

# **City of Remsen**

Remsen, Iowa

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Independent Auditor's Reports  
Basic Financial Statements and  
Supplementary Information  
Schedule of Findings and Responses

June 30, 2009

# City of Remsen

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## City of Remsen

### City Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Craig Bartolozzi	Mayor	January 2012
Tom Haverkamp	Council Member	January 2010
Dean Douvia	Council Member	January 2010
Mike Nelson	Council Member	January 2012
Dale Schroeder	Council Member	January 2010
Dick Sievers	Council Member	January 2012
Paige List	Clerk/Treasurer	January 2010

### Municipal Utilities

Don Kolker	Chairman	January 2014
Tom Bacan	Trustee	January 2012
Stephen Matgen	Trustee	January 2010
Steve Pick	Operations Director	
Ron Mayer	Superintendent	



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

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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, 2009, 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, 2009, 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 January 21, 2010 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 10 and 24 and 25 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. 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. Supplementary information included on pages 26 through 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This 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.

Sioux City, Iowa  
January 21, 2010

A handwritten signature in black ink, appearing to read 'King Reinsch Prosser &amp; Co. LLP', written in a cursive style.

## **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, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2009 Financial Highlights**

- Receipts of the City's governmental activities increased 35 percent, or approximately \$371,000, from fiscal 2008 to fiscal 2009. Property tax receipts increased approximately \$59,000 due to an increase in the property tax levy for employee benefits, other city tax receipts increased approximately \$16,000, charges for services increased approximately \$61,000, operating grants and contributions decreased approximately \$14,000, and capital grants and contributions increased approximately \$153,000. Also, transfers, net increased by approximately \$98,000 due to transfers from the Municipal Utilities of the City of Remsen.
- Disbursements of the City's governmental activities increased 67 percent, or approximately \$633,000, in fiscal 2009 from fiscal 2008. General government disbursements increased approximately \$32,000. Public safety and public works disbursements increased approximately \$43,000 and \$157,000, respectively, because of capital improvement projects and equipment purchases. Culture and recreation disbursements increased approximately \$43,000. Community and economic development disbursements increased approximately \$86,000 and debt service disbursements increased approximately \$43,000. Capital project disbursements increased approximately \$229,000 due to land acquisitions.
- The City's total cash basis net assets decreased 7 percent, or approximately \$97,000, from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities decreased approximately \$163,000 and the assets of the business-type activities increased by approximately \$66,000.

### **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.

Supplementary Information provides detailed information about the City's nonmajor governmental funds, 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. This basis of accounting only recognizes activity conducted within the City's bank account; therefore, the direct financing of capital assets either by a bank or the Municipal Utilities (component unit) is considered a noncash activity. 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 sewer and garbage funds, 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 decreased from a year ago, decreasing from \$1,042,254 to \$879,430. The analysis that follows focuses on the changes in cash balances for governmental activities.

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

	2009	2008
Receipts and transfers:		
Program receipts:		
Charges for services	\$ 176,344	\$ 115,042
Operating grants and contributions	220,508	234,362
Capital grants and contributions	166,722	13,350
General receipts:		
Property taxes	534,206	475,682
Other city tax	167,414	151,648
Unrestricted investment earnings	35,687	40,946
Miscellaneous	8,318	13,149
Proceeds from debt	(852,991)	-
Refinancing of debt	852,991	-
Sale of assets	7,500	-
Transfers, net	100,000	1,944
Total receipts	1,416,699	1,046,123
Disbursements:		
General government	182,132	150,317
Public safety	311,815	268,365
Public works	461,773	304,352
Culture and recreation	169,785	127,047
Community and economic development	104,162	18,000
Debt service	120,866	78,220
Capital projects	228,990	-
Total disbursements	1,579,523	946,301
Change in cash basis net assets	(162,824)	99,822
Cash basis net assets - beginning	1,042,254	942,432
Cash basis net assets - ending	\$ 879,430	\$ 1,042,254

The City's total receipts for governmental activities increased by 35 percent, or \$371,000. The total cost of all programs and services increased by \$633,222, or 67 percent, with no new programs added this year. The significant increase in governmental receipts was primarily due to transfers in from the Municipal Utilities of the City of Remsen, collection of land rents, and receipt of capital grants. The significant increase in the cost of programs and services was primarily due to land acquisitions and capital improvements.

The cost of all governmental activities this year was \$1,579,523 compared to \$946,301 last year. As shown in the Statement of Activities and Net Assets on page 11, the amount taxpayers ultimately financed for these activities was \$1,015,949. The remaining cost was paid by those who directly benefited from the programs (\$176,344) or by other governments and organizations that subsidized certain programs with grants and contributions (\$387,230). Total governmental program receipts, including intergovernmental aid and fees for service, increased in 2009 from approximately

\$363,000 to approximately \$564,000, due to an increase in state grants and general government charges for services. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$702,000 in tax (some of which could only be used for certain programs), and other receipts, such as interest and general entitlements.

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

	2009	2008
Receipts:		
Program receipts:		
Charges for services:		
Sewer utility	\$ 128,810	\$ 115,770
Garbage utility	127,327	127,219
Capital grants and contributions:		
Sewer utility	6,981	-
General receipts:		
Unrestricted investment earnings	2,862	4,061
Miscellaneous receipts	423	252
Proceeds from debt	30,958	52,597
Transfers, net	-	32,470
Total receipts	297,361	332,369
Disbursements:		
Sewer utility	127,831	123,147
Garbage utility	104,156	102,432
Total disbursements	231,987	225,579
Change in cash basis net assets	65,374	106,790
Cash basis net assets - beginning	362,850	256,060
Cash basis net assets - ending	\$ 428,224	\$ 362,850

Total business-type activities receipts for the fiscal year were \$297,361 compared to \$332,369 last year. The cash balance increased by approximately \$65,000 from the prior year because of increases in user charges and proceeds from debt, total disbursements increased by 3 percent to a total of \$231,987 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 \$879,430, a decrease of \$162,824 from last year's total of \$1,042,254. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund decreased \$71,088 from the prior year. The General Fund had increased costs relating to legal services, health insurance and medical technicians salaries.
- The Road Use Tax Fund decreased \$6,693 from the prior year. The current year receipts plus \$6,693 from the prior year were used to purchase equipment and fund street improvement projects.

- The Urban Renewal Tax Increment Fund cash balance increased by \$33,808 to \$131,203 during the fiscal year. The current year receipts not transferred to other funds are to be used to benefit low to moderate income persons.
- The Local Option Sales Tax Fund cash balance was \$182,014 at the end of the fiscal year, a decrease of \$57,954 from the previous year. The decrease was from the City spending prior year receipts by awarding local grants.
- The Capital Project Fund used intergovernmental receipts for land acquisitions.

**Individual Major Business-Type Fund Analysis**

- The Sewer Utility cash balance increased by \$42,061 to \$243,486, due to approximately \$13,000 in additional charges for services and \$31,000 in proceeds from debt.
- The Garbage Utility cash balance increased by \$23,313 to \$184,738, due primarily to operating disbursements coming in under budget by approximately \$22,000.

**Budgetary Highlights**

In accordance with the Code of Iowa, the City Council adopted a budget on the cash basis following required public notice and hearing for all funds except internal service funds and fiduciary funds.

During the year ended June 30, 2009, disbursements exceeded amount budgeted in the public works, culture and recreation, community and economic development, debt service, and capital projects functions.

**Debt Administration**

At June 30, 2009, the City had \$1,210,515 in bonds and other long-term debt, compared to \$404,557 last year, as shown below.

**Outstanding Debt at Year-End  
June 30,**

	<u>2009</u>	<u>2008</u>
General obligation notes	\$ 1,110,000	\$ 320,000
Revenue note	83,555	52,597
Bank note	16,960	31,960
Total	<u>\$ 1,210,515</u>	<u>\$ 404,557</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 \$1,110,000 is significantly below its constitutional debt limit of \$3.9 million.

## **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 2010 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the state of the economy.

These indicators were taken into account when adopting the budget for fiscal year 2010. Amounts available for appropriation in the operating budget for all City and Utility funds are \$4.0 million. Budgeted disbursements are expected to increase by approximately \$51,000 due to the debt service disbursements for the 2009 General Obligation Capital Loan Notes. The City has added no major new programs or initiatives to the 2010 budget.

The City is currently in the planning and design phase for improving the City's waste water system. The engineer's estimate of project costs is \$1.8 million. The project is expected to take up to three years to complete. The City has been awarded a grant for \$838,110 from the Iowa Finance Authority to provide funding for the waste water improvement project.

## **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 Paige List, City Clerk, P.O. Box 510, Remsen, Iowa 51050-0510.

# **FINANCIAL STATEMENTS**

**City of Remsen**  
**Statement of Activities and Net Assets - Cash Basis**  
**For the Year Ended June 30, 2009**

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government:</b>				
Governmental activities:				
General government	\$ 182,132	\$ 53,553	\$ -	\$ -
Public safety	311,815	95,960	44,417	16,035
Public works	461,773	-	151,085	35,487
Culture and recreation	169,785	26,831	25,006	-
Community and economic development	104,162	-	-	-
Debt service	120,866	-	-	-
Capital projects	228,990	-	-	115,200
Total governmental activities	<u>1,579,523</u>	<u>176,344</u>	<u>220,508</u>	<u>166,722</u>
Business-type activities:				
Sewer utility	127,831	128,810	-	6,981
Garbage utility	104,156	127,327	-	-
Total business-type activities	<u>231,987</u>	<u>256,137</u>	<u>-</u>	<u>6,981</u>
Total primary government	<u>1,811,510</u>	<u>432,481</u>	<u>220,508</u>	<u>173,703</u>
<b>Component Unit:</b>				
Municipal utilities	2,356,972	2,246,998	-	-
Total component unit	<u>\$ 2,356,972</u>	<u>\$ 2,246,998</u>	<u>\$ -</u>	<u>\$ -</u>

**General Receipts:**

Taxes:

Property taxes, levied for general purposes  
Property taxes, levied for employee benefits  
Property taxes, levied for tax increment financing  
Property taxes, levied for debt service  
Local option sales tax

Unrestricted investment earnings

Miscellaneous

Proceeds from debt

Refinancing of debt

Sale of assets

Transfers

Total general receipts and other receipts

Change in cash basis net assets

Cash basis net assets - beginning

Cash basis net assets - ending

**Cash Basis Net Assets:**

Restricted:

Streets

Local option sales tax

Urban renewal purposes

Debt service

Unrestricted

Total cash basis net assets

See notes to financial statements.

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

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Unit</b>
\$ (128,579)	\$ -	\$ (128,579)	
(155,403)	-	(155,403)	
(275,201)	-	(275,201)	
(117,948)	-	(117,948)	
(104,162)	-	(104,162)	
(120,866)	-	(120,866)	
(113,790)	-	(113,790)	
<u>(1,015,949)</u>	<u>-</u>	<u>(1,015,949)</u>	
-	7,960	7,960	
-	23,171	23,171	
-	31,131	31,131	
<u>(1,015,949)</u>	<u>31,131</u>	<u>(984,818)</u>	
			\$ (109,974)
			<u>(109,974)</u>
310,346	-	310,346	-
46,007	-	46,007	-
101,618	-	101,618	-
76,235	-	76,235	-
167,414	-	167,414	-
35,687	2,862	38,549	36,466
8,318	423	8,741	-
852,991	30,958	883,949	-
(852,991)	-	(852,991)	-
7,500	-	7,500	-
100,000	-	100,000	(100,000)
<u>853,125</u>	<u>34,243</u>	<u>887,368</u>	<u>(63,534)</u>
<u>(162,824)</u>	<u>65,374</u>	<u>(97,450)</u>	<u>(173,508)</u>
1,042,254	362,850	1,405,104	1,538,299
<u>\$ 879,430</u>	<u>\$ 428,224</u>	<u>\$ 1,307,654</u>	<u>\$ 1,364,791</u>
\$ 145,734	\$ -	\$ 145,734	\$ -
182,014	-	182,014	-
131,203	-	131,203	-
7,652	-	7,652	2,501
412,827	428,224	841,051	1,362,290
<u>\$ 879,430</u>	<u>\$ 428,224</u>	<u>\$ 1,307,654</u>	<u>\$ 1,364,791</u>

**City of Remsen**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2009**

	<u>Special Revenue Funds</u>					Other Governmental Funds	Total Governmental Funds
	General Fund	Road Use Tax	Urban Renewal Tax Increment	Local Option Sales Tax	Capital Projects		
<b>Receipts:</b>							
Property taxes	\$ 310,346	\$ -	\$ 101,618	\$ -	\$ -	\$ 122,242	\$ 534,206
Other city tax	-	-	-	167,414	-	-	167,414
Licenses and permits	8,959	-	-	-	-	-	8,959
Intergovernmental	40,022	146,193	-	-	115,200	-	301,415
Charges for services	165,784	-	-	-	-	-	165,784
Special assessments	-	-	-	35,487	-	-	35,487
Investment earnings	32,378	-	-	4,067	-	-	36,445
Miscellaneous	59,489	-	-	-	-	-	59,489
Total receipts	<u>616,978</u>	<u>146,193</u>	<u>101,618</u>	<u>206,968</u>	<u>115,200</u>	<u>122,242</u>	<u>1,309,199</u>
<b>Disbursements:</b>							
Operating:							
General government	149,756	-	-	11,729	-	20,647	182,132
Public safety	261,308	-	-	18,161	-	32,346	311,815
Public works	176,148	152,886	-	92,753	-	39,986	461,773
Culture and recreation	123,758	-	-	38,182	-	7,845	169,785
Community and economic development	-	-	65	104,097	-	-	104,162
Debt Service:							
Principal	-	-	-	-	30,215	60,000	90,215
Interest	-	-	-	-	15,221	15,430	30,651
Capital projects	-	-	-	-	228,990	-	228,990
Total disbursements	<u>710,970</u>	<u>152,886</u>	<u>65</u>	<u>264,922</u>	<u>274,426</u>	<u>176,254</u>	<u>1,579,523</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(93,992)</u>	<u>(6,693)</u>	<u>101,553</u>	<u>(57,954)</u>	<u>(159,226)</u>	<u>(54,012)</u>	<u>(270,324)</u>
<b>Other Financing Sources (Uses):</b>							
Proceeds from debt (including \$2,991 of accrued interest)							
Refinancing of debt	-	-	-	-	852,991	-	852,991
Proceeds from sale of assets	7,500	-	-	-	-	-	7,500
Transfers in	74,630	-	-	-	159,226	-	233,856
Transfers out	(59,226)	-	(67,745)	-	-	(6,885)	(133,856)
Total other financing sources (uses)	<u>22,904</u>	<u>-</u>	<u>(67,745)</u>	<u>-</u>	<u>159,226</u>	<u>(6,885)</u>	<u>107,500</u>
Net change in cash balances	(71,088)	(6,693)	33,808	(57,954)	-	(60,897)	(162,824)
Cash fund balances - beginning	483,915	152,427	97,395	239,968	-	68,549	1,042,254
Cash fund balances - ending	<u>\$ 412,827</u>	<u>\$ 145,734</u>	<u>\$ 131,203</u>	<u>\$ 182,014</u>	<u>\$ -</u>	<u>\$ 7,652</u>	<u>\$ 879,430</u>
<b>Cash Basis Fund Balances:</b>							
Reserved for debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,652	\$ 7,652
Unreserved:							
General fund	412,827	-	-	-	-	-	412,827
Special revenue funds	-	145,734	131,203	182,014	-	-	458,951
Total cash basis fund balances	<u>\$ 412,827</u>	<u>\$ 145,734</u>	<u>\$ 131,203</u>	<u>\$ 182,014</u>	<u>\$ -</u>	<u>\$ 7,652</u>	<u>\$ 879,430</u>

**City of Remsen**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Proprietary Funds**  
**For the Year Ended June 30, 2009**

	<b>Enterprise Funds</b>		<b>Total</b>
	<b>Sewer Utility</b>	<b>Garbage Utility</b>	
<b>Operating Receipts:</b>			
Charges for services	\$ 128,810	\$ 127,327	\$ 256,137
Total operating receipts	<u>128,810</u>	<u>127,327</u>	<u>256,137</u>
<b>Operating Disbursements:</b>			
Personal services	50,382	45,602	95,984
Contractual services	-	49,395	49,395
Utilities	15,563	2,001	17,564
Repairs and maintenance	3,509	1,103	4,612
Other supplies and expenses	7,291	4,555	11,846
Insurance claims and expenses	200	1,500	1,700
Total operating disbursements	<u>76,945</u>	<u>104,156</u>	<u>181,101</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>51,865</u>	<u>23,171</u>	<u>75,036</u>
<b>Non-Operating Receipts (Disbursements):</b>			
Intergovernmental	6,981	-	6,981
Interest and investment receipts	2,720	142	2,862
Miscellaneous receipts	423	-	423
Proceeds from debt	30,958	-	30,958
Capital outlay	(50,886)	-	(50,886)
Total non-operating receipts (disbursements)	<u>(9,804)</u>	<u>142</u>	<u>(9,662)</u>
Net change in cash balances	42,061	23,313	65,374
Cash fund balances - beginning	201,425	161,425	362,850
Cash fund balances - ending	<u>\$ 243,486</u>	<u>\$ 184,738</u>	<u>\$ 428,224</u>
<b>Cash Basis Fund Balances:</b>			
Unreserved:			
Designated	\$ 157,373	\$ -	\$ 157,373
Undesignated	86,113	184,738	270,851
	<u>\$ 243,486</u>	<u>\$ 184,738</u>	<u>\$ 428,224</u>

**City of Remsen**  
**Notes to Financial Statements**  
**June 30, 2009**

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, community and economic development, 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 Municipal Utilities of the City of Remsen 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, 2009**

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 on 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.

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 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.

**City of Remsen**  
**Notes to Financial Statements**  
**June 30, 2009**

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

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 are aggregated and reported as nonmajor governmental 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.

Special Revenue Funds -

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

Urban Renewal Tax Increment Fund is used to account for tax increment financing collections, the repayment of tax increment financing indebtedness, and disbursements to benefit low to moderate income persons.

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

**City of Remsen**  
**Notes to Financial Statements**  
**June 30, 2009**

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

Capital Project Fund -

The Capital Projects Fund is used to account for land acquisition.

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. This basis of accounting only recognizes activity conducted within the City's bank account; the direct financing of capital assets either by a bank or the Municipal Utilities (component unit) is considered a noncash activity. 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 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.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the public works, culture and recreation, community and economic development, debt service, and capital projects functions.

**City of Remsen**  
**Notes to Financial Statements**  
**June 30, 2009**

**NOTE 2 - CASH:**

The City's deposits in banks at June 30, 2009, 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, ambulance equipment loan, water revenue bonds and water revenue capital loan notes are as follows:

Year Ending June 30,	General Obligation Capital Loan Notes, Series 2009		General Obligation Capital Loan Notes, Series 1998		Ambulance Equipment Loan		Sewer Revenue Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 19,000	\$ 47,410	\$ 65,000	\$ 12,610	\$ 16,960	\$ -	\$ -	\$ -	\$ 100,960	\$ 60,020
2011	28,000	39,213	65,000	9,522	-	-	83,555	-	176,555	48,735
2012	30,000	38,234	65,000	6,403	-	-	-	-	95,000	44,637
2013	32,000	37,184	65,000	3,218	-	-	-	-	97,000	40,402
2014	34,000	36,016	-	-	-	-	-	-	34,000	36,016
2015 - 2019	197,000	158,069	-	-	-	-	-	-	197,000	158,069
2020 - 2024	254,000	108,124	-	-	-	-	-	-	254,000	108,124
2025 - 2028	256,000	35,491	-	-	-	-	-	-	256,000	35,491
	<u>\$ 850,000</u>	<u>\$ 499,741</u>	<u>\$ 260,000</u>	<u>\$ 31,753</u>	<u>\$ 16,960</u>	<u>\$ -</u>	<u>\$ 83,555</u>	<u>\$ -</u>	<u>\$ 1,210,515</u>	<u>\$ 531,494</u>

Year Ending June 30,	Water Capital Loan Notes		Water Revenue Bonds		Water Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 318,435	\$ 4,010	\$ 25,000	\$ 1,250	\$ 25,000	\$ 4,413	\$ 368,435	\$ 9,673
2011	-	-	-	-	80,000	3,400	80,000	3,400
	<u>\$ 318,435</u>	<u>\$ 4,010</u>	<u>\$ 25,000</u>	<u>\$ 1,250</u>	<u>\$ 105,000</u>	<u>\$ 7,813</u>	<u>\$ 448,435</u>	<u>\$ 13,073</u>

**City of Remsen**  
**Notes to Financial Statements**  
**June 30, 2009**

NOTE 3 - BONDS AND NOTES PAYABLE (CONTINUED):

General Obligation Capital Loan Notes - The \$850,000 General Obligation Capital Loan Notes were issued March 2009 and are outstanding as of June 30, 2009. The proceeds of the notes were used to pay costs of improvements useful to provide potable water to the City, including acquisition of land, and will be retired by future annual tax on all taxable property within the territory of the City. The notes will mature annually in amounts varying from \$19,000 to \$68,000 with final payment due in 2028, and pay interest semi-annually from 3.5 to 5.5 percent.

The \$800,000 General Obligation Capital Loan Notes were issued December 1997 and \$260,000 are outstanding as of June 30, 2009. The notes were used to finance construction of a new swimming pool and will be retired by property taxes levied specifically for that purpose. They mature annually in amounts of \$65,000 with final payment due in 2013, and pay interest semi-annually from 4.75 to 4.95 percent.

Equipment Loan - On April 23, 2009, the Remsen EMTs refinanced a previous bank note, which purchased an ambulance. The balance of the loan is \$16,960 as of June 30, 2009. The loan bears interest at the per annum rate of 5.0 percent which the bank has waived and matures on April 23, 2010.

Sewer Revenue Capital Loan Notes - On January 10, 2008, the City authorized issuance of \$125,000 in Sewer Revenue Capital Loan Notes. As of June 30, 2009, the City has drawn \$83,555 on this interim note. The City anticipates future receipt of proceeds of the sale of permanent sewer revenue notes to payoff this interim financing. The outstanding note has a zero percent interest rate and will mature on January 10, 2011.

Water Revenue Bonds - The City has pledged future water net earnings to repay \$245,000 in water revenue bonds issued in March 1999. Proceeds from the bonds refinanced pre-existing water revenue bonds. The bonds are payable solely from water customer net earnings and are payable through 2010. Since net earnings has not been defined elsewhere, the City defines net earnings as change in net assets as determined in accordance with the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Annual principal and interest payments on the bonds are expected to require 100 percent of net earnings. For the year ended June 30, 2009, principal and interest paid and total customer net earnings (loss) were \$27,475 and (\$100,616), respectively. The total principal and interest remaining to be paid on the bonds is \$26,250.

**City of Remsen**  
**Notes to Financial Statements**  
**June 30, 2009**

NOTE 3 - BONDS AND NOTES PAYABLE (CONTINUED):

Water Revenue Capital Loan Notes - The City has pledged future water net revenues to repay \$235,000 in water revenue notes issued in December 2001. Proceeds from the notes provided financing for the construction improvements and extensions to the Municipal Water Utility. The notes are payable solely from water customer net revenue and are payable through 2011. Since net revenues has not been defined elsewhere, the City defines net revenues as total charges for services as determined in accordance with the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Annual principal and interest payments on the notes are expected to require approximately 37 percent of net revenues. For the year ended June 30, 2009, principal and interest paid and total customer net revenues were \$30,425 and \$222,529, respectively. The total principal and interest remaining to be on the notes is \$112,813.

Water Revenue Capital Loan Notes - On December 30, 2008, the Municipal Utilities obtained a \$1,201,641 short term loan which directly financed the purchase of land for the City of Remsen. Interest was stated at 4 percent, for which the City is responsible, and matured on April 30, 2009. The \$850,000 in General Obligation Loan Notes were issued to provide long-term financing for the purchase of the land. The remaining short term loan balance of \$318,435 was refinanced into another short term note, along with \$2,406 of accrued interest. This note bears interest at the per annum rate of 4 percent and matures on August 1, 2009. Subsequent to year end, this short term note has been paid in full with proceeds from the \$599,000 Source Water Protection Water Revenue Capital Loan Notes issued in July 2009.

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.

**City of Remsen**  
**Notes to Financial Statements**  
**June 30, 2009**

NOTE 4 - PENSION AND RETIREMENT BENEFITS (CONTINUED):

Most regular plan members are required to contribute 4.10 percent of their annual covered salary and the City is required to contribute 6.35 percent of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The contributions, equal to the amount required by statute, to IPERS were as follows:

<u>Fiscal Year</u>	<u>City of Remsen</u>	<u>Municipal Utilities</u>	<u>Total</u>
2009	\$ 23,729	\$ 13,276	\$ 37,005
2008	23,401	11,976	35,377
2007	22,802	10,510	33,312

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, 2009, was \$18,513 for the primary government and \$9,909 for the Municipal Utilities, a component unit. This liability has been computed based on rates of pay in effect at June 30, 2009.

NOTE 6 - TRANSFERS:

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Total Transfers Out</u>
General	\$ -	\$ 59,226	\$ 59,226
Urban renewal tax increment	67,745	-	67,745
Employee benefit	6,885	-	6,885
Municipal utilities (component unit)	-	100,000	100,000
	<u>\$ 74,630</u>	<u>\$ 159,226</u>	<u>\$ 233,856</u>

**City of Remsen**  
**Notes to Financial Statements**  
**June 30, 2009**

**NOTE 6 - TRANSFERS (CONTINUED):**

Transfers are used to:

- 1) Move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
- 2) Use unrestricted receipts collected in the general fund to finance various programs accounted for in other funds in accordance with statute or budget requirements.

**NOTE 7 - UNRESERVED, DESIGNATED FUND BALANCE:**

The unreserved, designated fund balance in the Sewer Utility Fund consists of receipts from a special charge (of \$2 per month) to sewer customers which is 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, by Council resolution adopted September 22, 1999, the City has established the Arens Second Addition Urban Renewal Plan, and by Council resolution adopted August 27, 2008, the City has established the Assisted Living Area District 2008 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. In addition, \$50,747 and \$83,746 was certified with the Plymouth County Auditor on November 26, 2008 and November 29, 2007 respectively. The total amount of the debt for the Country Club Estates development project which remains unpaid as of June 30, 2009 is \$145,785. 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, \$37,005 remains unpaid as of June 30, 2009. The amount of debt certified with the Plymouth County Auditor on November 26, 2008 with respect to the Assisted Living Area district totaled \$50,747 of which, \$50,747 remains unpaid as of June 30, 2009.

**City of Remsen**  
**Notes to Financial Statements**  
**June 30, 2009**

**NOTE 9 - RELATED PARTY TRANSACTIONS:**

The City and its component unit, the Municipal Utilities, had business transactions totaling \$21,131 and \$70,207, respectively, between the City and City officials during the year ended June 30, 2009.

**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.

**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. The unpaid balance bears 5 percent interest and as of June 30, 2009, \$31,467 remains outstanding which is due on demand by the City.

**NOTE 12 - SUBSEQUENT EVENTS:**

On July 1, 2009, the City authorized issuance of \$599,000 Source Water Protection Water Revenue Capital Loan Notes. The note proceeds will be used to finance construction of certain drinking water treatment facilities. The note will mature annually in amounts varying from \$29,000 to \$31,000 with final payment due in 2029. There is no interest on this note issue.

**NOTE 13 - COMMITMENTS:**

The City has entered into a contract for street improvements totaling \$37,830 to be completed after June 30, 2009 and will be financed from road use tax funds.

# **REQUIRED SUPPLEMENTARY INFORMATION**

**City of Remsen**  
**Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances -**  
**Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2009**

	Governmental	Proprietary	Component	Less Funds	Total	Budgeted Amounts		Final to Total
	Funds	Funds		Not		Original	Final	
	Actual	Actual	Unit	Budgeted				
<b>Receipts:</b>								
Property tax	\$ 534,206	\$ -	\$ -	\$ -	\$ 534,206	\$ 520,011	\$ 520,011	\$ 14,195
Other city tax	167,414	-	-	-	167,414	160,000	160,000	7,414
Licenses and permits	8,959	-	-	-	8,959	9,550	9,550	(591)
Intergovernmental	301,415	6,981	-	(23,459)	284,937	223,222	223,222	61,715
Charges for services	165,784	256,137	2,246,998	(88,090)	2,580,829	2,857,800	2,857,800	(276,971)
Special assessments	35,487	-	-	-	35,487	-	-	35,487
Investment earnings	36,445	2,862	36,466	(7,257)	68,516	94,475	94,475	(25,959)
Miscellaneous	59,489	423	-	(33,628)	26,284	33,775	33,775	(7,491)
<b>Total receipts</b>	<b>1,309,199</b>	<b>266,403</b>	<b>2,283,464</b>	<b>(152,434)</b>	<b>3,706,632</b>	<b>3,898,833</b>	<b>3,898,833</b>	<b>(192,201)</b>
<b>Disbursements:</b>								
General government	182,132	-	-	-	182,132	201,642	201,642	19,510
Public safety	311,815	-	-	(121,109)	190,706	236,602	236,602	45,896
Public works	461,773	-	-	-	461,773	367,117	367,117	(94,656)
Culture and recreation	169,785	-	-	-	169,785	160,885	160,885	(8,900)
Community and economic development	104,162	-	-	-	104,162	64,632	64,632	(39,530)
Debt service	120,866	-	-	-	120,866	75,430	75,430	(45,436)
Capital projects	228,990	-	-	-	228,990	-	-	(228,990)
Business type activities	-	231,987	2,356,972	-	2,588,959	2,862,625	2,862,625	273,666
<b>Total disbursements</b>	<b>1,579,523</b>	<b>231,987</b>	<b>2,356,972</b>	<b>(121,109)</b>	<b>4,047,373</b>	<b>3,968,933</b>	<b>3,968,933</b>	<b>\$ (78,440)</b>
Excess (deficiency) of receipts over (under) disbursements	(270,324)	34,416	(73,508)	(31,325)	(340,741)	(70,100)	(70,100)	
Other financing sources (uses), net	107,500	30,958	(100,000)	-	38,458	-	-	
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(162,824)	65,374	(173,508)	(31,325)	(302,283)	(70,100)	(70,100)	
Balances - beginning	1,042,254	362,850	1,538,299	-	2,943,403	2,550,348	2,550,348	
Balances - ending	\$ 879,430	\$ 428,224	\$ 1,364,791	\$ (31,325)	\$ 2,641,120	\$ 2,480,248	\$ 2,480,248	

**City of Remsen**  
**Notes to Required Supplementary Information -**  
**Budgetary Reporting**  
**June 30, 2009**

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. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Enterprise 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 did not amend its budget.

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 Budgeted Column.

During the year ended June 30, 2009, disbursements exceeded amount budgeted in the public works, culture and recreation, community and economic development, debt service, and capital projects functions.

# **SUPPLEMENTARY INFORMATION**

**City of Remsen**  
**Schedule of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2009**

	<u>Special Revenue Fund</u>		<u>Total-Other Governmental Funds</u>
	<u>Employee Benefits</u>	<u>Debt Service</u>	
<b>Receipts:</b>			
Property taxes	\$ 46,007	\$ 76,235	\$ 122,242
Total receipts	<u>46,007</u>	<u>76,235</u>	<u>122,242</u>
<b>Disbursements:</b>			
Operating:			
General government	20,647	-	20,647
Public safety	32,346	-	32,346
Public works	39,986	-	39,986
Culture and recreation	7,845	-	7,845
Debt service:			
Principal	-	60,000	60,000
Interest	-	15,430	15,430
Total disbursements	<u>100,824</u>	<u>75,430</u>	<u>176,254</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(54,817)</u>	<u>805</u>	<u>(54,012)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers out	<u>(6,885)</u>	-	<u>(6,885)</u>
Total other financing sources (uses)	<u>(6,885)</u>	-	<u>(6,885)</u>
Net change in cash balances	(61,702)	805	(60,897)
Cash fund balances - beginning	<u>61,702</u>	<u>6,847</u>	<u>68,549</u>
Cash fund balances - ending	<u>\$ -</u>	<u>\$ 7,652</u>	<u>\$ 7,652</u>
<b>Cash Basis Fund Balances:</b>			
Reserved:			
Debt service	<u>\$ -</u>	<u>\$ 7,652</u>	<u>\$ 7,652</u>
Total cash basis fund balances	<u>\$ -</u>	<u>\$ 7,652</u>	<u>\$ 7,652</u>

**City of Remsen**  
**Schedule of Indebtedness**  
**For the Year Ended June 30, 2009**

<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	\$ 320,000	\$ -	\$ 60,000	\$ 260,000	\$ 15,430	\$ -
Water	March 23, 2009	3.50% - 5.50%	\$ 850,000	-	850,000	-	850,000	-	-
Ambulance Equipment	March 28, 2008	5.00%	\$ 31,960	31,960	-	31,960	-	-	-
Ambulance Equipment	April 23, 2009	5.00%	\$ 16,960	-	16,960	-	16,960	-	-
Sewer Revenue Capital Loan Notes	January 10, 2008	0.00%	\$ 125,000	52,597	30,958	-	83,555	-	-
Water Revenue Bonds	March 1, 1999	4.45% - 5.00%	\$ 245,000	50,000	-	25,000	25,000	2,475	-
Water Revenue Capital Loan Notes	December 15, 2001	3.25% - 4.25%	\$ 235,000	130,000	-	25,000	105,000	5,425	-
Water Revenue Capital Loan Notes	December 31, 2008	4.00%	\$ 1,201,641	-	1,201,641	1,201,641	-	15,221	-
Water Revenue Capital Loan Notes	June 30, 2009	4.00%	\$ 320,841	-	318,435	-	318,435	-	2,406
			\$ 584,557	\$ 2,417,994	\$ 1,343,601	\$ 1,658,950	\$ 38,551	\$ 2,406	

**City of Remsen  
Bond and Note Maturities  
June 30, 2009**

Year Ending June 30,	General Obligation Capital Loan Notes				Ambulance Equipment		Sewer Revenue Capital Loan Notes	
	January 1, 1998		March 23, 2009		April 23, 2009		January 10, 2008	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rates	Amount	Interest Rate	Amount
2010	4.75%	\$ 65,000	3.50%	\$ 19,000	5.00%	\$ 16,960		
2011	4.80%	65,000	3.50%	28,000		-	0.00%	83,555
2012	4.90%	65,000	3.50%	30,000		-		-
2013	4.95%	65,000	3.65%	32,000		-		-
2014		-	3.80%	34,000		-		-
2015		-	4.10%	35,000		-		-
2016		-	4.15%	37,000		-		-
2017		-	4.30%	39,000		-		-
2018		-	4.40%	42,000		-		-
2019		-	4.50%	44,000		-		-
2020		-	4.65%	46,000		-		-
2021		-	4.80%	48,000		-		-
2022		-	4.90%	51,000		-		-
2023		-	5.00%	53,000		-		-
2024		-	5.15%	56,000		-		-
2025		-	5.25%	59,000		-		-
2026		-	5.35%	63,000		-		-
2027		-	5.40%	66,000		-		-
2028		-	5.50%	68,000		-		-
		<u>\$ 260,000</u>		<u>\$ 850,000</u>		<u>\$ 16,960</u>		<u>\$ 83,555</u>

Year Ending June 30,	Water Revenue Bonds March 1, 1999		Water Revenue Capital Loan Notes December 15, 2001		Water Revenue Capital Loan Notes June 30, 2009	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2010	5.00%	25,000	4.05%	\$ 25,000	4.00%	\$ 318,435
2011		-	4.25%	80,000		-
		<u>\$ 25,000</u>		<u>\$ 105,000</u>		<u>\$ 318,435</u>

**City of Remsen**  
**Schedule of Receipts by Source and Disbursements by Function**  
**All Governmental Funds - Primary Government**  
**For the Last Six Years**

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Receipts:</b>						
Property tax	\$ 534,206	\$ 475,682	\$ 436,053	\$ 556,276	\$ 535,985	\$ 490,341
Other city tax	167,414	151,648	155,082	151,948	138,900	162,563
Licenses and permits	8,959	9,955	8,850	10,865	12,013	9,388
Intergovernmental	301,415	215,019	194,844	205,149	210,131	287,158
Charges for services	165,784	103,463	89,693	96,893	61,902	63,531
Special assessments	35,487	-	-	-	-	-
Investment earnings	36,445	41,198	45,913	47,013	32,731	27,792
Miscellaneous	59,489	47,214	55,435	56,414	44,516	74,904
Total	<u>\$ 1,309,199</u>	<u>\$ 1,044,179</u>	<u>\$ 985,870</u>	<u>\$ 1,124,558</u>	<u>\$ 1,036,178</u>	<u>\$ 1,115,677</u>
<b>Disbursements:</b>						
Operating:						
General government	\$ 182,132	\$ 150,317	\$ 147,609	\$ 166,847	\$ 149,393	\$ 126,107
Public safety	311,815	268,365	380,154	273,194	299,461	290,561
Public works	461,773	304,352	544,397	307,957	250,924	261,402
Culture and recreation	169,785	127,047	141,564	180,872	133,693	252,414
Community and economic development	104,162	18,000	25,000	-	-	-
Debt service	120,866	78,220	75,750	78,252	75,503	77,702
Capital projects	228,990	-	-	-	-	222,923
Total	<u>\$ 1,579,523</u>	<u>\$ 946,301</u>	<u>\$ 1,314,474</u>	<u>\$ 1,007,122</u>	<u>\$ 908,974</u>	<u>\$ 1,231,109</u>



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

To the Honorable Mayor and  
Members of the City Council  
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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 21, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Remsen's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Remsen's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Remsen's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting which include I-A-09 through I-H-09.



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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described, we believe items I-A-09 through I-D-09 are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Remsen's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 of Remsen's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City of Remsen. 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.

The City of Remsen's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City of Remsen's responses and, accordingly, we express no opinion on them.

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 and is not intended to be and should not be used by anyone other than these specified parties.

Sioux City, Iowa  
January 21, 2010

**City of Remsen**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2009**

Part I: Findings Related to the Financial Statements

MATERIAL WEAKNESSES:

I-A-09 Financial Statement Preparation in Accordance with an Other Comprehensive Basis of Accounting (OCBOA):

*Criteria* - The financial statements are the responsibility of the City of Remsen's management. Part of that responsibility is satisfied by either (a) management preparing the financial statements in accordance with OCBOA or (b) management demonstrating the necessary OCBOA expertise when reviewing and approving financial statements (that the auditor assisted in drafting) and the various schedules and calculations used to prepare such financial statements.

*Condition and Effect* - As a result of the findings noted in items I-C-09 and I-D-09, the City's financial statements were not in accordance with OCBOA.

*Cause* - The City lacks adequate internal controls over the preparation of the financial statements in accordance with another comprehensive basis of accounting.

*Recommendation* - We recommend management review the City's OCBOA financial reporting process and seek the necessary guidance/training so as to more fully understand the process to prepare the City's financial statements in accordance with OCBOA.

*Response* - The City understands the nature of the weakness and the necessity for management to further its understanding of OCBOA financial reporting. The City will implement changes as deemed necessary.

I-B-09 Segregation of Duties:

*Criteria* - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee 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 fraud. 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.

*Condition and Effect* - In performing our audit, we noted that recordkeeping for the City is the primary responsibility of one person, with limited review by the Council.

**City of Remsen**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2009**  
**(Continued)**

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

*Cause* - Due to cost/benefit evaluation, 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.

*Recommendation* - This situation dictates that the Council remain actively involved in the financial affairs of the City to provide oversight and review functions.

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

I-C-09 Audit Adjustments and Accounting Records:

*Criteria* - Accounting personnel should have skills and knowledge to record the City's financial transactions according to the cash basis of accounting, reconcile the bank accounts, and prepare financial reports.

*Condition and Effect* - (1) Disbursements were not recorded to the correct fund, function or natural classification in the general ledger. (2) Invalid disbursements were recorded to fully expend budget items ("budget clear out"), which overstates disbursements. (3) City's fund statements were out of balance.

*Cause* - The City has relatively new accounting personnel.

*Recommendation* - The City should provide adequate training and oversight of accounting personnel.

*Response* - The City will provide oversight of accounting personnel as necessary.

I-D-09 Capital Project Fund:

*Criteria* - General obligation debt is to be recorded into a capital project fund.

*Condition and Effect* - General obligation debt proceeds were recorded in the debt service fund.

*Cause* - The City has relatively new accounting personnel and was unaware of the requirement to record general obligation debt into a capital project fund.

**City of Remsen**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2009**  
**(Continued)**

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

*Recommendation* - A capital project fund needs to be established when general obligation debt is issued.

*Response* - A capital project fund will be established when general obligation debt is issued.

**SIGNIFICANT DEFICIENCIES:**

**I-E-09     Records of Accounts for Emergency Medical Technicians and the Fire Department:**

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

*Condition and Effect* - The emergency medical technicians and the fire department maintain some accounting records and bank balances pertaining to their operations. These transactions and the resulting balances are not recorded in the Clerk's records. In addition, the City does not budget for all disbursements related to public safety.

*Cause* - The City is not in compliance with the Code of Iowa. 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* - All City accounts should be recorded in the Clerk's records and all disbursement should be included in the budget.

*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 along with including them in the budget.

**I-F-09     Reconciliation of Utility Billings, Collections, and Delinquencies:**

*Criteria* - Utility billings, collections and delinquent account should be reconciled throughout the year to ensure accuracy of accounts receivable subsidiary ledgers.

**City of Remsen**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2009**  
**(Continued)**

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

*Condition and Effect* - Utility billings, collections and delinquent account were not reconciled throughout the year.

*Recommendation* - Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period. The Trustees or a Trustee-designated independent person should review the reconciliations and monitor delinquencies.

*Response* - We will consider contracting for some support with CMS software in preparing reconciliations.

I-G-09 Library Technology Trust Fund and Donor Savings Account:

*Criteria* - The City's financial transactions should be recorded in the general ledger.

*Condition and Effect* - During our audit, it was noted that the activity of the library technology trust and Donor savings account were not recorded in the general ledger.

*Cause* - The City's financial records did not reflect all the transactions of the entity.

*Recommendation* - The activity of the library technology trust and Donor savings account needs to be recorded in the General Fund.

*Response*- We will record as recommended in the future.

I-H-09 Payroll:

*Criteria* - The City employees should be paid at authorized rates and any changes in employee rates need to be approved by the City Council.

*Condition and Effect* - During our testing, it was unclear if a pool employee and part-time police employees were paid authorized rates due to lack of documentation in their personnel file and/or lack of documentation of their position in the minutes.

*Recommendation* - The City should implement procedures to ensure that all employee wage rates are approved and documented in the minutes and part-time and seasonal employees' positions are documented in their personnel file.

*Response* - The City will consider possible review procedures to be implemented.

**City of Remsen**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2009**  
**(Continued)**

Part II: Other Findings Related to Required Statutory Reporting:

II-A-09     *Certified Budget* - Disbursements during the year ended June 30, 2009 exceeded the amounts budgeted in the public works, culture and recreation, community and economic development, debt service, and capital projects functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

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

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

II-B-09     *Questionable Disbursements* - No disbursements were noted that did not meet the requirements of public purpose as defined in an Attorney Generals opinion dated April 25, 1979.

II-C-09     *Travel Expense* - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-09     *Business Transactions* - The City and its component unit had business transactions of \$88,456 for insurance coverage with Matgen Insurance, which is owned by Steve Matgen, Municipal Utilities trustee, during the year ended June 30, 2009. It also had business transactions of \$1,374 for supplies with Gengler Feed Service, which is partly owned by Dale Schroeder, City Council Member, and business transactions of \$1,508 for supplies with Town and Country Construction, which is partly owned by Tom Haverkamp, City Council Member, during the year ended June 30, 2009.

*Recommendation* - The transactions with Matgen Insurance and Town and Country Construction exceeded \$1,500 and may represent conflicts of interest. We recommend the Council consult legal counsel on the disposition of this matter.

*Response* - We will consult legal counsel.

II-E-09     *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**  
**For the Year Ended June 30, 2009**  
**(Continued)**

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

- II-F-09     *Council Minutes* - No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of the City Council were published, they were not published within fifteen days 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* - It is Council policy to approve minutes prior to publication; therefore, we will not be able to comply with Iowa Code.

- II-G-09     *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-H-09     *Water Revenue Bonds and Capital Loan Notes* - The Municipal Utilities has complied with the revenue bond and note provisions.

**City of Remsen  
Staff**

The audit was performed by:

Angel Derochie, CPA, Manager  
Becky George, CPA, Senior Accountant  
Michelle Jahn, Senior Accountant  
Alicia Lambert, Staff Accountant

Michael H. Prosser, CPA  
Partner