

City of Remsen

Remsen, Iowa

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

June 30, 2011

City of Remsen

Table of Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-10
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets - Cash Basis	11
Government Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	12
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	13
Notes to Financial Statements	14-23
SUPPLEMENTARY INFORMATION:	
Schedule of Cash Receipts, Disbursements, and Changes in Cash Balances - Nonmajor Governmental Funds	24
Schedule of Indebtedness	25
Bond and Note Maturities	26
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds - Primary Government	27
OTHER INFORMATION:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds	28
Notes to Other Information - Budgetary Reporting	29
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 <i>Government Auditing Standards</i>	30-31
Schedule of Findings and Responses	32-37
Staff	38

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 2014
Dave Sonnichsen	Council Member	January 2014
Mike Nelson	Council Member	January 2012
Jeff Cluck	Council Member	January 2014
Dick Sievers	Council Member	January 2012
Paige List	Clerk/Treasurer	January 2012

Municipal Utilities

Don Kolker	Chairman	January 2014
Tom Bacan	Trustee	January 2012
Stephen Matgen	Trustee	January 2016
Steve Pick	Operations Director	



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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Remsen's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements have been prepared on the cash receipts and disbursements basis of accounting, 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, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1 to the financial statements.



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 9, 2012 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.

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. The supplementary information included on pages 24 through 27 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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. The management's discussion and analysis on pages 4 through 10 and the budgetary comparison information on pages 28 and 29 are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

King, Reinsch, Prosser & Co., LLP

Sioux City, Iowa
January 9, 2012

Management's Discussion and Analysis

City of Remsen (the City) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2011 Financial Highlights

- Receipts of the City's governmental activities decreased 31 percent, or approximately \$572,000, from fiscal 2010 to fiscal 2011. The net transfers decreased approximately \$516,000 mostly attributable to the transfer of the Water Revenue Capital Loan Note proceeds from the Municipal Utilities in the prior year.
- Disbursements of the City's governmental activities decreased 37 percent, or approximately \$725,000, in fiscal 2011 from fiscal 2010. Of this amount, Debt Service disbursements decreased approximately \$536,000 because the prior year interim financing was paid with the proceeds received from the Water Revenue Capital Loan Notes issued in July 2009. In addition, public safety disbursements decreased approximately \$240,000 because of the purchase of a new fire truck in the prior year.
- The City's total cash basis net assets increased 43 percent, or approximately \$530,000, from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities increased approximately \$53,000 and the assets of the business-type activities increased by approximately \$477,000. The business-type activities increase can be attributed to the increase in charges for services received from sewer customers and the remaining proceeds from debt yet to be spent on the sewer replacement project that was in progress at June 30, 2011.

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.

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

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

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 Statement of Activities and Net Assets also includes the legally separate Municipal Utilities of the City of Remsen for which the City of Remsen is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government. Complete financial statements for the component unit may be obtained at the City Hall office located at 008 West 2nd Street, Remsen, Iowa 51050.

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, and 3) the Debt Service 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 increased from a year ago, increasing from \$779,269 to \$832,046. 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,**

	2011	2010
Receipts and transfers:		
Program receipts:		
Charges for services	\$ 180,168	\$ 174,624
Operating grants and contributions	235,656	258,628
Capital grants and contributions	72,983	38,548
General receipts:		
Property taxes	587,967	555,478
Other city tax	154,709	160,912
Unrestricted investment earnings	23,743	27,662
Miscellaneous	4,516	3,696
Proceeds from debt	-	21,000
Sale of assets	8,800	83,817
Transfers, net	20,212	536,517
Total receipts	1,288,754	1,860,882
Disbursements:		
General government	237,201	179,655
Public safety	332,084	572,511
Public works	297,342	281,979
Culture and recreation	206,117	144,999
Community and economic development	32,611	115,711
Debt service	130,622	666,188
Total disbursements	1,235,977	1,961,043
Change in cash basis net assets	52,777	(100,161)
Cash basis net assets - beginning	779,269	879,430
Cash basis net assets - ending	\$ 832,046	\$ 779,269

The City's total receipts for governmental activities decreased by 31 percent, or approximately \$572,000. The total cost of all programs and services decreased by \$725,000, or 37 percent. There were no new programs added this year. The significant decrease in governmental receipts was primarily due to the transfer of the Water Revenue Capital Loan Note proceeds from the Municipal Utilities in the prior year. The significant decrease in the cost of programs and services was primarily due to the reduction in debt service disbursements.

The cost of all governmental activities this year was \$1,235,977 compared to \$1,961,043 last year. As shown in the Statement of Activities and Net Assets on page 11, the amount taxpayers ultimately financed for these activities was \$747,170 because some of the cost was paid by those who directly benefited from the programs (\$180,168) or by other governments and organizations that subsidized certain programs with grants and contributions (\$308,639). Total governmental program receipts, including intergovernmental aid and fees for service, increased in 2011 from approximately \$472,000 to approximately \$489,000, due to an increase in receipts from special assessments for 2006 street improvements. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$743,000 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,**

	2011	2010
Receipts:		
Program receipts:		
Charges for services:		
Sewer utility	\$ 247,339	\$ 126,058
Garbage utility	132,510	131,993
Capital grants and contributions:		
Sewer utility	729,268	101,860
General receipts:		
Unrestricted investment earnings	8,901	1,673
Miscellaneous receipts	-	1,000
Proceeds from debt	2,215,000	41,445
Transfers, net	(6,274)	(22,756)
Total receipts	3,326,744	381,273
Disbursements:		
Sewer utility	2,681,248	228,685
Garbage utility	168,135	113,538
Total disbursements	2,849,383	342,223
Change in cash basis net assets	477,361	39,050
Cash basis net assets - beginning	467,274	428,224
Cash basis net assets - ending	\$ 944,635	\$ 467,274

Total business-type activities receipts for the fiscal year were \$3,326,744 compared to \$381,273 last year. Total receipts increased by approximately \$3,000,000 from the prior year because of the increase in capital grants and contributions of \$627,000 and proceeds from debt of \$2,215,000. Total disbursements increased by 733 percent to a total of \$2,849,383 for the fiscal year due to the costs incurred for the sewer replacement project.

As discussed in the preceding paragraph, a significant amount of activity has happened on the sewer replacement project. If the capital project activity is removed, the operating receipts or charges for services of the business type activities increased from \$258,051 to \$379,849 over prior year. This increase is attributable to the Council's authorized increase in sewer rates paid by the City's customers. The operating disbursements increased to \$295,202 compared to \$196,143 in the prior year. The disbursements increased because of legal expense associated with the issuance of debt, additional personnel costs for garbage employees, and additional utility and material costs.

Individual Major Governmental Fund Analysis

As City of Remsen completed the year, its governmental funds reported a combined fund balance of \$832,046, a increase of \$52,777 from last year's total of \$779,269. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The Road Use Tax Fund decreased approximately \$32,000 from the prior year. Approximately \$17,000 of I-JOBS funding was disbursed during 2011 and disbursements for new equipment increased approximately \$18,000.

- The Local Option Sales Tax Fund cash balance was \$219,414 at the end of the fiscal year, a decrease of \$11,727 from the previous year. The City used a portion of its cash on hand from the prior year to purchase a new City hall building during the current fiscal year.
- The Urban Renewal Tax Increment cash balance increased by approximately \$49,000 from the prior year. Property tax receipts restricted for use that would benefit only individuals with low to moderate income levels remained unspent for the fiscal year ended June 30, 2011.

Individual Major Business-Type Fund Analysis

- The Sewer Utility cash balance increased by \$512,937 to \$783,100, due to collection of special charges from sewer customers designated to provide for future sewer plant replacement costs and the remaining proceeds from debt yet to be spent on the sewer replacement project that was in progress at June 30, 2011.
- The Garbage Utility cash balance decreased by \$35,576 to \$161,535 because of additional salaries for employees of the garbage utility fund.

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, 2011, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation, and business type activities functions.

Debt Administration

At June 30, 2011, the City had \$2,840,250 in long-term debt, compared to \$954,000 last year, as shown below.

Outstanding Debt at Year-End June 30,

	2011	2010
General obligation notes	\$ 736,000	\$ 829,000
Revenue notes	2,104,250	125,000
Total	\$ 2,840,250	\$ 954,000

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 \$736,000 is significantly below its constitutional debt limit of \$4.0 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 2012 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 2012. Amounts available for appropriation in the operating budget for all City and Utility funds are \$4.6 million. Budgeted disbursements are expected to increase by approximately \$460,000 due to the sewer replacement project and street and sidewalk project. The City has added no major new programs or initiatives to the 2012 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 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, 2011

<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>
Primary Government:				
Governmental activities:				
General government	\$ 237,201	\$ 49,805	\$ -	\$ 34,720
Public safety	332,084	98,373	51,753	7,267
Public works	297,342	88	168,609	25,800
Culture and recreation	206,117	31,902	15,294	5,196
Community and economic development	32,611	-	-	-
Debt service	130,622	-	-	-
Total governmental activities	<u>1,235,977</u>	<u>180,168</u>	<u>235,656</u>	<u>72,983</u>
Business-type activities:				
Sewer utility	2,681,248	247,339	-	729,268
Garbage utility	168,135	132,510	-	-
Total business-type activities	<u>2,849,383</u>	<u>379,849</u>	<u>-</u>	<u>729,268</u>
Total primary government	<u>4,085,360</u>	<u>560,017</u>	<u>235,656</u>	<u>802,251</u>
Component Unit:				
Municipal utilities	2,157,002	2,011,914	-	-
Total component unit	<u>\$ 2,157,002</u>	<u>\$ 2,011,914</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
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:
Public safety
Culture and recreation
Streets
City infrastructure and county jail
Urban renewal purposes
Debt service
Sewer replacement project
Unrestricted
Total cash basis net assets

See notes to financial statements.

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

Primary Government

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
\$ (152,676)	\$ -	\$ (152,676)	
(174,691)	-	(174,691)	
(102,845)	-	(102,845)	
(153,725)	-	(153,725)	
(32,611)	-	(32,611)	
(130,622)	-	(130,622)	
<u>(747,170)</u>	<u>-</u>	<u>(747,170)</u>	
-	(1,704,641)	(1,704,641)	
-	(35,625)	(35,625)	
-	(1,740,266)	(1,740,266)	
<u>(747,170)</u>	<u>(1,740,266)</u>	<u>(2,487,436)</u>	
			\$ (145,088)
			<u>(145,088)</u>
346,990	-	346,990	-
45,982	-	45,982	-
120,138	-	120,138	-
74,857	-	74,857	-
154,709	-	154,709	-
23,743	8,901	32,644	31,480
4,516	-	4,516	-
-	2,215,000	2,215,000	-
8,800	-	8,800	-
20,212	(6,274)	13,938	(13,938)
<u>799,947</u>	<u>2,217,627</u>	<u>3,017,574</u>	<u>17,542</u>
52,777	477,361	530,138	(127,546)
779,269	467,274	1,246,543	1,308,546
<u>\$ 832,046</u>	<u>\$ 944,635</u>	<u>\$ 1,776,681</u>	<u>\$ 1,181,000</u>
\$ 75,603	\$ -	\$ 75,603	\$ -
24,922	-	24,922	-
149,622	-	149,622	-
219,414	-	219,414	-
122,224	-	122,224	-
7,824	-	7,824	6,151
-	371,573	371,573	-
232,437	573,062	805,499	1,174,849
<u>\$ 832,046</u>	<u>\$ 944,635</u>	<u>\$ 1,776,681</u>	<u>\$ 1,181,000</u>

City of Remsen
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
For the Year Ended June 30, 2011

	Special Revenue Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Road Use Tax	Local Option Sales Tax	Urban Renewal Tax Increment		
Receipts:						
Property taxes	\$ 346,990	\$ -	\$ -	\$ 120,138	\$ 120,839	\$ 587,967
Other city tax	-	-	154,709	-	-	154,709
Licenses and permits	9,684	-	-	-	-	9,684
Intergovernmental	82,380	168,398	-	-	-	250,778
Charges for services	169,356	-	-	-	-	169,356
Special assessments	-	-	25,800	-	-	25,800
Investment earnings	22,314	-	1,548	-	-	23,862
Miscellaneous	37,586	-	-	-	-	37,586
Total receipts	<u>668,310</u>	<u>168,398</u>	<u>182,057</u>	<u>120,138</u>	<u>120,839</u>	<u>1,259,742</u>
Disbursements:						
Current:						
General government	139,102	-	89,431	-	8,668	237,201
Public safety	288,082	-	25,970	-	18,032	332,084
Public works	82,223	200,507	157	-	14,455	297,342
Culture and recreation	118,880	-	78,198	-	9,039	206,117
Community and economic development	1,606	-	28,496	2,509	-	32,611
Debt service:						
Principal	-	-	-	-	93,000	93,000
Interest and other charges	-	-	-	-	37,622	37,622
Total disbursements	<u>629,893</u>	<u>200,507</u>	<u>222,252</u>	<u>2,509</u>	<u>180,816</u>	<u>1,235,977</u>
Excess (deficiency) of receipts over (under) disbursements	<u>38,417</u>	<u>(32,109)</u>	<u>(40,195)</u>	<u>117,629</u>	<u>(59,977)</u>	<u>23,765</u>
Other Financing Sources (Uses):						
Proceeds from sale of assets	8,800	-	-	-	-	8,800
Transfers in	29,637	-	28,468	-	135,790	193,895
Transfers out	(75,790)	-	-	(68,667)	(29,226)	(173,683)
Total other financing sources (uses)	<u>(37,353)</u>	<u>-</u>	<u>28,468</u>	<u>(68,667)</u>	<u>106,564</u>	<u>29,012</u>
Net change in cash balances	1,064	(32,109)	(11,727)	48,962	46,587	52,777
Cash fund balances - beginning	274,676	181,731	231,141	73,262	18,459	779,269
Cash fund balances - ending	<u>\$ 275,740</u>	<u>\$ 149,622</u>	<u>\$ 219,414</u>	<u>\$ 122,224</u>	<u>\$ 65,046</u>	<u>\$ 832,046</u>
Cash Basis Fund Balances:						
Restricted for:						
Public safety - fire	\$ 68,867	\$ -	\$ -	\$ -	\$ -	\$ 68,867
Public safety - ambulance	6,736	-	-	-	-	6,736
Culture and recreation - library	19,205	-	-	-	-	19,205
Culture and recreation - museum	5,717	-	-	-	-	5,717
Streets	-	149,622	-	-	-	149,622
City infrastructure and county jail	-	-	219,414	-	-	219,414
Urban renewal purposes	-	-	-	122,224	-	122,224
Debt service	-	-	-	-	7,824	7,824
Assigned for:						
Public safety - fire	96,102	-	-	-	-	96,102
Public safety - ambulance	13,643	-	-	-	-	13,643
Culture and recreation - library	5,646	-	-	-	-	5,646
Debt service	-	-	-	-	61,434	61,434
Unassigned	59,824	-	-	-	(4,212)	55,612
Total cash basis fund balances	<u>\$ 275,740</u>	<u>\$ 149,622</u>	<u>\$ 219,414</u>	<u>\$ 122,224</u>	<u>\$ 65,046</u>	<u>\$ 832,046</u>

See notes to financial statements.

City of Remsen
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
For the Year Ended June 30, 2011

	Enterprise Funds		Total
	Sewer Utility	Garbage Utility	
Operating Receipts:			
Charges for services	\$ 247,339	\$ 132,510	\$ 379,849
Total operating receipts	<u>247,339</u>	<u>132,510</u>	<u>379,849</u>
Operating Disbursements:			
Personal services	60,863	95,275	156,138
Contractual services	25,571	62,342	87,913
Utilities	18,253	-	18,253
Repairs and maintenance	2,257	974	3,231
Other supplies and expenses	19,031	8,044	27,075
Insurance claims and expenses	1,092	1,500	2,592
Total operating disbursements	<u>127,067</u>	<u>168,135</u>	<u>295,202</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>120,272</u>	<u>(35,625)</u>	<u>84,647</u>
Non-Operating Receipts (Disbursements):			
Intergovernmental	729,268	-	729,268
Interest and investment receipts	8,852	49	8,901
Proceeds from debt	2,215,000	-	2,215,000
Debt service	(278,776)	-	(278,776)
Capital outlay	(2,275,405)	-	(2,275,405)
Total non-operating receipts (disbursements)	<u>398,939</u>	<u>49</u>	<u>398,988</u>
Income (loss) before contributions and transfers	519,211	(35,576)	483,635
Transfers out	<u>(6,274)</u>	<u>-</u>	<u>(6,274)</u>
Net change in cash balances	512,937	(35,576)	477,361
Cash fund balances - beginning	270,163	197,111	467,274
Cash fund balances - ending	<u>\$ 783,100</u>	<u>\$ 161,535</u>	<u>\$ 944,635</u>
Cash Basis Fund Balances:			
Restricted for sewer replacement project	\$ 371,573	\$ -	\$ 371,573
Unrestricted	411,527	161,535	573,062
	<u>\$ 783,100</u>	<u>\$ 161,535</u>	<u>\$ 944,635</u>

City of Remsen
Notes to Financial Statements
June 30, 2011

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 legally separate from the City but is financially accountable to the City. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it's legally separate from the City.

Discretely Presented Component Unit

The Municipal Utilities of the City of Remsen are governed by a three-member board appointed by the Mayor and approved by the City Council. The Municipal Utilities' operating budget is subject to the approval of the City Council. The Municipal Utilities was established to operate the City's water, electric and gas operations. It has a June 30 year end. Complete financial statements for the component unit may be obtained at the City Hall office located at 008 West 2nd Street, Remsen, Iowa 51050.

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 county joint E911 service board and the local economic development corporation.

City of Remsen
Notes to Financial Statements
June 30, 2011

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

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.

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.

City of Remsen
Notes to Financial Statements
June 30, 2011

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

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

Restricted fund balance consists of amounts restricted for specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned fund balance are amounts the Council has set aside in separate bank accounts for use on specific purposes.

Unassigned fund balance are all other amounts not included in restricted or assigned fund balance.

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.

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 which is restricted for city infrastructure and the City's portion of the County Jail.

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

City of Remsen
Notes to Financial Statements
June 30, 2011

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

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.

When the City's separate bank account has commingled restricted, assigned, or unassigned resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then assigned fund balance and last to unassigned fund balances.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation, and business type activities functions.

City of Remsen
Notes to Financial Statements
June 30, 2011

NOTE 2 - CASH:

The City's deposits in banks at June 30, 2011, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

NOTE 3 - NOTES PAYABLE:

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

Year Ending June 30,	General Obligation Capital Loan Notes, Series 2009		General Obligation Capital Loan Notes, Series 1998	
	Principal	Interest	Principal	Interest
2012	\$ 30,000	\$ 38,234	\$ 65,000	\$ 6,403
2013	32,000	37,184	65,000	3,218
2014	34,000	36,016	-	-
2015	35,000	34,724	-	-
2016	37,000	33,288	-	-
2017 - 2021	219,000	140,414	-	-
2022 - 2026	219,000	71,539	-	-
2027 - 2030	-	-	-	-
	<u>\$ 606,000</u>	<u>\$ 391,399</u>	<u>\$ 130,000</u>	<u>\$ 9,621</u>

Year Ending June 30,	Sewer Revenue Capital Loan Notes, Series 2010		Total	
	Principal	Interest	Principal	Interest
2012	\$ 110,750	\$ 44,189	\$ 205,750	\$ 88,826
2013	110,750	43,857	207,750	84,259
2014	110,750	43,303	144,750	79,319
2015	110,750	42,528	145,750	77,252
2016	110,750	41,531	147,750	74,819
2017 - 2021	553,750	189,327	772,750	329,741
2022 - 2026	553,750	134,340	772,750	205,879
2027 - 2030	443,000	45,463	443,000	45,463
	<u>\$ 2,104,250</u>	<u>\$ 584,538</u>	<u>\$ 2,840,250</u>	<u>\$ 985,558</u>

City of Remsen
Notes to Financial Statements
June 30, 2011

NOTE 3 - NOTES PAYABLE (CONTINUED):

General Obligation Capital Loan Notes - The \$850,000 General Obligation Capital Loan Notes were issued March 2009 and \$606,000 are outstanding as of June 30, 2011. 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 \$30,000 to \$59,000 with final payment due in 2025, and pay interest semi-annually from 3.5 to 5.25 percent.

The \$800,000 General Obligation Capital Loan Notes were issued December 1997 and \$130,000 are outstanding as of June 30, 2011. 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 4.90 to 4.95 percent.

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, 2011, the City paid in full the entire \$125,000 on this note with proceeds of the sale of permanent sewer revenue notes.

Sewer Revenue Capital Loan Notes - The City has pledged future sewer net receipts to repay \$2,215,000 in sewer revenue notes issued in September 2010. Proceeds from the notes refinanced the replacement of the sewer utility system. The notes are payable solely from sewer customer net receipts and are payable through 2030. Since net receipts has not been defined elsewhere, the City defines net receipts 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 bonds are expected to require 62 percent of net receipts. For the year ended June 30, 2011, principal and interest paid and total customer net receipts were \$153,776 and \$247,339, respectively.

The total amount of interest costs paid during the year was \$80,648.

City of Remsen
Notes to Financial Statements
June 30, 2011

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.

Most regular plan members are required to contribute 4.50 percent of their annual covered salary and the City is required to contribute 6.95 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 City's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$31,141, \$28,334, and \$23,729, respectively, equal to the required contributions for each year.

NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS (OPEB):

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 7 active members and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$437 for single coverage and \$1,342 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$73,721 and plan members eligible for benefits contributed \$8,360 to the plan.

City of Remsen
Notes to Financial Statements
June 30, 2011

NOTE 6 - COMPENSATED ABSENCES:

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2011, was \$20,720. This liability has been computed based on rates of pay in effect at June 30, 2011.

NOTE 7 - TRANSFERS:

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

	<u>General</u>	<u>Local Option Sales Tax</u>	<u>Debt Service</u>	<u>Municipal Utilities Component Unit</u>	<u>Total Transfers Out</u>
General	\$ -	\$ -	\$ 75,790	\$ -	\$ 75,790
Debt service	-	-	-	29,226	29,226
Urban renewal tax increment	13,363	28,468	-	26,836	68,667
Sewer	6,274	-	-	-	6,274
Municipal utilities (component unit)	10,000	-	60,000	-	70,000
Total transfers in	<u>\$ 29,637</u>	<u>\$ 28,468</u>	<u>\$ 135,790</u>	<u>\$ 56,062</u>	<u>\$ 249,957</u>

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.

Total net transfers from the Municipal Utilities, component unit, was \$13,938. These transfers consisted of \$60,000 of cash transfers to the City for debt service, \$10,000 of cash transfers to the City for in lieu of taxes, \$26,836 of cash transfers from the City for repayment of internal debt financing, and \$29,226 to the Utilities for payment on capital loan notes and loan servicing fees. Because the City and the Municipal Utilities accounts for transactions on a cash basis, the direct financing and the direct payment on behalf of the City are not reported in the basic financial statements.

City of Remsen
Notes to Financial Statements
June 30, 2011

NOTE 8 - DEFICIT BLANCE:

The Special Revenue Employee Benefit Fund had a deficit balance of \$4,212 at June 30, 2011. The deficit balance was a result of higher employer taxes and IPERS contributions. The deficit will be eliminated with a transfer from the general fund during the next fiscal year ending June 30, 2012.

NOTE 9 - 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, \$105,361, \$50,747 and \$83,746 were certified with the Plymouth County Auditor on November 30, 2009, 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, 2011 is \$101,431. 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 \$530 remains unpaid as of June 30, 2011. The amount of debt certified with the Plymouth County Auditor on November 30, 2009 and November 26, 2008 with respect to the Assisted Living Area district totaled \$113,449 and \$50,747 of which \$127,024 remains unpaid as of June 30, 2011.

NOTE 10 - RELATED PARTY TRANSACTIONS:

The City had business transactions totaling \$24,814 between the City and City officials for insurance and supplies during the year ended June 30, 2011.

City of Remsen
Notes to Financial Statements
June 30, 2011

NOTE 11 - RISK MANAGEMENT:

The City of Remsen, Iowa, 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 12 - COMMITMENTS:

The City has a contract of \$2,410,816 for the sewer replacement project of which \$2,156,126 had been paid as of June 30, 2011. As of June 30, 2011, the City had also entered into a contract for street and sidewalk improvements totaling \$231,855 to be completed after June 30, 2011 and will be financed from road use tax funds.

SUPPLEMENTARY INFORMATION

City of Remsen
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2011

	Special Revenue Fund		Total-Other Governmental Funds
	Employee Benefits	Debt Service	
Receipts:			
Property taxes	\$ 45,982	\$ 74,857	\$ 120,839
Total receipts	<u>45,982</u>	<u>74,857</u>	<u>120,839</u>
Disbursements:			
Operating:			
General government	8,668	-	8,668
Public safety	18,032	-	18,032
Public works	14,455	-	14,455
Culture and recreation	9,039	-	9,039
Debt service:			
Principal	-	93,000	93,000
Interest	-	37,622	37,622
Total disbursements	<u>50,194</u>	<u>130,622</u>	<u>180,816</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(4,212)</u>	<u>(55,765)</u>	<u>(59,977)</u>
Other Financing Sources (Uses):			
Transfers in	-	135,790	135,790
Transfers out	-	(29,226)	(29,226)
Total other financing sources (uses)	<u>-</u>	<u>106,564</u>	<u>106,564</u>
Net change in cash balances	(4,212)	50,799	46,587
Cash fund balances - beginning	-	18,459	18,459
Cash fund balances - ending	<u>\$ (4,212)</u>	<u>\$ 69,258</u>	<u>\$ 65,046</u>
Cash Basis Fund Balances:			
Restricted for debt service	\$ -	\$ 7,824	\$ 7,824
Assigned for debt service	-	61,434	61,434
Unassigned	(4,212)	-	(4,212)
Total cash basis fund balances	<u>\$ (4,212)</u>	<u>\$ 69,258</u>	<u>\$ 65,046</u>

**City of Remsen
Schedule of Indebtedness
For the Year Ended June 30, 2011**

<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	\$ 195,000	\$ -	\$ 65,000	\$ 130,000	\$ 9,522	\$ -
Water	March 23, 2009	3.50% - 5.50%	\$ 850,000	634,000	-	28,000	606,000	28,100	-
Revenue Capital Loan Notes:									
Sewer	January 10, 2008	0.00%	\$ 125,000	125,000	-	125,000	-	-	-
Sewer	September 15, 2010	2.10% - 4.35%	\$ 2,215,000	-	2,215,000	110,750	2,104,250	43,026	-
				<u>\$ 954,000</u>	<u>\$ 2,215,000</u>	<u>\$ 328,750</u>	<u>\$ 2,840,250</u>	<u>\$ 80,648</u>	<u>\$ -</u>

**City of Remsen
Bond and Note Maturities
June 30, 2011**

Year Ending <u>June 30,</u>	General Obligation Capital Loan Notes				Sewer Revenue Capital Loan Notes	
	<u>January 1, 1998</u>		<u>March 23, 2009</u>		<u>September 15, 2010</u>	
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>
2012	4.90%	\$ 65,000	3.50%	\$ 30,000	2.10%	\$ 110,750
2013	4.95%	65,000	3.65%	32,000	2.20%	110,750
2014		-	3.80%	34,000	2.30%	110,750
2015		-	4.10%	35,000	2.40%	110,750
2016		-	4.15%	37,000	2.50%	110,750
2017		-	4.30%	39,000	2.60%	110,750
2018		-	4.40%	42,000	2.75%	110,750
2019		-	4.50%	44,000	2.90%	110,750
2020		-	4.65%	46,000	3.00%	110,750
2021		-	4.80%	48,000	3.10%	110,750
2022		-	4.90%	51,000	3.20%	110,750
2023		-	5.00%	53,000	3.35%	110,750
2024		-	5.15%	56,000	3.50%	110,750
2025		-	5.25%	59,000	3.70%	110,750
2026		-		-	3.80%	110,750
2027		-		-	4.00%	110,750
2028		-		-	4.10%	110,750
2029		-		-	4.20%	110,750
2030		-		-	4.35%	110,750
		<u>\$ 130,000</u>		<u>\$ 606,000</u>		<u>\$ 2,104,250</u>

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Receipts:								
Property tax	\$ 587,967	\$ 555,478	\$ 534,206	\$ 475,682	\$ 436,053	\$ 556,276	\$ 535,985	\$ 490,341
Other city tax	154,709	160,912	167,414	151,648	155,082	151,948	138,900	162,563
Licenses and permits	9,684	9,662	8,959	9,955	8,850	10,865	12,013	9,388
Intergovernmental	250,778	272,108	301,415	215,019	194,844	205,149	210,131	287,158
Charges for services	169,356	163,677	165,784	103,463	89,693	96,893	61,902	63,531
Special assessments	25,800	3,225	35,487	-	-	-	-	-
Investment earnings	23,862	27,868	36,445	41,198	45,913	47,013	32,731	27,792
Miscellaneous	37,586	26,618	59,489	47,214	55,435	56,414	44,516	74,904
Total	<u>\$ 1,259,742</u>	<u>\$ 1,219,548</u>	<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>
Disbursements:								
Operating:								
General government	\$ 237,201	\$ 179,655	\$ 182,132	\$ 150,317	\$ 147,609	\$ 166,847	\$ 149,393	\$ 126,107
Public safety	332,084	572,511	311,815	268,365	380,154	273,194	299,461	290,561
Public works	297,342	281,979	461,773	304,352	544,397	307,957	250,924	261,402
Culture and recreation	206,117	144,999	169,785	127,047	141,564	180,872	133,693	252,414
Community and economic development	32,611	115,711	104,162	18,000	25,000	-	-	-
Debt service	130,622	666,188	120,866	78,220	75,750	78,252	75,503	77,702
Capital projects	-	-	228,990	-	-	-	-	222,923
Total	<u>\$ 1,235,977</u>	<u>\$ 1,961,043</u>	<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>

OTHER 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
For the Year Ended June 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Component Unit	Less Funds Not Budgeted	Total	Budgeted Amounts		Final to Total Variance
						Original	Final	
Receipts:								
Property tax	\$ 587,967	\$ -	\$ -	\$ -	\$ 587,967	\$ 586,232	\$ 586,232	\$ 1,735
Other city tax	154,709	-	-	-	154,709	180,000	180,000	(25,291)
Licenses and permits	9,684	-	-	-	9,684	9,600	9,600	84
Intergovernmental	250,778	729,268	-	(34,028)	946,018	249,499	249,499	696,519
Charges for services	169,356	379,849	2,011,914	(88,906)	2,472,213	2,870,126	2,870,126	(397,913)
Special assessments	25,800	-	-	-	25,800	4,000	4,000	21,800
Investment earnings	23,862	8,901	31,480	(2,911)	61,332	94,659	94,659	(33,327)
Miscellaneous	37,586	-	-	(24,773)	12,813	72,431	72,431	(59,618)
Total receipts	<u>1,259,742</u>	<u>1,118,018</u>	<u>2,043,394</u>	<u>(150,618)</u>	<u>4,270,536</u>	<u>4,066,547</u>	<u>4,066,547</u>	<u>203,989</u>
Disbursements:								
General government	237,201	-	-	-	237,201	289,171	289,171	51,970
Public safety	332,084	-	-	(124,132)	207,952	195,901	195,901	(12,051)
Public works	297,342	-	-	-	297,342	258,502	258,502	(38,840)
Health and social services	-	-	-	-	-	1,000	1,000	1,000
Culture and recreation	206,117	-	-	-	206,117	138,884	138,884	(67,233)
Community and economic development	32,611	-	-	-	32,611	75,201	75,201	42,590
Debt service	130,622	-	-	-	130,622	175,592	175,592	44,970
Business-type activities	-	2,849,383	2,157,002	-	5,006,385	2,974,977	2,974,977	(2,031,408)
Total disbursements	<u>1,235,977</u>	<u>2,849,383</u>	<u>2,157,002</u>	<u>(124,132)</u>	<u>6,118,230</u>	<u>4,109,228</u>	<u>4,109,228</u>	<u>\$ (2,009,002)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>23,765</u>	<u>(1,731,365)</u>	<u>(113,608)</u>	<u>(26,486)</u>	<u>(1,847,694)</u>	<u>(42,681)</u>	<u>(42,681)</u>	
Other financing sources (uses), net	<u>29,012</u>	<u>2,208,726</u>	<u>(13,938)</u>	<u>-</u>	<u>2,223,800</u>	<u>-</u>	<u>-</u>	
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>52,777</u>	<u>477,361</u>	<u>(127,546)</u>	<u>(26,486)</u>	<u>376,106</u>	<u>(42,681)</u>	<u>(42,681)</u>	
Balances - beginning	<u>779,269</u>	<u>467,274</u>	<u>1,308,546</u>	<u>(158,862)</u>	<u>2,396,227</u>	<u>2,629,398</u>	<u>2,629,398</u>	
Balances - ending	<u>\$ 832,046</u>	<u>\$ 944,635</u>	<u>\$ 1,181,000</u>	<u>\$ (185,348)</u>	<u>\$ 2,772,333</u>	<u>\$ 2,586,717</u>	<u>\$ 2,586,717</u>	

City of Remsen
Notes to Other Information -
Budgetary Reporting
June 30, 2011

The budgetary comparison is presented as Other Information. 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, 2011, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation, and business type activities functions.



**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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of Remsen is responsible for establishing and maintaining effective 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses which include items I-A-11 and I-B-11.



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

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies which include items I-C-11 through I-G-11.

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, 2011 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, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Sioux City, Iowa
January 9, 2012

A handwritten signature in black ink that reads "King Reinach Prosser" followed by a stylized number "210".

City of Remsen
Schedule of Findings and Responses
For the Year Ended June 30, 2011
(Continued)

Part I: Findings Related to the Financial Statements:

MATERIAL WEAKNESSES:

I-A-11 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 various reclassifying entries to move receipts to the accurate classification and fund balance to the appropriate classification under the implementation of GASB 54, 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 an other 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-11 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.

City of Remsen
Schedule of Findings and Responses
For the Year Ended June 30, 2011
(Continued)

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

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.

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 remains 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.

SIGNIFICANT DEFICIENCIES:

I-C-11 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. There are transactions within these accounts that lack proper authorization. The Treasurer's report did not properly report the balance held in the certificate of deposit.

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 - Representatives from the Council have met with department heads and monthly packets will be submitted to the City Council for review and approval. The City Clerk will incorporate the departments' activity beginning July 1, 2011.

City of Remsen
Schedule of Findings and Responses
For the Year Ended June 30, 2011
(Continued)

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

I-D-11 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.

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 - The City employees are seeking training on the software. The procedures over preparing reconciliations will be addressed once the employees have been trained.

I-E-11 Various Savings Accounts:

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, donor savings account, and sewer replacement savings account were not recorded in the general ledger.

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

Recommendation - The activity of the library technology trust, donor savings account, and sewer replacement savings account needs to be recorded in the general ledger.

Response - We will record as recommended in the future.

I-F-11 Sewer Utility Rate Changes:

Criteria - The City needs to correctly charge customers the rate authorized by the Council.

Condition and Effect - During our audit, it was noted the sewer commercial customers were not charged the 50 percent of their water bill for the November billing per the Council's authorized rate. The billing rate was corrected in the software for the subsequent month. The amount of this error has not been calculated.

Cause - The City employees are not trained to properly enter rate changes into the utility billing software.

City of Remsen
Schedule of Findings and Responses
For the Year Ended June 30, 2011
(Continued)

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

Recommendation - The City should implement oversight review procedures when rate changes are entered into the software to be sure the responsible employee has properly entered the correct utility rate.

Response - We will implement review procedures as recommended in the future.

I-G-11 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. The salaries of City employees need to be reported under one employer identification number. The quarterly IRS Form 941s need to be filed on a timely basis to avoid penalties. The payroll bank account should be reconciled to the general ledger on a monthly basis.

Condition and Effect - During our testing, we noted the following items:

1. No documentation for authorized pay to a library employee.
2. No documentation for authorized pay to a bookkeeping employee of the EMT department.
3. No documentation of the positions held by three part-time police employees.
4. The IRS Form 941 for the quarters ending March 31, 2011 and June 30, 2011 were not filed.
5. The EMT department is using a different employer identification number under the City's name.
6. The payroll bank account is not being reconciled to the general ledger.
7. The City has no vehicle policy to address the requirement to take City's vehicles home for on call employees.

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. The City should review the job descriptions and City ordinances with employees to be sure employees have been properly notified of their responsibilities for payroll account reconciliations and payroll report filings. The City should only use one employer identification number for IRS reporting and eliminate any other numbers that exist. The City should review what access employees have to City vehicles and develop a policy to address on call employees.

Response - The City will review procedures to implement as recommended.

City of Remsen
Schedule of Findings and Responses
For the Year Ended June 30, 2011
(Continued)

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-11 *Certified Budget* - Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the public safety, public works, culture and recreation, and business type activities 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-11 *Questionable Disbursements* - No disbursements were noted that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-11 *Travel Expense* - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- II-D-11 *Business Transactions* - The City had business transactions of \$17,714 for insurance coverage with Matgen Insurance, which is owned by Steve Matgen, Municipal Utilities trustee, during the year ended June 30, 2011. It also had business transactions of \$7,100 for supplies with Town and Country Construction, which is partly owned by Tom Haverkamp, City Council Member, during the year ended June 30, 2011.

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-11 *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, 2011
(Continued)

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

- II-F-11 *Council Minutes* - We found certain payroll transactions that were not approved in the Council minutes. See finding I-G-11. The publication of salaries did not include all employees paid with City funds.

In March 2011, it was determined the Municipal Utilities receipts for setup fees were all being coded to the Garbage Fund. From January 2008 to February 2011, the total receipts amounted to \$6,981.44. To correct the error, \$2,853.97 of miscellaneous charges collected from May 2011 to July 2011 were used to reimburse the Municipal Utilities for the error. The transfer to correct the Garbage Fund and the Municipal Utilities should have been approved by both governing bodies. After the audit fieldwork, receipts were no longer being transferred.

Recommendation - The City should document authorized pay for all employees and publish salaries of all employees. The City should document and/or budget transfers between the City and Utilities. The governing bodies need to address the remaining outstanding balance of \$4,127.47 that the Garbage Fund has not repaid.

Response - The City will review procedures to implement as recommended.

- II-G-11 *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-11 *Sewer Revenue Capital Loan Notes* - No instances of non-compliance with the revenue note resolutions were noted.

- II-I-11 *Notice of Public Hearing for Public Improvements* - The City did not publish a notice of public hearing on the 2011 street and sidewalk project not less than 4 but not more than 20 days before the date of the hearing as required by Chapters 26.12 and 362.3 of the Code of Iowa.

Recommendation - The notice of public hearing for public improvements should be published in the time frame required by the Code of Iowa.

Response - We will publish as required.

**City of Remsen
Staff**

The audit was performed by:

Angel Derochie, CPA, Manager
Alicia Lambert, Staff Accountant

Michael H. Prosser, CPA
Partner