

City of Remsen

Remsen, Iowa

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

June 30, 2012

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	14-22
SUPPLEMENTARY INFORMATION:	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	23
Schedule of Indebtedness	24
Bond and Note Maturities	25
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds - Primary Government	26
OTHER INFORMATION:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds, Proprietary Funds and Discretely Presented Component Unit	27
Notes to Other Information - Budgetary Reporting	28
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>	29-30
Schedule of Findings and Responses	31-34
Staff	35

City of Remsen

City Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jeff Cluck	Mayor	January 2016
Tom Haverkamp	Council Member	January 2014
Dave Sonnichsen	Council Member	January 2014
Mindy Klein	Council Member	January 2016
Tom Letsche	Council Member	January 2014
Dick Sievers	Council Member	January 2016
Paige List	Clerk/Treasurer	January 2014

Municipal Utilities

Craig Bartolozzi	Chairman	January 2018
Kim Keleher	Trustee	January 2016
Dean Douvia	Trustee	January 2014
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, 2012, 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, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1 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 March 13, 2013 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 23 through 26 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 supplementary 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 27 and 28 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 Reinseh Prasse, & Co. LLP

Sioux City, Iowa
March 13, 2013

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

2012 Financial Highlights

- Receipts of the City's governmental activities increased 10 percent, or approximately \$130,000, from fiscal 2011 to fiscal 2012. Property taxes levied for tax increment financing increased approximately \$49,000, property taxes levied for employee benefits increased approximately \$39,000, and \$35,000 of equipment loan proceeds were received.
- Disbursements of the City's governmental activities increased 7 percent, or approximately \$84,000, in fiscal 2012 from fiscal 2011. Public works increased approximately \$143,000 and culture and recreation and general government decreased approximately \$57,000 and \$48,000, respectively.
- The City's total cash basis net assets decreased 21 percent, or approximately \$380,000, from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities increased approximately \$99,000 and the assets of the business-type activities decreased by approximately \$480,000. The business-type activities decrease can be attributed to the use of the prior year unspent sewer replacement project bond proceeds.

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 Municipal Utilities of the City of Remsen, a discretely presented component unit. 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:

- 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.

- 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 \$832,046 to \$931,356. 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,**

	2012	2011
Receipts and transfers:		
Program receipts:		
Charges for services	\$ 194,788	\$ 180,168
Operating grants and contributions	247,063	235,656
Capital grants and contributions	71,429	72,983
General receipts:		
Property taxes	692,213	587,967
Other city tax	162,753	154,709
Unrestricted investment earnings	12,106	23,743
Miscellaneous	9,569	4,516
Proceeds from debt	35,000	-
Sale of assets	3,691	8,800
Transfers, net	(9,515)	20,212
Total receipts	1,419,097	1,288,754
Disbursements:		
General government	188,796	237,201
Public safety	350,911	332,084
Public works	440,307	297,342
Culture and recreation	148,988	206,117
Community and economic development	61,084	32,611
Debt service	128,961	130,622
Capital projects	740	-
Total disbursements	1,319,787	1,235,977
Change in cash basis net assets	99,310	52,777
Cash basis net assets - beginning	832,046	779,269
Cash basis net assets - ending	\$ 931,356	\$ 832,046

The City's total receipts for governmental activities increased by 10 percent, or approximately \$130,000. The total cost of all programs and services increased by \$84,000, or 7 percent. There were no new programs added this year. The increase in governmental receipts was primarily due to an increase in property taxes levied for tax increment financing and property taxes levied for employee benefits combined with the ambulance equipment loan proceeds received. The increase in the cost of programs and services was primarily due to the costs associated with the street and sidewalk construction project.

The cost of all governmental activities this year was \$1,319,787 compared to \$1,235,977 last year. As shown in the Statement of Activities and Net Assets on page 11, the amount taxpayers ultimately financed for these activities was \$806,507 because some of the cost was paid by those who directly benefited from the programs (\$194,788) or by other governments and organizations that subsidized certain programs with grants and contributions (\$318,492). Total governmental program receipts,

including intergovernmental aid and fees for service, increased in 2012 from approximately \$489,000 to approximately \$513,000, due to an increase in land rent receipts. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$855,000 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,**

	2012	2011
Receipts:		
Program receipts:		
Charges for services:		
Sewer utility	\$ 325,409	\$ 247,339
Garbage utility	124,005	132,510
Capital grants and contributions:		
Sewer utility	105,814	729,268
General receipts:		
Unrestricted investment earnings	574	8,901
Proceeds from debt	-	2,215,000
Transfers, net	-	(6,274)
Total receipts	555,802	3,326,744
Disbursements:		
Sewer utility	870,639	2,681,248
Garbage utility	165,170	168,135
Total disbursements	1,035,809	2,849,383
Change in cash basis net assets	(480,007)	477,361
Cash basis net assets - beginning	944,635	467,274
Cash basis net assets - ending	\$ 464,628	\$ 944,635

Total business-type activities receipts for the fiscal year were \$555,802 compared to \$3,326,744 last year. Total receipts decreased by approximately \$2,800,000 from the prior year because the prior year included \$2,215,000 of proceeds from debt to be used for the sewer replacement project. Also capital grants received for the sewer replacement project decreased from \$729,268 to \$105,814. Total disbursements decreased by 64 percent to a total of \$1,035,809 for the fiscal year due to the prior year costs incurred for the sewer replacement project. The sewer replacement project was completed during the current year.

Individual Major Governmental Fund Analysis

As City of Remsen completed the year, its governmental funds reported a combined fund balance of \$931,356, an increase of \$99,310 from last year's total of \$832,046. 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 \$69,000 from the prior year. The cash on hand was used for the current year street and sidewalk project.

- The Local Option Sales Tax Fund cash balance was \$247,424 at the end of the fiscal year, an increase of \$28,010 from the previous year. In the current year, the City collected approximately \$47,000 of sidewalk project special assessments which was an approximate \$21,000 increase from the prior year. Disbursements remained comparable to the prior year.
- The Urban Renewal Tax Increment cash balance increased by approximately \$30,170 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, 2012.
- The Debt Service Fund cash balance was \$93,370 at the end of the fiscal year, an increase of \$24,112 from the previous year. The land rent receipts assigned by the City Council for debt service and transferred from the General Fund are in excess of the annual debt payments made from the Debt Service Fund. The Debt Service Fund is accumulating cash to be used to make future debt payments.

Individual Major Business-Type Fund Analysis

- The Sewer Utility cash balance decreased by \$438,861 to \$344,239, due to current year capital outlay disbursements for the sewer replacement project.
- The Garbage Utility cash balance decreased by \$41,146 to \$120,389 because the fund is absorbing additional personnel costs using cash balances accumulated from prior years.

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 including the discretely presented component unit.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the capital projects function.

Debt Administration

At June 30, 2012, the City had \$2,448,000 in long-term debt, compared to \$2,840,250 last year, as shown below.

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

	2012	2011
General obligation notes	\$ 641,000	\$ 736,000
Revenue notes	1,772,000	2,104,250
Bank note	35,000	-
Total	<u>\$ 2,448,000</u>	<u>\$ 2,840,250</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 \$641,000 is significantly below its constitutional debt limit of \$4.3 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 2013 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 2013. Amounts available for appropriation in the operating budget for all City and Utility funds are \$4.7 million. Budgeted disbursements are expected to decrease by approximately \$402,000 due to the completion of prior year construction contracts. The City has added no major new programs or initiatives to the 2013 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.

BASIC FINANCIAL STATEMENTS

City of Remsen
Statement of Activities and Net Assets - Cash Basis
For the Year Ended June 30, 2012

<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	\$ 188,796	\$ 61,965	\$ -	\$ -
Public safety	350,911	100,878	69,155	-
Public works	440,307	-	162,579	46,932
Culture and recreation	148,988	31,945	15,329	-
Community and economic development	61,084	-	-	-
Debt service	128,961	-	-	-
Capital projects	740	-	-	24,497
Total governmental activities	<u>1,319,787</u>	<u>194,788</u>	<u>247,063</u>	<u>71,429</u>
Business-type activities:				
Sewer utility	870,639	325,409	-	105,814
Garbage utility	165,170	124,005	-	-
Total business-type activities	<u>1,035,809</u>	<u>449,414</u>	<u>-</u>	<u>105,814</u>
Total primary government	<u>\$ 2,355,596</u>	<u>\$ 644,202</u>	<u>\$ 247,063</u>	<u>\$ 177,243</u>
Component Unit:				
Municipal utilities	\$ 2,462,707	\$ 2,065,302	\$ -	\$ -
Total component unit	<u>\$ 2,462,707</u>	<u>\$ 2,065,302</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
 Other purposes

 Unrestricted

 Total cash basis net assets

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

Primary Government

Governmental Activities	Business-Type Activities	Total	Component Unit
\$ (126,831)	\$ -	\$ (126,831)	
(180,878)	-	(180,878)	
(230,796)	-	(230,796)	
(101,714)	-	(101,714)	
(61,084)	-	(61,084)	
(128,961)	-	(128,961)	
23,757	-	23,757	
<u>(806,507)</u>	<u>-</u>	<u>(806,507)</u>	
-	(439,416)	(439,416)	
-	(41,165)	(41,165)	
<u>-</u>	<u>(480,581)</u>	<u>(480,581)</u>	
<u>(806,507)</u>	<u>(480,581)</u>	<u>(1,287,088)</u>	
			<u>\$ (397,405)</u>
			<u>(397,405)</u>
366,273	-	366,273	-
85,449	-	85,449	-
168,908	-	168,908	-
71,583	-	71,583	-
162,753	-	162,753	-
12,106	574	12,680	19,390
9,569	-	9,569	-
35,000	-	35,000	50,000
3,691	-	3,691	-
<u>(9,515)</u>	<u>-</u>	<u>(9,515)</u>	<u>9,515</u>
<u>905,817</u>	<u>574</u>	<u>906,391</u>	<u>78,905</u>
99,310	(480,007)	(380,697)	(318,500)
832,046	944,635	1,776,681	1,181,000
<u>\$ 931,356</u>	<u>\$ 464,628</u>	<u>\$ 1,395,984</u>	<u>\$ 862,500</u>
\$ 80,875	\$ -	\$ 80,875	\$ -
15,420	-	15,420	-
80,491	-	80,491	-
247,424	-	247,424	-
152,394	-	152,394	-
8,005	-	8,005	11,829
39,294	-	39,294	-
307,453	464,628	772,081	850,671
<u>\$ 931,356</u>	<u>\$ 464,628</u>	<u>\$ 1,395,984</u>	<u>\$ 862,500</u>

City of Remsen
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
For the Year Ended June 30, 2012

	General Fund	Special Revenue Funds			Debt Service	Other Governmental Funds	Total Governmental Funds
		Road Use Tax	Local Option Sales Tax	Urban Renewal Tax Increment			
Receipts:							
Property taxes	\$ 366,273	\$ -	\$ -	\$ 168,908	\$ 71,583	\$ 85,449	\$ 692,213
Other city tax	-	-	162,753	-	-	-	162,753
Licenses and permits	10,542	-	-	-	-	-	10,542
Intergovernmental	52,457	157,737	-	-	-	-	210,194
Charges for services	184,101	-	-	-	-	-	184,101
Special assessments	-	-	46,932	-	-	-	46,932
Investment earnings	12,169	-	-	-	-	14	12,183
Miscellaneous	46,520	-	-	-	-	24,483	71,003
Total receipts	<u>672,062</u>	<u>157,737</u>	<u>209,685</u>	<u>168,908</u>	<u>71,583</u>	<u>109,946</u>	<u>1,389,921</u>
Disbursements:							
Operating:							
General government	130,487	-	43,288	-	-	15,021	188,796
Public safety	303,803	-	24,182	-	-	22,926	350,911
Public works	75,886	226,868	118,092	-	-	19,461	440,307
Culture and recreation	111,209	-	29,487	-	-	8,292	148,988
Community and economic development	348	-	6,903	53,833	-	-	61,084
Debt Service:							
Principal	-	-	-	-	95,000	-	95,000
Interest and other charges	-	-	-	-	33,961	-	33,961
Capital projects	-	-	-	-	-	740	740
Total disbursements	<u>621,733</u>	<u>226,868</u>	<u>221,952</u>	<u>53,833</u>	<u>128,961</u>	<u>66,440</u>	<u>1,319,787</u>
Excess (deficiency) of receipts over (under) disbursements	<u>50,329</u>	<u>(69,131)</u>	<u>(12,267)</u>	<u>115,075</u>	<u>(57,378)</u>	<u>43,506</u>	<u>70,134</u>
Other Financing Sources (Uses):							
Proceeds from debt	35,000	-	-	-	-	-	35,000
Proceeds from sale of assets	3,691	-	-	-	-	-	3,691
Transfers in	4,383	-	40,277	-	81,490	-	126,150
Transfers out	(50,760)	-	-	(84,905)	-	-	(135,665)
Total other financing sources (uses)	<u>(7,686)</u>	<u>-</u>	<u>40,277</u>	<u>(84,905)</u>	<u>81,490</u>	<u>-</u>	<u>29,176</u>
Net change in cash balances	42,643	(69,131)	28,010	30,170	24,112	43,506	99,310
Cash fund balances - beginning	275,740	149,622	219,414	122,224	69,258	(4,212)	832,046
Cash fund balances - ending	<u>\$ 318,383</u>	<u>\$ 80,491</u>	<u>\$ 247,424</u>	<u>\$ 152,394</u>	<u>\$ 93,370</u>	<u>\$ 39,294</u>	<u>\$ 931,356</u>
Cash Basis Fund Balances:							
Restricted for:							
Public safety - fire	\$ 69,187	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,187
Public safety - ambulance	11,688	-	-	-	-	-	11,688
Culture and recreation - library	15,420	-	-	-	-	-	15,420
Streets	-	80,491	-	-	-	-	80,491
City infrastructure and county jail	-	-	247,424	-	-	-	247,424
Urban renewal purposes	-	-	-	152,394	-	-	152,394
Debt service	-	-	-	-	8,005	-	8,005
Other purposes	-	-	-	-	-	39,294	39,294
Assigned for:							
Public safety - fire	128,132	-	-	-	-	-	128,132
Public safety - ambulance	28,461	-	-	-	-	-	28,461
Culture and recreation - library	8,818	-	-	-	-	-	8,818
Streets	20,000	-	-	-	-	-	20,000
Debt service	-	-	-	-	85,365	-	85,365
Unassigned	36,677	-	-	-	-	-	36,677
Total cash basis fund balances	<u>\$ 318,383</u>	<u>\$ 80,491</u>	<u>\$ 247,424</u>	<u>\$ 152,394</u>	<u>\$ 93,370</u>	<u>\$ 39,294</u>	<u>\$ 931,356</u>

City of Remsen
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
For the Year Ended June 30, 2012

	Enterprise Funds		
	Sewer Utility	Garbage Utility	Total
Operating Receipts:			
Charges for services	\$ 325,409	\$ 124,005	\$ 449,414
Total operating receipts	<u>325,409</u>	<u>124,005</u>	<u>449,414</u>
Operating Disbursements:			
Personal services	81,720	95,458	177,178
Contractual services	-	53,049	53,049
Utilities	57,321	-	57,321
Repairs and maintenance	4,613	-	4,613
Other supplies and expenses	14,752	15,163	29,915
Insurance claims and expenses	1,000	1,500	2,500
Total operating disbursements	<u>159,406</u>	<u>165,170</u>	<u>324,576</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>166,003</u>	<u>(41,165)</u>	<u>124,838</u>
Non-Operating Receipts (Disbursements):			
Intergovernmental	105,814	-	105,814
Interest and investment receipts	555	19	574
Debt service	(403,059)	-	(403,059)
Capital outlay	(308,174)	-	(308,174)
Total non-operating receipts (disbursements)	<u>(604,864)</u>	<u>19</u>	<u>(604,845)</u>
Income (loss) before contributions and transfers	<u>(438,861)</u>	<u>(41,146)</u>	<u>(480,007)</u>
Net change in cash balances	(438,861)	(41,146)	(480,007)
Cash fund balances - beginning	783,100	161,535	944,635
Cash fund balances - ending	<u>\$ 344,239</u>	<u>\$ 120,389</u>	<u>\$ 464,628</u>
Cash Basis Fund Balances:			
Unrestricted	\$ 344,239	\$ 120,389	\$ 464,628
	<u>\$ 344,239</u>	<u>\$ 120,389</u>	<u>\$ 464,628</u>

City of Remsen
Notes to Financial Statements
June 30, 2012

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 it is financially accountable to 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.

City of Remsen
Notes to Financial Statements
June 30, 2012

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

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.

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, 2012

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 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.

City of Remsen
Notes to Financial Statements
June 30, 2012

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

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.

Debt Service Fund - The Debt Service Fund is used to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

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.

City of Remsen
Notes to Financial Statements
June 30, 2012

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the capital projects function.

NOTE 2 - CASH:

The City's deposits in banks at June 30, 2012, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

NOTE 3 - BONDS AND NOTES PAYABLE:

Annual debt service requirements to maturity for general obligation capital loan notes, ambulance equipment loan, and sewer 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	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 32,000	\$ 37,184	\$ 65,000	\$ 3,218	\$ 35,000	\$ 1,313
2014	34,000	36,016	-	-	-	-
2015	35,000	34,724	-	-	-	-
2016	37,000	33,288	-	-	-	-
2017	39,000	31,753	-	-	-	-
2018 - 2022	231,000	130,466	-	-	-	-
2023 - 2027	168,000	49,734	-	-	-	-
2028	-	-	-	-	-	-
	<u>\$ 576,000</u>	<u>\$ 353,165</u>	<u>\$ 65,000</u>	<u>\$ 3,218</u>	<u>\$ 35,000</u>	<u>\$ 1,313</u>

City of Remsen
Notes to Financial Statements
June 30, 2012

NOTE 3 - BONDS AND NOTES PAYABLE (CONTINUED):

Year Ending June 30,	Sewer Revenue Capital Loan Notes, Series 2010		Total	
	Principal	Interest	Principal	Interest
2013	\$ 110,750	\$ 43,857	\$ 242,750	\$ 85,572
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	110,750	40,313	149,750	72,066
2018 - 2022	553,750	180,910	784,750	311,376
2023 - 2027	553,750	120,165	721,750	169,899
2028	110,750	13,622	110,750	13,622
	<u>\$ 1,772,000</u>	<u>\$ 526,229</u>	<u>\$ 2,448,000</u>	<u>\$ 883,925</u>

General Obligation Capital Loan Notes - The \$850,000 General Obligation Capital Loan Notes were issued March 2009 and \$576,000 are outstanding as of June 30, 2012. 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 \$65,000 are outstanding as of June 30, 2012. 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.

Ambulance Equipment Loan - The City obtained bank financing to repair an ambulance on April 9, 2012. The balance of the loan is \$35,000 as of June 30, 2012. The loan bears interest at the per annum rate of 3.75 percent maturing on April 9, 2013.

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 100 percent of net receipts. For the year ended June 30, 2012, principal and interest paid and total customer net receipts were \$403,059 and \$325,409, respectively.

City of Remsen
Notes to Financial Statements
June 30, 2012

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 5.38 percent of their annual covered salary and the City is required to contribute 8.07 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, 2012, 2011, and 2010 were \$33,361, \$31,141, and \$28,334, 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 9 active members and 1 retired member 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 \$400 for single coverage and \$1,229 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the City contributed \$96,847 and plan members eligible for benefits contributed \$12,094 to the plan.

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, 2012, was \$19,852. This liability has been computed based on rates of pay in effect at June 30, 2012.

City of Remsen
Notes to Financial Statements
June 30, 2012

NOTE 7 - TRANSFERS:

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

	General	Local Option Sales Tax	Debt Service	Municipal Utilities (component unit)	Total Transfers Out
General	\$ -	\$ -	\$ 50,760	\$ -	\$ 50,760
Urban renewal tax increment	4,383	40,277	-	40,245	84,905
Municipal utilities (component unit)	-	-	30,730	-	30,730
Total transfers in	\$ 4,383	\$ 40,277	\$ 81,490	\$ 40,245	\$ 166,395

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 to the Municipal Utilities, component unit, was \$9,515. These transfers consisted of \$60,000 of cash transfers to the City for debt service, \$40,245 of cash transfers from the City for repayment of internal debt financing, and \$29,270 to the Utilities for payment on capital loan notes and loan servicing fees.

NOTE 8 - URBAN RENEWAL PROJECT AREA:

By Council resolutions adopted October 22, 1997, September 22, 1999, and August 27, 2008, the City established the Country Club Estates Urban Renewal Project Area, the Arens Second Addition Urban Renewal Plan, and the Assisted Living Area District 2008 Urban Renewal Plan, respectively, 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 total amount of the debt which remains unpaid as of June 30, 2012 is \$13,590 for the Country Club Estates Urban Renewal Project Area and \$361,439 for the Assisted Living Area District.

City of Remsen
Notes to Financial Statements
June 30, 2012

NOTE 9 - 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 10 - CONTINGENCY:

Subsequent to year end, a claim was filed with the Iowa Civil Rights Commission (ICRC) and the Equal Employment Opportunity Commission listing the City of Remsen as one of several respondents. On February 6, 2013, the ICRC issued a letter of right to sue. Should a suit be filed, the City's insurance carrier will provide a defense. However, the policy under which the defense is provided does not cover claims for wages and benefits. Wages and benefits are likely to be the primary components of the potential suit. As of the date the financial statements were available to be issued, no suit has been filed. It is too early to determine the likelihood of an unfavorable outcome or estimate the amount of loss.

SUPPLEMENTARY INFORMATION

City of Remsen
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	<u>Special Revenue Fund Employee Benefits</u>	<u>Capital Projects</u>	<u>Total-Other Governmental Funds</u>
Receipts:			
Property taxes	\$ 85,449	\$ -	\$ 85,449
Investment earnings	-	14	14
Miscellaneous	-	24,483	24,483
Total receipts	<u>85,449</u>	<u>24,497</u>	<u>109,946</u>
Disbursements:			
Operating:			
General government	15,021	-	15,021
Public safety	22,926	-	22,926
Public works	19,461	-	19,461
Culture and recreation	8,292	-	8,292
Capital outlay	-	740	740
Total disbursements	<u>65,700</u>	<u>740</u>	<u>66,440</u>
Excess (deficiency) of receipts over (under) disbursements	<u>19,749</u>	<u>23,757</u>	<u>43,506</u>
Net change in cash balances	19,749	23,757	43,506
Cash fund balances - beginning	(4,212)	-	(4,212)
Cash fund balances - ending	<u>\$ 15,537</u>	<u>\$ 23,757</u>	<u>\$ 39,294</u>
Cash Basis Fund Balances:			
Restricted for other purposes	\$ 15,537	\$ 23,757	\$ 39,294
Total cash basis fund balances	<u>\$ 15,537</u>	<u>\$ 23,757</u>	<u>\$ 39,294</u>

**City of Remsen
Schedule of Indebtedness
For the Year Ended June 30, 2012**

<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	\$ 130,000	\$ -	\$ 65,000	\$ 65,000	\$ 6,402	\$ -
Water	March 23, 2009	3.50% - 5.50%	\$ 850,000	606,000	-	30,000	576,000	27,559	-
Ambulance Equipment Loan	April 9, 2012	3.75%	\$ 35,000	-	35,000	-	35,000	-	-
Revenue Capital Loan Notes:									
Sewer	September 15, 2010	2.10% - 4.35%	\$ 2,215,000	2,104,250	-	332,250	1,772,000	70,809	-
				<u>\$ 2,840,250</u>	<u>\$ 35,000</u>	<u>\$ 427,250</u>	<u>\$ 2,448,000</u>	<u>\$ 104,770</u>	<u>\$ -</u>

City of Remsen
Bond and Note Maturities
June 30, 2012

Year Ending June 30,	General Obligation Capital Loan Notes				Ambulance Equipment Loan		Sewer Revenue Capital Loan Notes	
	January 1, 1998		March 23, 2009		April 9, 2012		September 15, 2010	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2013	4.95%	\$ 65,000	3.65%	\$ 32,000	3.75%	\$ 35,000	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
		<u>\$ 65,000</u>		<u>\$ 576,000</u>		<u>\$ 35,000</u>		<u>\$ 1,772,000</u>

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

	<u>2012</u>	<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	\$ 692,213	\$ 587,967	\$ 555,478	\$ 534,206	\$ 475,682	\$ 436,053	\$ 556,276	\$ 535,985	\$ 490,341
Other city tax	162,753	154,709	160,912	167,414	151,648	155,082	151,948	138,900	162,563
Licenses and permits	10,542	9,684	9,662	8,959	9,955	8,850	10,865	12,013	9,388
Intergovernmental	210,194	250,778	272,108	301,415	215,019	194,844	205,149	210,131	287,158
Charges for services	184,101	169,356	163,677	165,784	103,463	89,693	96,893	61,902	63,531
Special assessments	46,932	25,800	3,225	35,487	-	-	-	-	-
Investment earnings	12,183	23,862	27,868	36,445	41,198	45,913	47,013	32,731	27,792
Miscellaneous	71,003	37,586	26,618	59,489	47,214	55,435	56,414	44,516	74,904
Total	<u>\$ 1,389,921</u>	<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	\$ 188,796	\$ 237,201	\$ 179,655	\$ 182,132	\$ 150,317	\$ 147,609	\$ 166,847	\$ 149,393	\$ 126,107
Public safety	350,911	332,084	572,511	311,815	268,365	380,154	273,194	299,461	290,561
Public works	440,307	297,342	281,979	461,773	304,352	544,397	307,957	250,924	261,402
Culture and recreation	148,988	206,117	144,999	169,785	127,047	141,564	180,872	133,693	252,414
Community and economic development	61,084	32,611	115,711	104,162	18,000	25,000	-	-	-
Debt service	128,961	130,622	666,188	120,866	78,220	75,750	78,252	75,503	77,702
Capital projects	740	-	-	228,990	-	-	-	-	222,923
Total	<u>\$ 1,319,787</u>	<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, Proprietary Funds and Discretely Presented Component Unit
For the Year Ended June 30, 2012**

	Governmental	Proprietary	Component Unit	Total	Budgeted Amounts		Final to Total Variance
	Funds	Funds			Original	Final	
	Actual	Actual					
Receipts:							
Property tax	\$ 692,213	\$ -	\$ -	\$ 692,213	\$ 686,844	\$ 686,844	\$ 5,369
Other city tax	162,753	-	-	162,753	160,556	160,556	2,197
Licenses and permits	10,542	-	-	10,542	9,550	9,550	992
Intergovernmental	210,194	105,814	-	316,008	235,261	235,261	80,747
Charges for services	184,101	449,414	2,065,302	2,698,817	3,011,218	3,206,218	(507,401)
Special assessments	46,932	-	-	46,932	-	-	46,932
Investment earnings	12,183	574	19,390	32,147	84,685	84,685	(52,538)
Miscellaneous	71,003	-	-	71,003	63,300	63,300	7,703
Total receipts	1,389,921	555,802	2,084,692	4,030,415	4,251,414	4,446,414	(415,999)
Disbursements:							
General government	188,796	-	-	188,796	221,079	221,079	32,283
Public safety	350,911	-	-	350,911	207,287	402,287	51,376
Public works	440,307	-	-	440,307	580,078	580,078	139,771
Health and social services	-	-	-	-	3,000	3,000	3,000
Culture and recreation	148,988	-	-	148,988	159,976	159,976	10,988
Community and economic development	61,084	-	-	61,084	113,720	113,720	52,636
Debt service	128,961	-	-	128,961	172,470	172,470	43,509
Capital projects	740	-	-	740	-	-	(740)
Business-type activities	-	1,035,809	2,462,707	3,498,516	3,115,259	3,625,859	127,343
Total disbursements	1,319,787	1,035,809	2,462,707	4,818,303	4,572,869	5,278,469	\$ 460,166
Excess (deficiency) of receipts over (under) disbursements	70,134	(480,007)	(378,015)	(787,888)	(321,455)	(832,055)	
Other financing sources (uses), net	29,176	-	59,515	88,691	-	-	
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	99,310	(480,007)	(318,500)	(699,197)	(321,455)	(832,055)	
Balances - beginning	832,046	944,635	1,181,000	2,957,681	2,512,408	2,512,408	
Balances - ending	\$ 931,356	\$ 464,628	\$ 862,500	\$ 2,258,484	\$ 2,190,953	\$ 1,680,353	

City of Remsen
Notes to Other Information -
Budgetary Reporting
June 30, 2012

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 including the discretely presented component unit. 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, one budget amendment increased budgeted disbursements by \$705,600. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the capital projects function.



**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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 13, 2013. 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.



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

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-12 and I-B-12.

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-12 and I-D-12.

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, 2012 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.

A handwritten signature in black ink, reading 'King Reinisch Prosser & Co., P.A.', is written over the bottom right portion of the page. The signature is cursive and includes a stylized flourish at the end.

Sioux City, Iowa
March 13, 2013

City of Remsen
Schedule of Findings and Responses
For the Year Ended June 30, 2012

Part I: Findings Related to the Financial Statements:

MATERIAL WEAKNESSES:

I-A-12 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, including transfers, to the accurate classification and to move receipts and disbursements recorded directly to fund balance to the accurate classification, 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-12 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, 2012
(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-12 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 City's general ledger.

Condition and Effect - The emergency medical technicians and the fire department maintain some accounting records and bank balances pertaining to their operations. The city clerk recorded the checking account balances as of June 30, 2012 in the City's general ledger; however, the operating receipts and disbursements for the year were not recorded in the City's general ledger. The treasurer's report did not properly report the balances held in the certificates 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, receipts, and disbursements should be recorded in the City's general ledger.

Response - The emergency medical technicians and the fire department's monthly receipts and disbursements will be recorded in the City's general ledger and included in the City's treasurer's report.

City of Remsen
Schedule of Findings and Responses
For the Year Ended June 30, 2012
(Continued)

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

I-D-12 Reconciliation of Utility Billings, Collections, and Delinquencies:

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

Condition and Effect - Utility billings, collections and delinquent accounts 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 - New utility software was purchased that has the capability of providing a reconciliation. Subsequent to year end, a monthly reconciliation procedure has been implemented.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-12 *Certified Budget* - Disbursements during the year ended June 30, 2012 exceeded the amounts budgeted in the capital projects function. 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-12 *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-12 *Travel Expense* - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-12 *Business Transactions* - No business transactions between the City and City officials or employees were noted.

City of Remsen
Schedule of Findings and Responses
For the Year Ended June 30, 2012
(Continued)

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

II-E-12 *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.

II-F-12 *Council Minutes* - No transactions were found that we believe should have been approved in the City Council minutes but were not.

II-G-12 *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-12 *Sewer Revenue Capital Loan Notes* - No instances of non-compliance with the revenue note resolutions were noted.

II-I-12 *IRS Reporting* - The City did not prepare all 1099s for outside services in excess of \$600.

Recommendation - We recommend the City review their vendor disbursements in excess of \$600 and IRS filing requirements.

Response - We will review the 1099 reporting requirements and prepare 1099s as required.

**City of Remsen
Staff**

The audit was performed by:

Angel Derochie, CPA, Manager
Rebecca George, CPA, Supervisor
Alicia Lambert, Staff Accountant
Rick Feauto, Staff Accountant

Michael H. Prosser, CPA
Partner