-	-
Total business type activities	$ 1,287,031	$ 1,248,225	$ -	$ -
Total	$ 3,844,803	$ 1,409,399	$ 235,351	$ 135,000
General Receipts:				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Unrestricted interest on investments				
Miscellaneous				
Transfers				
Loan proceeds				
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: Debt service				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

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

Governmental Activities	Business Type Activities	Total
$ -108,288	$ -	$ -108,288
-20,929	-	-20,929
-2,323	-	-2,323
-89,639	-	-89,639
-14,397	-	-14,397
-83,282	-	-83,282
-441,828	-	-441,828
-1,265,561	-	-1,265,561
$ -2,026,247	$ -	$ -2,026,247
$ -	$ 31,207	$ 31,207
-	-15,645	-15,645
-	-1,849	-1,849
-	5,068	5,068
-	-51,737	-51,737
-	-5,850	-5,850
$ -	$ -38,806	$ -38,806
$ -2,026,247	$ -38,806	$ -2,065,053
$ 366,620	$ -	$ 366,620
407,204	-	407,204
247,640	-	247,640
25,369	172	25,541
73,628	76,556	150,184
-11,424	11,424	-
1,089,541	12,000	1,101,541
$ 2,198,578	$ 100,152	$ 2,298,730
$ 172,331	$ 61,346	$ 233,677
437,436	293,142	730,578
$ 609,767	$ 354,488	$ 964,255
$ -148,455	$ -	$ -148,455
758,222	354,488	1,112,710
$ 609,767	$ 354,488	$ 964,255

City of Reinbeck

Statement of Cash Receipts, Disbursements and Changes in Cash Balances Governmental Funds

As of and for the year ended June 30, 2007

		Special Revenue	
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	$ 279,433	$ -	$ -
Tax increment financing collections	-	-	407,204
Other city tax	14,735	-	-
Licenses and permits	4,483	-	-
Use of money and property	33,803	-	-
Intergovernmental	89,799	145,937	-
Charges for service	142,977	-	-
Special assessments	-	-	-
Miscellaneous	106,067	-	-
Total receipts	$ 671,297	$ 145,937	$ 407,204
Disbursements:			
Operating:			
Public safety	$ 158,833	$ -	$ -
Public works	125,480	111,906	-
Health and social services	2,323	-	-
Culture and recreation	273,644	-	-
Community and economic development	63,901	-	-
General government	79,732	-	-
Debt service	-	-	89,731
Capital projects	-	-	-
Total disbursements	$ 703,913	$ 111,906	$ 89,731
Excess (deficiency) of receipts over (under) disbursements	$ -32,616	$ 34,031	$ 317,473
Other financing sources (uses):			
Loan proceeds net	$ -	$ -	$ -
Operating transfers in	365,269	-	-
Operating transfers out	-105,000	-12,963	-386,305
Total other financing sources (uses)	$ 260,269	$ -12,963	$ -386,305
Net change in cash balances	$ 227,653	$ 21,068	$ -68,832
Cash balances beginning of year	729,259	81,520	357,623
Cash balances end of year	$ 956,912	$ 102,588	$ 288,791
Cash Basis Fund Balances			
Reserved:			
Debt service	$ -	$ -	$ -
Unreserved:			
General fund	956,912	-	-
Special revenue funds	-	102,588	288,791
Capital projects fund	-	-	-
Total cash basis fund balances	$ 956,912	$ 102,588	$ 288,791

See notes to financial statements.

Debt Service	Capital Projects Park	Other Non-Major Governmental Funds	Total
$ 242,266	$ -	$ 69,035	$ 590,734
-	-	-	407,204
5,103	-	2,888	22,726
-	-	-	4,483
117	-	19	33,939
271	105,000	144	341,151
-	-	-	142,977
-	-	2,705	2,705
-	-	-	106,067
$ 247,757	$ 105,000	$ 74,791	$ 1,651,986
$ -	$ -	$ -	$ 158,833
-	-	14,353	251,739
-	-	-	2,323
-	-	16,165	289,809
-	-	496	64,397
-	-	3,550	83,282
352,097	-	-	441,828
-	1,233,591	31,970	1,265,561
$ 352,097	$ 1,233,591	$ 66,534	$ 2,557,772
$ -104,340	$ -1,128,591	$ 8,257	$ -905,786
$ -	$ 1,089,541	$ -	$ 1,089,541
92,138	105,000	-	562,407
-15,550	-	-54,013	-573,831
$ 76,588	$ 1,194,541	$ -54,013	$ 1,078,117
$ -27,752	$ 65,950	$ -45,756	172,331
-120,703	-651,587	41,324	437,436
$ -148,455	$ -585,637	$ -4,432	$ 609,767
$ -148,455	$ -	$ -	$ -148,455
-	-	-	956,912
-	-	42,383	433,762
-	-585,637	-46,815	-632,452
$ -148,455	$ -585,637	$ -4,432	$ 609,767

City of Reinbeck

Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets – Governmental Funds
As of and for the year ended June 30, 2007

Total governmental funds cash balances (page 12)	$	609,767
Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:		
None		-
Cash basis net assets of governmental activities (page 11)	$	609,767
Net change in cash balances (page 12)	$	172,331
Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:		
None		-
Change in cash balance of governmental activities (page 11)	$	172,331

See notes to financial statements.

City of Reinbeck

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2007

	Enterprise Funds	
	Water	Sewer
Operating receipts:		
Charges for service	$ 158,066	$ 368,172
Miscellaneous	12,932	4,317
Total operating receipts	$ 170,998	$ 372,489
Operating disbursements:		
Business type activities	$ 139,791	$ 188,596
Total operating disbursements	$ 139,791	$ 188,596
Excess (deficiency) of operating receipts over (under) operating disbursements	$ 31,207	$ 183,893
Non-operating receipts (disbursements):		
Interest on investments	$ 6	$ 166
Miscellaneous	1,661	67,451
Debt service	-	-199,538
Capital projects	-	-
Total non-operating receipts (disbursements)	$ 1,667	$ -131,921
Excess (deficiency) of receipts over (under) disbursements	$ 32,874	$ 51,972
Loan proceeds	-	-
Operating transfers in (out)	-	11,424
Net change in cash balances	$ 32,874	$ 63,396
Cash balances beginning of year	203,883	327,244
Cash balances end of year	$ 236,757	$ 390,640
Cash Basis Fund Balances		
Unreserved	$ 236,757	$ 390,640
Total cash basis fund balances	$ 236,757	$ 390,640

See notes to financial statements.

Enterprise Funds				
Cable TV	Internet	Telephone	Sewer Plant	Total
$ 166,570	$ 102,844	$ 411,932	$ -	$ 1,207,584
9,232	-	14,160	-	40,641
$ 175,802	$ 102,844	$ 426,092	$ -	$ 1,248,225
$ 139,923	$ 78,912	$ 345,781	$ -	$ 893,003
$ 139,923	$ 78,912	$ 345,781	$ -	$ 893,003
$ 35,879	$ 23,932	$ 80,311	$ -	$ 355,222
$ -	$ -	$ -	$ -	$ 172
46	3,301	4,097	-	76,556
-37,728	-18,864	-132,048	-	-388,178
-	-	-	-5,850	-5,850
$ -37,682	$ -15,563	$ -127,951	$ -5,850	$ -317,300
$ -1,803	$ 8,369	$ -47,640	$ -5,850	$ 37,922
-	-	-	12,000	12,000
-	-	-	-	11,424
$ -1,803	$ 8,369	$ -47,640	$ 6,150	$ 61,346
-37,471	4,342	84,495	-289,351	293,142
$ -39,274	$ 12,711	$ 36,855	$ -283,201	$ 354,488
$ -39,274	$ 12,711	$ 36,855	$ -283,201	$ 354,488
$ -39,274	$ 12,711	$ 36,855	$ -283,201	$ 354,488

City of Reinbeck

Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets – Proprietary Funds
As of and for the year ended June 30, 2007

Total enterprise funds cash balances (page 14)	$	354,488
Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:		
None		-
Cash basis net assets of business type activities (page11)	$	354,488
Net change in cash balances (page 14)	$	61,346
Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:		
None		
Change in cash balance of business type activities (page 11)	$	61,346

See notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Reinbeck is a political subdivision of the State of Iowa located in Grundy County and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, solid waste, cable TV, internet, telephone and sewer plant utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Reinbeck has included all funds, organizations, agencies, board, 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.

These financial statements present the City of Reinbeck (the primary government) and the Reinbeck Fire Department (component unit). This component unit discussed below is included in the City's reporting entity because of the significance of the operational or financial relationships with the City.

Fire Department

The Reinbeck Fire Department is legally separate from the City but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City. The Reinbeck Fire Department has been established pursuant to local ordinance to prevent and extinguish fires and to protect lives and property against fires, to promote fire prevention and fire safety, and to answer all emergency calls for which there is no other established agency. Although the Reinbeck Fire Department is legally separate from the City, its purpose is to benefit the City of Reinbeck (the primary government) by providing the above services and by soliciting contributions and managing those funds.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: County Assessor's Conference Board, City Assessor's Conference Board, County Emergency Management Commission, County Landfill Commission and County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund 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 non-fiduciary net assets. Net assets are reported in two categories:

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

The Capital Project Fund is utilized to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

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

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

The Cable TV Fund accounts for the operation and maintenance of the City's cable system.

The Internet Fund accounts for the operation and maintenance of the City's internet system.

The Telephone Fund accounts for the operation and maintenance of the City's telephone system.

The Sewer Plant Fund accounts for the operation and maintenance of the City's waste plant system.

C. Measurement Focus and Basis of Accounting

The City of Reinbeck 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.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amount budgeted in the community and economic development function.

NOTE 2 – CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2007 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.

Interest Rate Risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds 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.

NOTE 3 – GENERAL OBLIGATION CAPITAL LOAN AND REVENUE LOAN NOTES

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

Year Ending	General Obligation Capital Loan Notes		Revenue Loan Notes		Total	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2008	$265,000	$57,612	$395,055	$205,827	$660,055	$263,439
2009	275,000	47,978	411,411	189,273	686,411	237,251
2010	280,000	37,462	427,122	171,953	707,122	209,415
2011	295,000	25,975	449,201	153,673	744,201	179,648
2012	170,000	13,830	466,670	134,186	636,670	148,016
2013	180,000	7,200	489,546	113,850	669,546	121,050
2014	-	-	469,962	92,388	469,962	92,388
2015	-	-	324,000	74,300	324,000	74,300
2016	-	-	334,000	60,710	334,000	60,710
2017	-	-	153,000	46,620	153,000	46,620
2018	-	-	158,000	42,030	158,000	42,030
2019	-	-	162,000	37,290	162,000	37,290
2020	-	-	167,000	32,430	167,000	32,430
2021	-	-	172,000	27,420	172,000	27,420
2022	-	-	177,000	22,260	177,000	22,260
2023	-	-	183,000	16,950	183,000	16,950
2024	-	-	188,000	11,460	188,000	11,460
2025	-	-	194,000	5,820	194,000	5,820
	$1,465,000	$190,057	$5,320,967	$1,438,440	$6,785,967	$1,628,497

The Code of Iowa requires that principal and interest on general obligation capital loan notes be paid from the Debt Service Fund.

The resolution providing for the issuance of the general obligation capital loan notes for the January 23, 2003 – Essential Corporate Purpose and the May 1, 2001 – Telecommunications System loans includes the following provision:

a) The loan will be redeemed by a levy of annual tax on all the taxable property in Reinbeck, Iowa.

The resolution providing for the issuance of the September 13, 2004 Sewer Revenue Note includes the following provision:

a) A Sewer Revenue Bond Sinking Fund shall be created. The Sewer Revenue Bond Sinking Fund shall be used solely for the purpose of paying principal and interest on the note.

NOTE 4 – PENSION AND RETIREMENT BENEFITS

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

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2007, was $18,652, equal to the required contributions for the year.

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 and sick leave termination payments payable to employees at June 30, 2007, primarily relating to the General Fund, is as follows:

Type of Benefit		Amount
Vacation	$	10,427
Sick leave		21,823
Total	$	32,250

This liability has been computed based on rates of pay in effect at June 30, 2007.

NOTE 6 – INTER-FUND TRANSFERS

The detail of inter-fund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from		Amount
General Fund	Special Revenue: Urban Renewal Tax Increment	$	294,167
General Fund	Special Revenue: Employee Benefits		50,000
General Fund	Special Revenue: Special Assessment		4,013
General Fund	Debt Service		15,550
General Fund	Special Revenue: Road Use Tax		1,539
Enterprise: Sewer	Special Revenue: Road Use Tax		11,424
Capital Projects	General Fund		105,000
Debt Service	Special Revenue: Urban Renewal Tax Increment		92,138
		$	573,831

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

NOTE 7 – RISK MANAGEMENT

The City of Reinbeck is 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.

NOTE 8 – DEFICIT FUND BALANCE

The Debt Service Fund has a deficit balance of $148,455 at June 30, 2007. The deficit will be eliminated with future tax collections. The Capital Project Funds has a deficit balance of $632,452.

NOTE 9 – RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling $34,131 during the year ended June 30, 2007.

NOTE 10 – COMMITMENTS

At June 30, 2007, the City approved a contract for a street repair bid for $26,697.

REQUIRED SUPPLEMENTARY INFORMATION

City of Reinbeck

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, 2007

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	$ 590,734	$ -
Tax increment financing collections	407,204	-
Other city tax	22,726	-
Licenses and permits	4,483	-
Use of money and property	33,939	172
Intergovernmental	341,151	-
Charges for service	142,977	1,248,225
Special assessments	2,705	-
Miscellaneous	106,067	76,556
Total receipts	$ 1,651,986	$ 1,324,953
Disbursements:		
Public safety	$ 158,833	$ -
Public works	251,739	-
Health and social services	2,323	-
Culture and recreation	289,809	-
Community and economic development	64,397	-
General government	83,282	-
Debt service	441,828	-
Capital projects	1,265,561	-
Business type activities	-	1,287,031
Total disbursements	$ 2,557,772	$ 1,287,031
Excess (deficiency) of receipts over (under) disbursements	$ -905,786	$ 37,922
Other financing sources, net	1,078,117	23,424
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	$ 172,331	$ 61,346
Balances beginning of year	437,436	293,142
Balances end of year	$ 609,767	$ 354,488

See accompanying independent auditor's report.

	Net	Budgeted Amounts Original	Final	Final to Net Variance
$	590,734	$ 589,622	$ 589,622	$ 1,112
	407,204	380,000	390,000	17,204
	22,726	15,403	15,403	7,323
	4,483	3,600	3,600	883
	34,111	31,890	31,890	2,221
	341,151	216,472	246,472	94,679
	1,391,202	1,358,849	1,398,849	-7,647
	2,705	3,250	3,250	-545
	182,623	36,775	36,775	145,848
$	2,976,939	$ 2,635,861	$ 2,715,861	$ 261,078
$	158,833	$ 144,065	$ 174,065	$ 15,232
	251,739	264,624	264,624	12,885
	2,323	5,720	5,820	3,497
	289,809	274,583	274,583	-15,226
	64,397	12,422	17,422	-46,975
	83,282	103,990	103,990	20,708
	441,828	546,669	556,669	114,841
	1,265,561	-	1,350,000	84,439
	1,287,031	1,222,299	1,297,299	10,268
$	3,844,803	$ 2,574,372	$ 4,044,472	$ 199,669
$	-867,864	$ 61,489	$ -1,328,611	$ 460,747
	1,101,541	-	1,350,000	-248,459
$	233,677	$ 61,489	$ 21,389	$ 212,288
	730,578	1,739,418	1,739,418	-1,008,840
$	964,255	$ 1,800,907	$ 1,760,807	$ -796,552

City of Reinbeck

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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, one budget amendment increased budgeted disbursements by $1,470,100. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amount budgeted in the culture and recreation and the community and economic development functions.

Other Supplementary Information

City of Reinbeck

Statement of Cash Receipts, Disbursements and Changes in Cash Balances Non-major Governmental Funds

As of and for the year ended June 30, 2007

	Special Revenue		
	Emergency	Employee Benefits	Special Assessment Curb & Gutter
Receipts:			
Property tax	$ 8,285	$ 60,750	$ -
Other city tax	253	2,635	-
Use of money and property	-	-	-
Intergovernmental	13	131	-
Special assessments	-	-	2,705
Total receipts	$ 8,551	$ 63,516	$ 2,705
Disbursements:			
Operating:			
Public works	$ -	$ 14,353	$ -
Culture and recreation	-	16,165	-
Community & economic development	-	496	-
General government	-	3,550	-
Capital projects	-	-	-
Total disbursements	$ -	$ 34,564	$ -
Excess (deficiency) of receipts over (under) disbursements	$ 8,551	$ 28,952	$ 2,705
Other financing uses:			
Operating transfers in (out)	-	-50,000	-4,013
Net change in cash balances	$ 8,551	$ -21,048	$ -1,308
Cash balances beginning of year	-12	52,187	4,013
Cash balances end of year	$ 8,539	$ 31,139	$ 2,705
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	$ 8,539	$ 31,139	$ 2,705
Capital projects fund	-	-	-
Total cash basis fund balances	$ 8,539	$ 31,139	$ 2,705

See accompanying independent auditor's report.

Capital Project Tele-Communications	Total
$ -	$ 69,035
-	2,888
19	19
-	144
-	2,705
$ 19	$ 74,791
$ -	$ 14,353
-	16,165
-	496
-	3,550
31,970	31,970
$ 31,970	$ 66,534
$ -31,951	$ 8,257
-	-54,013
$ -31,951	$ -45,756
-14,864	41,324
$ -46,815	$ 4,432
$ -	$ 42,383
-46,815	-46,815
$ -46,815	$ -4,432

City of Reinbeck

Schedule of Indebtedness

Year ended June 30, 2007

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation capital loan notes:			
Telecommunications system	May 1, 2001	3.9-4.7%	$995,000
Essential corporate purpose	Jan 23, 2003	1.75-4.0%	$1,595,000
Revenue note:			
Telecommunications revenue	Sept 1, 2001	4.4-5.2%	$1,810,000
Sewer revenue (SRF Loan)	Sept 13, 2004	3.0%	$2,990,000
Urban renewal tax Increment revenue	July 17, 2006	4.75%	$1,300,000
Pool note	July 19, 2006	5.65%	$290,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
$600,000	$-	$110,000	$490,000	$27,050	$-
1,120,000	-	145,000	975,000	39,352	-
$1,720,000	$-	$255,000	$1,465,000	$66,402	$-
$1,495,000	$-	$115,000	$1,380,000	$73,640	$-
2,847,000	12,000	114,000	2,745,000	85,538	-
-	1,300,000	104,033	1,195,967	30,725	-
-	290,000	290,000	-	1,183	-
$4,342,000	$1,602,000	$623,033	$5,320,967	$191,086	$-

City of Reinbeck

Note Maturities

June 30, 2007

Year Ending June 30,	General Obligation Capital Loan Notes: Essential Corporate Purpose Issued Jan 23, 2003 Interest Rate	Amount	Telecommunications System Issued May 1, 2001 Interest Rate	Amount	Revenue Note: Telecommunications Revenue Issued Sept 1, 2001 Interest Rate	Amount
2008	3.05%	$150,000	4.40%	$115,000	4.55%	$125,000
2009	3.30%	155,000	4.50%	120,000	4.60%	130,000
2010	3.55%	155,000	4.60%	125,000	4.80%	135,000
2011	3.80%	165,000	4.70%	130,000	4.95%	145,000
2012	3.90%	170,000	-	-	5.00%	150,000
2013	4.00%	180,000	-	-	5.05%	160,000
2014	-	-	-	-	5.10%	170,000
2015	-	-	-	-	5.15%	180,000
2016		-	-	-	5.20%	185,000
		$975,000		$490,000		$1,380,000

Year Ending June 30,	Revenue Note: Sewer Revenue Issued Sept 13, 2004 Interest Rate	Amount	Revenue Note: Urban Renewal Tax Increment Revenue Bond Issued July 17, 2006 Interest Rate	Amount	Total
2008	3.0%	$117,000	4.75%	$153,055	$660,055
2009	3.0%	121,000	4.75%	160,411	686,411
2010	3.0%	124,000	4.75%	168,122	707,122
2011	3.0%	128,000	4.75%	176,201	744,201
2012	3.0%	132,000	4.75%	184,670	636,670
2013	3.0%	136,000	4.75%	193,546	669,546
2014	3.0%	140,000	4.75%	159,962	469,962
2015	3.0%	144,000	-	-	324,000
2016	3.0%	149,000	-	-	334,000
2017	3.0%	153,000	-	-	153,000
2018	3.0%	158,000	-	-	158,000
2019	3.0%	162,000	-	-	162,000
2020	3.0%	167,000	-	-	167,000
2021	3.0%	172,000	-	-	172,000
2022	3.0%	177,000	-	-	177,000
2023	3.0%	183,000	-	-	183,000
2024	3.0%	188,000	-	-	188,000
2025	3.0%	194,000	-	-	194,000
		$2,745,000		$1,195,967	$6,785,967

See accompanying independent auditor's report.

City of Reinbeck

**Schedule of Receipts By Source and Disbursements By Function –
All Governmental Funds**

For the Last Three Years

	2007 Audited	2006 Unaudited	2005 Audited
Receipts:			
Property tax	$ 590,734	$ 546,003	$ 561,052
Tax increment financing collection	407,204	382,991	350,402
Other city tax	22,726	21,858	22,531
Licenses and permits	4,483	4,185	4,301
Use of money and property	33,939	33,530	23,559
Intergovernmental	341,151	175,085	217,903
Charges for service	142,977	96,057	4,038
Special assessments	2,705	4,013	4,346
Miscellaneous	106,067	347,173	97,580
Total	$ 1,651,986	$ 1,610,895	$ 1,285,712
Disbursements:			
Operating:			
Public safety	$ 158,833	$ 127,204	$ 187,490
Public works	251,739	256,520	272,893
Health and social services	2,323	6,635	5,474
Culture and recreation	289,809	251,639	234,317
Community and economic development	64,397	7,580	87,771
General government	83,282	107,460	105,876
Debt service	441,828	314,337	316,422
Capital projects	1,265,561	949,291	10,574
Total	$ 2,557,772	$ 2,020,666	$ 1,220,817

See accompanying independent auditor's report.

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

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

To the Honorable Mayor and
Members of the City Council:

I 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 Reinbeck, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents and have issued my report thereon dated July 8, 2007. My report expressed an unqualified opinion on the financial statements, which were prepared in conformity with another comprehensive basis of accounting. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Reinbeck's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the City of Reinbeck'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 II of the accompanying Schedule of Findings.

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. My 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 reportable conditions described above, I believe items I-A-07, I-B-07, I-C-07, I-D-07, I-E-07 and I-F-07 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Reinbeck's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

MEMBER: Iowa Society of Certified Public Accountants • Minnesota Society of Certified Public Accountants
• American Institute of Certified Accountants • Division for CPA Firms • Private Companies Practice Section

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my 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.

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 Reinbeck and other parties to whom the City of Reinbeck may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Keith Oltrogge
Certified Public Accountant

July 8, 2007

City of Reinbeck

Schedule of Findings

Year ended June 30, 2007

Part I – Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

I-A-07 Segregation of Duties – One important element in designing an internal control structure that safeguards assets and reasonably ensures the reliability of the accounting records is the concept of segregation of duties. When duties are properly segregated, the activities of one employee act as a check of those of another.

During my review of the City's control procedures, I noted that one person has control over one or more of the following areas:

1. Accounting system-performance of all general accounting functions and custody of assets.
2. Receipts-journalizing, posting and reconciling.
3. Disbursements-check writing, signing, posting and reconciling.
4. Payroll-preparation and distribution.
5. Utilities-billings and recording.
6. Computer system functions-data entry, error correction, on-line edit and update.

Recommendation – I realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel.

Response – We are currently reviewing operating procedures and duty assignments to obtain appropriate segregation of duties and maximize internal controls.

Conclusion – Response accepted.

I-B-07 Accounting Policies and Procedures Manual – The City does not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

1. Aid in training additional or replacement personnel and act as a quick reference for staff members and officials.
2. Helps streamline accounting operations by achieving uniformity in accounting and in the application of policies and procedures.
3. Saves supervisory time by recording decisions so that they will not have to be made each time the same, or a similar, situation arises.
4. Helps to preserve the key elements in the government's internal control structure.
5. Increases effectiveness and efficiency in your organization.

Response – We have started adopting written policies and procedures and will continue to approve written policies and procedures in the future.

Conclusion – Response accepted.

I-C-07 Receipts – Written receipts were not always issued at the time collections were received.

Recommendation – Additional control over cash would be obtained by promptly receipting in collections when received, and by entering the actual date of receipt in the general ledger. Deposit slips should be dated and a list of all checks attached so proper reconciliation could be done when discrepancies occur.

Response – Receipts will be issued at the time of collection. Deposit slips will be dated and entered in the general ledger properly, and a list of all miscellaneous receipts will be done.

Conclusion – Response accepted.

I-D-07 Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled. Utility deposit slips did not itemize cash and checks deposited and the billing register contained only the date of entry and not the actual date payment was received.

Not all monthly delinquent account listings were kept on file, delinquent account balances were not always carried forward to the next billing cycle and penalties on delinquent accounts were not always carried forward as required by City ordinance. Also, the City's computer software package did not record individual account corrections and adjustments as the changes were made.

Recommendation – Procedures should be established to maintain a delinquent listing and reconcile utility billings, collections and delinquencies for each billing cycle. The Council should review the reconciliation and monitor delinquencies. Deposit slips should reflect names of paying customers in the absence of a daily cash sheet. The billing register should contain the date actually paid which will aid in reconciling collections to the bank deposit.

Delinquent accounts and applicable penalties should be carried forward to ensure proper billing and compliance with City ordinance. A record of file maintenance transactions should be maintained.

Response – Currently we are implementing a new software package for utility billing, collection and delinquent reconciliation procedures, which will address all of the above recommendations.

Conclusion – Response accepted.

I-E-07 Transfers – The City transferred money to and from various funds and accounts throughout the year. These transfers were not always authorized or approved by the City Council.

Recommendation – The City Council should approve all fund and account transfers prior to actual transfer. The approval, related amounts and purpose of the transfer, should be documented as part of the minutes record.

Response – All fund and account transfers will be approved by the City Council and documented in the minutes record prior to the actual transfer.

Conclusion – Response accepted.

I-F-07 Salary Resolutions – The City does not have a salary resolution for all employees.

Recommendation – The City Council should approve a resolution that includes all city employees.

Response – All employees will be included in a salary resolution in the future.

Conclusion – Response accepted.

City of Reinbeck

Schedule of Findings

Year ended June 30, 2007

Part II: Other Findings Related to Statutory Reporting:

II-A-07 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, 2007.

II-B-07 Certified Budget – Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in the culture and recreation and the community and economic development function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

II-C-07 Questionable Disbursements – I noted no disbursements that would not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-07 Travel Expense – Disbursements of City money for travel expenses of spouses of City officials or employees were noted.

Recommendation – The City should be reimbursed for travel expenses of city officials or employee spouses. Receipt for reimbursements should be clearly recorded in a miscellaneous reimbursement account.

Response – Travel expense for city officials or employee spouses will be reimbursed in the future.

Conclusion – Response accepted.

II-E-07 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Larsen Trustworthy Hardware Mayor Lon Larsen's father	Tools, supplies & miscellaneous	$756
Ron Petersen, Mayor Pro tem Employee of Moeller & Walter Lumber	Materials and supplies	$14,569
Janalyn Harris, Administrative Assistant Spouse owns Harris Construction	Contract labor	$925
Larsen Plumbing & Heating Mayor Lon Larsen, Owner	Contract labor	$17,881

In accordance with Chapter 362.5(10) of the Code of Iowa, the materials and supplies purchased from Moeller and Walter Lumber does not appear to represent a conflict of interest since Ron Petersen is only an employee of the company.

II-F-07 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-07 Council Minutes – No transactions were found that I 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 and the publication did not contain a summary of all receipts as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and should publish minutes as required.

Response – We will publish minutes as required.

Conclusion – Response accepted.

II-H-07 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-I-07 Telecommunication Services – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.

II-J-07 Financial Condition – The Debt Service Fund account had a deficit balance of $148,455 and the Capital Projects – Parks Fund account had a deficit balance of $585,637 at June 30, 2007.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return the account to a sound financial position.

Response – We are working on eliminating these deficits.

Conclusion – Response accepted.

II-K-07 Revenue Bonds and Notes - The City has complied with the revenue bond and note resolutions.