

CITY OF REINBECK

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

June 30, 2013

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**City of Reinbeck**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Shawn Murphy	Mayor	January 2016
Jamie Eiffler	Mayor Pro-Tem	January 2014
Tim Johnson	Council Member	January 2014
Jim Petersen	Council Member	January 2014
Brian Bunz	Council Member	January 2016
Angie Schwartz	Council Member	January 2016
Quentin Mayberry*	City Administrator	Indefinite
Eric Weinkoetz**	City Administrator	Indefinite
Tracy Lovetinsky	Attorney	Indefinite

\*Terminated July 2, 2013

\*\*Hired September 15, 2013 and Resigned February 2014

Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Reinbeck, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Basis for Qualified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2012.

Qualified Opinions

In my opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinions" paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Reinbeck, as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. My opinion is not modified with respect to this matter.

### Other Matters

#### *Supplementary and Other Information*

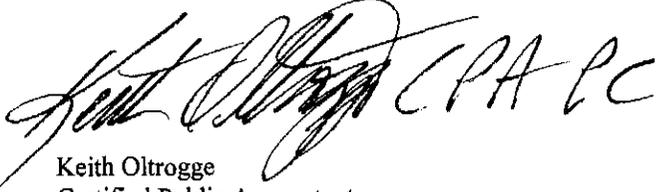
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Reinbeck's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2010, June 30, 2007 and June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, except for the effects of the matter discussed in the "Basis for Qualified Opinions" paragraph as it relates to Schedule 1, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 22 through 23 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated March 5, 2014 on my consideration of the City of Reinbeck's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Reinbeck's internal control over financial reporting and compliance.



Keith Oltrogge  
Certified Public Accountant

March 5, 2014

## City of Reinbeck

### Management's Discussion and Analysis

#### For the Fiscal Year Ended June 30, 2013

The City of Reinbeck provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

#### 2013 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 5.6% or approximately \$75,000 from fiscal 2012 to fiscal 2013. Property tax increased approximately \$40,000 from fiscal 2012 to fiscal 2013.
- Disbursements of the City's governmental activities increased 2.0%, or approximately \$31,000, in fiscal 2013 from fiscal 2012.
- The City's total cash basis net position decreased 0.7%, or approximately \$3,500 from June 30, 2012 to June 30, 2013. Of this amount, the cash basis net position of the governmental activities increased approximately \$11,000 and the cash basis net position of the business type activities decreased by approximately \$14,500.

#### 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 Cash Basis Statement of Activities and Net Position. 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.

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

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

#### Basis of Accounting

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

## REPORTING THE CITY'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statement*

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

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

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water, sewer and telecommunication utilities. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains six Enterprise Funds to provide separate information for the water, sewer and telecommunication funds.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position 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 \$332,500 to \$343,600. The analysis that follows focuses on the changes in cash balances for governmental activities.

	Changes in Cash Basis Net Position of Governmental Activities	
	Years Ended June 30,	
	2013	2012
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 171,684	\$ 104,366
Operating grants, contributions and restricted interest	70,320	45,277
Capital grants, contributions and restricted interest	28,490	47,917
General receipts:		
Property tax	551,031	511,593
Tax increment financing	389,339	359,989
Unrestricted investment earnings	3,001	3,076
Other general receipts	196,341	262,960
Total receipts	\$ 1,410,206	\$ 1,335,178
Disbursements:		
Public safety	\$ 175,616	\$ 151,766
Public works	275,899	268,489
Health and social services	-	-
Culture and recreation	324,334	363,074
Community and economic development	12,015	127,031
General government	96,173	115,076
Debt service	322,757	324,811
Capital projects	251,601	77,330
Total disbursements	\$ 1,458,395	\$ 1,427,577
Change in cash basis net position before transfers	\$ -48,189	\$ -92,399
Transfers, net	59,231	18,765
Increase (decrease) in cash basis net position	\$ 11,042	\$ -73,634
Cash basis net position beginning of year	332,571	406,205
Cash basis net position end of year	\$ 343,613	\$ 332,571

The City's total receipts for governmental activities increased by 5.6%, or \$75,000. The total cost of all programs and services increased approximately \$31,000, or 2% with no new programs added this year. The increase in receipts was primarily the result of an increase in charges for service.

The cost of all governmental activities this year was \$1,458,395 compared to \$1,427,577 last year. However, as shown in the Cash Basis Statement of Activities and Net Position on Page 10, the amount taxpayers ultimately financed for these activities was only \$1,187,937 because some of the cost was paid by those who directly benefited from these programs (\$171,648) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$98,810). Overall, the City's governmental activities receipts, including governmental aid and fees for service, increased in 2013 from approximately \$198,000 to approximately \$270,000. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$1,140,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Position of Business Type Activities

	Years Ended June 30,	
	2013	2012
<b>Receipts:</b>		
Program receipts:		
Charges for service:		
Water	\$ 217,561	\$ 223,435
Sewer	418,171	441,194
Cable TV	320,943	292,573
Internet	150,491	148,133
Telephone	227,676	279,787
Sewer plant	24,886	24,933
General receipts:		
Loan proceeds	209,349	45,000
Miscellaneous	24,010	24,033
Total receipts	<u>\$ 1,593,087</u>	<u>\$ 1,479,088</u>
<b>Disbursements:</b>		
Water	\$ 386,141	\$ 282,261
Sewer	425,029	412,099
Cable TV	332,766	323,272
Internet	105,631	106,037
Telephone	278,725	291,910
Sewer plant	20,053	94,940
Total disbursements	<u>\$ 1,548,345</u>	<u>\$ 1,510,519</u>
Change in cash basis net position before transfers	\$ 44,742	\$ -31,431
Transfers, net	-59,231	-18,765
Change in cash basis net position	\$ -14,489	\$ -50,196
Cash basis net position beginning of year	139,689	189,885
Cash basis net position end of year	<u>\$ 125,200</u>	<u>\$ 139,689</u>

Total business type activities receipts for the fiscal year were \$1,593,087 compared to \$1,479,088 last year. This increase was due primarily to receipt of approximately \$209,000 of Water SRF loan proceeds. The cash balance decreased by approximately \$14,500 from the prior year. Total disbursements for the fiscal year increased by 2.5%, or approximately \$38,000.

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Reinbeck completed the year, its governmental funds reported a combined fund balance of \$343,613, an increase of more than \$11,000 above last year's total of \$332,571. The following are major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$246 from the prior year to -\$9,904. This increase was due to increased property tax revenues.
- The Special Revenue, Road Use Tax Fund cash balance decreased from \$42,048 to \$16,874 during the fiscal year. This decrease was attributable to the transfer to debt service.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased from \$148,669 to \$334,470 during the fiscal year. The increase was the result of additional property taxes received.
- The Debt Service Fund cash balance increased from -\$1,884 to \$26 during the fiscal year. Bond and principal payments decreased \$2,054 in fiscal year 2013.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$40,769 to \$114,666 due primarily to proceeds received from a state revolving fund loan for water system improvements.
- The Enterprise, Sewer Fund cash balance decreased \$30,343 to -\$24,655, due primarily to a decrease in charges for service and increased expenditures.
- The Enterprise, Cable TV Fund cash balance decreased \$1,992 to -\$96,765 due to not enough revenues to cover debt payment and service costs.
- The Enterprise, Internet Fund cash balance increased \$11,522 to \$216,645, due to an increase in charges for service.
- The Enterprise, Telephone Fund cash balance decreased \$39,278 to -\$119,175, due to not enough revenue to cover debt payment and service costs.
- The Enterprise, Sewer Plant Fund cash balance increased \$4,833 to \$34,484, due to decreased expenditures.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on June 27, 2013 and resulted in an increase in operating disbursements and revenues.

The City's receipts were \$212,473 less than budgeted. This was primarily due to the City receiving less in charges for service than anticipated, even after the amendment.

Total disbursements were \$622,409 less than the amended budget. Actual disbursements for the public safety, culture and recreation and community and economic development functions were \$7,637, \$13,974 and \$387,737, respectively, less than the amended budget.

The City exceeded the amounts budgeted in the debt service function for the year ended June 30, 2013 due to incorrect budgeting and payment of bonds.

## DEBT ADMINISTRATION

At June 30, 2013, the City had \$2,872,349 in bonds and other long-term debt outstanding, compared to \$3,293,000 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2013	2012
General obligation notes	\$ 125,000	\$ 430,000
Revenue notes	2,717,349	2,818,000
Bank loan	30,000	45,000
Total	\$ 2,872,349	\$ 3,293,000

Debt decreased as a result of payments. In addition, the City received a state revolving fund loan for the purpose of water system improvements.

The City continues to carry a general obligation bond rating of A3 assigned by national rating agencies to the City's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation of \$125,000 is significantly below its constitutional debt limit of approximately \$4.5 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City of Reinbeck's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates and fees that will be charged for various City activities. One of those factors is the economy.

These indicators were taken into account when adopting the budget for fiscal year 2014. Amounts available for appropriation in the operating budget are approximately \$5.4 million, an increase of 46% over the final fiscal year 2013 budget. General obligation and revenue bond proceeds are expected to lead this increase. The City will use these increases in receipts to finance programs we currently offer and to defray a portion of the costs of carrying out urban renewal projects of the City. Budgeted disbursements are expected to rise approximately \$1,300,000. Increased health care costs, increases in street construction and maintenance and urban renewal projects represent the largest increases. The City has added no major new programs or initiatives to the fiscal year 2014 budget.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$450,000 by the close of fiscal year 2014.

## **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 Scott Cooper, 414 Main Street, Reinbeck IA 50669.

## **Basic Financial Statements**

**City of Reinbeck**

**Cash Basis Statement of Activities and Net Position**

**As of and for the year ended June 30, 2013**

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, Contributions, & Restricted Interest	Capital Grants, Contributions & Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 175,616	\$ 1,047	\$ 10,494	\$ -
Public works	275,899	108,279	-	-
Health and social services	-	-	-	-
Culture and recreation	324,334	62,322	59,826	-
Community and economic development	12,015	-	-	-
General government	96,173	-	-	-
Debt service	322,757	-	-	-
Capital projects	251,601	-	-	28,490
Total governmental activities	\$ 1,458,395	\$ 171,648	\$ 70,320	\$ 28,490
Business type activities:				
Water	\$ 386,141	\$ 217,561	\$ -	\$ -
Sewer	425,029	418,171	-	-
Cable TV	332,766	320,943	-	-
Telephone	278,725	227,676	-	-
Internet	105,631	150,491	-	-
Sewer plant	20,053	24,886	-	-
Total business type activities	\$ 1,548,345	\$ 1,359,728	\$ -	\$ -
<b>Total</b>	\$ 3,006,740	\$ 1,531,376	\$ 70,320	\$ 28,490
<b>General Receipts and Transfers:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Unrestricted interest on investments				
Loan proceeds				
Miscellaneous				
Transfers				
Total general receipts and loan proceeds				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted:				
Expendable:				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

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

Governmental Activities	Business Type Activities	Total
\$ -164,075	\$ -	\$ -164,075
-167,620	-	-167,620
-	-	-
-202,186	-	-202,186
-12,015	-	-12,015
-96,173	-	-96,173
-322,757	-	-322,757
-223,111	-	-223,111
<u>\$ -1,187,937</u>	<u>\$ -</u>	<u>\$ -1,187,937</u>
\$ -	\$ -168,580	\$ -168,580
-	-6,858	-6,858
-	-11,823	-11,823
-	-51,049	-51,049
-	44,860	44,860
-	4,833	4,833
<u>\$ -</u>	<u>\$ -188,617</u>	<u>\$ -188,617</u>
\$ -1,187,937	\$ -188,617	\$ -1,376,554
\$ 614,625	\$ -	\$ 614,625
95,760	-	95,760
389,339	-	389,339
3,001	-	3,001
-	209,349	209,349
37,023	24,010	61,033
59,231	-59,231	-
<u>\$ 1,198,979</u>	<u>\$ 174,128</u>	<u>\$ 1,373,107</u>
\$ 11,042	\$ -14,489	\$ -3,447
332,571	139,689	472,260
<u>\$ 343,613</u>	<u>\$ 125,200</u>	<u>\$ 468,813</u>
\$ 16,874	-	16,874
334,470	-	334,470
26	\$ 2,717,349	\$ 2,717,375
53,861	-	53,861
-61,618	-2,592,149	-2,653,767
<u>\$ 343,613</u>	<u>\$ 125,200</u>	<u>\$ 468,813</u>

**City of Reinbeck**

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

**As of and for the year ended June 30, 2013**

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment Financing
<b>Receipts:</b>			
Property tax	\$ 386,200	\$ -	\$ -
Tax increment financing	-	-	389,339
Other city tax	-	-	-
Licenses and permits	4,371	-	-
Use of money and property	12,056	-	-
Intergovernmental	27,893	159,354	-
Charges for service	171,648	-	-
Special assessments	-	-	-
Miscellaneous	58,631	-	-
<b>Total receipts</b>	<b>\$ 660,799</b>	<b>\$ 159,354</b>	<b>\$ 389,339</b>
<b>Disbursements:</b>			
<b>Operating:</b>			
Public safety	\$ 142,748	\$ -	\$ -
Public works	106,593	153,956	-
Health and social services	-	-	-
Culture and recreation	305,097	-	-
Community and economic development	11,264	-	-
General government	94,851	-	-
Debt service	-	-	-
Capital projects	-	-	-
<b>Total disbursements</b>	<b>\$ 660,553</b>	<b>\$ 153,956</b>	<b>\$ -</b>
Excess (deficiency) of receipts over (under) disbursements	\$ 246	\$ 5,398	\$ 389,339
<b>Other financing sources (uses):</b>			
Operating transfers in	\$ -	\$ -	\$ -
Operating transfers out	-	30,572	203,538
<b>Total other financing sources (uses)</b>	<b>\$ -</b>	<b>\$ -30,572</b>	<b>\$ -203,538</b>
Change in cash balances	\$ 246	\$ -25,174	\$ 185,801
Cash balances beginning of year, as restated (Note 14)	-10,150	42,048	148,669
Cash balances end of year	\$ -9,904	\$ 16,874	\$ 334,470
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Streets	\$ -	\$ 16,874	\$ -
Urban renewal purposes	-	-	334,470
Debt service	-	-	-
Other purposes	-	-	-
Unassigned	-9,904	-	-
<b>Total cash basis fund balances</b>	<b>\$ -9,904</b>	<b>\$ 16,874</b>	<b>\$ 334,470</b>

See notes to financial statements.

	Debt Service	Non-Major	Total
\$	95,760	\$ 69,071	\$ 551,031
	-	-	389,339
	-	-	-
	-	-	4,371
	-	-	12,056
	-	-	187,247
	-	-	171,648
	-	7,393	7,393
	-	28,490	87,121
\$	95,760	\$ 104,954	\$ 1,410,206

\$	-	\$ 32,868	\$ 175,616
	-	15,350	275,899
	-	-	-
	-	19,237	324,334
	-	751	12,015
	-	1,322	96,173
	322,757	-	322,757
	-	251,601	251,601
\$	322,757	\$ 321,129	\$ 1,458,395
\$	-226,997	\$ -216,175	\$ -48,189

\$	228,907	\$ 64,434	\$ 293,341
	-	-	234,110
\$	228,907	\$ 64,434	\$ 59,231

\$	1,910	\$ -151,741	\$ 11,042
	-1,884	153,888	332,571
\$	26	\$ 2,147	\$ 343,613

\$	-	\$ -	\$ 16,874
	-	-	334,470
	26	-	26
	-	53,861	53,861
	-	-51,714	-61,618
\$	26	\$ 2,147	\$ 343,613

## City of Reinbeck

**Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Cash Basis Statement of Activities and Net Position –  
Governmental Funds  
As of and for the year ended June 30, 2013**

<b>Total governmental funds cash balances (page 11)</b>	\$ 343,613
<i>Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:</i>	
None	<u>-</u>
<b>Cash basis net position of governmental activities (page 10)</b>	<u>\$ 343,613</u>
<b>Net change in cash balances (page 11)</b>	\$ 11,042
<i>Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:</i>	
None	<u>-</u>
<b>Change in cash balance of governmental activities (page 11)</b>	<u>\$ 11,042</u>

**City of Reinbeck**

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

**As of and for the year ended June 30, 2013**

	Enterprise Funds		
	Water	Sewer	Sewer Plant
Operating receipts:			
Charges for service	\$ 217,561	\$ 418,171	\$ 24,886
Operating disbursements:			
Business type activities	\$ 164,830	\$ 225,339	\$ 3,662
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ 52,731	\$ 192,832	21,224
Non-operating receipts (disbursements):			
Miscellaneous	\$ -	\$ -	\$ -
Loan proceeds	209,349	-	-
Debt service	-17,432	-199,690	-16,391
Capital projects	-203,879	-	-
Net non-operating receipts (disbursements)	\$ -11,962	\$ -199,690	\$ -16,391
Excess (deficiency) of receipts over (under) disbursements	\$ 40,769	\$ -6,858	\$ 4,833
Transfers out	-	-23,485	-
Change in cash balances	\$ 40,769	\$ -30,343	\$ 4,833
Cash balances beginning of year	73,897	5,688	29,651
Cash balances end of year	\$ 114,666	\$ -24,655	\$ 34,484
<b>Cash Basis Fund Balances</b>			
Restricted for debt service	\$ 195,349	\$ 1,987,000	\$ -
Unrestricted	-80,683	-2,011,655	34,484
Total cash basis fund balances	\$ 114,666	\$ -24,655	\$ 34,484

See notes to financial statements.

Enterprise Funds				
Cable TV	Internet	Telephone	Total	
\$ 320,943	\$ 150,491	\$ 227,676	\$ 1,359,728	
\$ 273,924	\$ 66,403	\$ 180,655	\$ 914,813	
\$ 47,019	\$ 84,088	\$ 47,021	\$ 444,915	
\$ 9,831	\$ 2,408	\$ 11,771	\$ 24,010	
-	-	-	209,349	
-58,842	-39,228	-98,070	-429,653	
-	-	-	-203,879	
\$ -49,011	\$ -36,820	\$ -86,299	\$ -400,173	
\$ -1,992	\$ 47,268	\$ -39,278	\$ 44,742	
-	-35,746	-	-59,231	
\$ -1,992	\$ 11,522	\$ -39,278	\$ -14,489	
-94,773	205,123	-79,897	139,689	
\$ -96,765	\$ 216,645	\$ -119,175	\$ 125,200	
\$ 160,500	\$ 107,000	\$ 267,500	\$ 2,717,349	
-257,265	109,645	-386,675	-2,592,149	
\$ -96,765	\$ 216,645	\$ -119,175	\$ 125,200	

City of Reinbeck

**Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Cash Basis Statement of Activities and Net Position –  
Proprietary Funds  
As of and for the year ended June 30, 2013**

<b>Total enterprise funds cash balances (page 13)</b>	\$ 125,200
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*Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:*

None	<u>-</u>
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<b>Cash basis net position of business type activities (page 10)</b>	<u>\$ 125,200</u>
--	-------------------

<b>Net change in cash balances (page 10)</b>	\$ -14,489
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*Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:*

None	<u>-</u>
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<b>Change in cash balance of business type activities (page 13)</b>	<u>\$ -14,489</u>
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**City of Reinbeck**

**Notes to Financial Statements**

**June 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Reinbeck is a political subdivision of the State of Iowa located in Grundy County. It was first incorporated in 1878 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, cable TV, telephone, internet, and sewer plant utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Reinbeck has included all funds, organizations, agencies, board, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of a City's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the City to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

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

**B. Basis of Presentation**

**Government-wide Financial Statements** – The Cash Basis Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's non-fiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often has constraints on cash balances imposed by management, which can be removed or modified.

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

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

The City reports the following major governmental funds:

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

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

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

The Debt Service Fund is utilized 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:

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

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

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

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

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

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

#### C. Measurement Focus and Basis of Accounting

The City of Reinbeck maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

**D. Governmental Cash Basis Fund Balances**

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

Non-spendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to 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 – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as other information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the debt service function.

**NOTE 2 – CASH AND POOLED INVESTMENTS**

The City's deposits in banks at June 30, 2013 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.

At June 30, 2013, the City had the following investments in Certificates of Deposit:

Investment	Carrying Amount	Fair Value	Maturity	Interest Rate
Lincoln Savings Bank	\$6,183	\$6,183	5-16-14	0.40%
Lincoln Savings Bank	36,033	36,033	8-22-14	0.45%
Total	\$42,216	\$42,216		

Interest Rate Risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

**NOTE 3 – GENERAL OBLIGATION CAPITAL LOAN AND REVENUE LOAN NOTES**

Annual debt service requirements to maturity for general obligation bonds, revenue notes and other notes are as follows:

Year Ending June 30,	General Obligation Bond		Revenue Notes		Other Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$125,000	\$5,125	\$322,910	\$68,506	\$15,000	\$1,350	\$462,910	\$74,981
2015	-	-	337,000	77,400	15,000	675	352,000	78,075
2016	-	-	348,000	63,675	-	-	348,000	63,675
2017	-	-	167,000	49,340	-	-	167,000	49,340
2018	-	-	172,000	44,505	-	-	172,000	44,505
2019-2023	-	-	937,000	144,876	-	-	937,000	144,876
2024-2027	-	-	433,439	19,183	-	-	433,439	19,183
	\$125,000	\$5,125	\$2,717,349	\$467,485	\$30,000	\$2,025	\$2,872,439	\$474,635

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund. However, general obligation bond principal was paid from the Enterprise, Sewer Fund, Special Revenue – Road Use Tax Fund and Special Revenue – Urban Renewal Tax Increment Financing Fund during the year ended June 30, 2013.

Revenue Notes

The City has pledged future water customer receipts, net specified operating disbursements, to repay \$195,349 of a state revolving fund loan issued in October 2012. Proceeds from the loan provided financing for the water well project. The loan is payable solely from water customer net receipts and is payable through 2027. Annual principal and interest payments on the loan are expected to require less than 10% of net receipts. The total principal and interest remaining to be paid on the loan is \$198,374. For the current year, principal and interest paid and total customer net receipts were \$16,183 and \$217,561, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,522,000 of sewer revenue notes issued in September 2004. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from the sewer customer net receipts and are payable through 2027. Annual principal and interest payments on the notes are expected to require less than 50% of net receipts. The total principal and interest remaining to be paid on the notes is \$2,986,460. For the current year, principal and interest paid and total customer net receipts were \$199,690 and \$418,171, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b) Sufficient monthly transfers shall be made to separate water and sewer revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.

**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 5.78% of their annual covered salary and the City is required to contribute 8.67% 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 contribution to IPERS for the year ended June 30, 2013, was \$28,066, equal to the required contributions for the year.

**NOTE 5 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 6 active and 0 retired members in the plan. Retired 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 the 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 benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$512 for single coverage and \$552-\$870 for family coverage. The premiums vary based on the number of covered family members. For the year ended June 30, 2013, the City contributed \$33,284 and plan members eligible for benefits contributed \$667 to the plan.

**NOTE 6 – COMPENSATED ABSENCES**

City employees accumulate a limited amount of earned but unused 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 sick leave payable to employees at June 30, 2013, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Sick leave	\$ 38,196

This liability has been computed based on rates of pay in effect at June 30, 2013.

**NOTE 7 – INTER-FUND TRANSFERS**

The detail of inter-fund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue: Road Use Tax	\$ 30,571
Debt Service	Special Revenue: Tax Increment Financing	174,850
Debt Service	Enterprise: Sewer	23,485
		<u>\$ 228,906</u>
Capital Projects: Telecommunications	Enterprise: Internet	\$ 35,746
Capital Projects: Memorial Building	Special Revenue: Tax Increment Financing	28,688
Total		<u>\$ 64,434</u>

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

**NOTE 8 – RELATED PARTY TRANSACTIONS**

The City had business transactions between the City and City officials totaling \$27,733 during the year ended June 30, 2013.

**NOTE 9 – DUE FROM AND DUE TO OTHER FUNDS**

The detail of inter-fund receivables and payables at June 30, 2010 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Tax Increment Financing	\$ 13,000
Capital Projects: Foundation	Special Revenue: Tax Increment Financing	21,881
Capital Projects: Memorial Building	Special Revenue: Tax Increment Financing	54,000
Capital Projects: Telecommunications	Special Revenue: Tax Increment Financing	5,669
Total		\$ 94,550

These balances result from inter-fund loans to finance projects. Repayments will be made from future revenues.

**NOTE 10 – URBAN RENEWAL/ECONOMIC DEVELOPMENT AGREEMENTS**

During the current fiscal year, the City entered into an agreement with Parkview Manor Care Center (Company) to develop certain commercial property within the City for which the Company has requested financial assistance.

The City agreed to provide a \$500,000 economic development grant to the Company to assist in the costs of construction of the project. The grant is to be disbursed during fiscal year 2014.

The City also entered into an agreement to provide an economic development grant of \$750,000 for further development of the Southridge residential area. The funds will be disbursed as work progresses.

These agreements are not a general obligation of the City. However, the grant payments in succeeding years are subject to the constitutional debt limitation of the City.

**NOTE 11 – COMMITMENTS**

The City has entered into a construction contract totaling \$195,300 for improvements to the City’s Memorial Building. As of June 30, 2013, costs of \$76,590 have been incurred on the project. The remaining \$118,710 will be paid as work on the project progresses.

**NOTE 12 – RISK MANAGEMENT**

The City 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 13 – DEFICIT BALANCES**

Many funds had deficit balances at June 30, 2013. The deficit balances were a result of project costs and expenses incurred prior to the availability of funds. The deficits will be eliminated upon receipt of future revenues.

The deficit fund balances at June 30, 2013 are as follows:

Fund	Deficit Balance
General	\$ 9,904
Capital Projects: Memorial Building	119,282
Capital Projects: Telecommunications	37,023
Enterprise: Sewer	24,655
Enterprise: Cable TV	96,765
Enterprise: Telephone	119,175
Total	\$ 406,804

**NOTE 14 – ACCOUNTING CHANGE/RESTATEMENT**

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2013. The effect of fund type reclassifications is as follows:

	General	Special Revenue, Emergency Levy
Balance as reported at June 30, 2012, as previously reported	\$ -20,124	\$ 9,974
Change in fund type classification per implementation of GASB Statement No. 54	<u>9,974</u>	<u>-9,974</u>
Balance as restated on July 1, 2012	<u>\$ -10,150</u>	<u>\$ -</u>

**NOTE 15 – SUBSEQUENT EVENTS**

In August 2013, the City issued \$155,000 of telecommunications revenue bonds and in September 2013, the City issued \$1,575,000 of general obligation bonds. On July 2, 2013, the City terminated its former administrator.

**OTHER INFORMATION**

**City of Reinbeck**

**Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances –  
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds**

**Required Supplementary Information**

**Year ended June 30, 2013**

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>
Receipts:		
Property tax	\$ 551,031	\$ -
Tax increment financing	389,339	-
Other city tax	-	-
Licenses and permits	4,371	-
Use of money and property	12,056	-
Intergovernmental	187,247	-
Charges for service	171,648	1,359,728
Special assessments	7,393	-
Miscellaneous	87,121	24,010
Total receipts	<u>\$ 1,410,206</u>	<u>\$ 1,383,738</u>
Disbursements:		
Public safety	\$ 175,616	\$ -
Public works	275,899	-
Health and social services	-	-
Culture and recreation	324,334	-
Community and economic development	12,015	-
General government	96,173	-
Debt service	322,757	-
Capital projects	251,601	-
Business type activities	-	1,548,345
Total disbursements	<u>\$ 1,458,395</u>	<u>\$ 1,548,345</u>
Excess (deficiency) of receipts over (under) disbursements	\$ -48,189	\$ -164,607
Other financing sources, net	59,231	150,118
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 11,042	\$ -14,489
Balances beginning of year	332,571	139,689
Balances end of year	<u>\$ 343,613</u>	<u>\$ 125,200</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
\$ 551,031	\$ 539,465	\$ 539,465	\$ 11,566
389,339	405,624	405,624	-16,285
-	10,360	10,360	-10,360
4,371	11,400	11,400	-7,029
12,056	19,585	19,585	-7,529
187,247	205,693	213,943	-26,696
1,531,376	1,724,085	1,724,085	-192,709
7,393	2,500	2,500	4,893
111,131	56,630	79,455	31,676
<u>\$ 2,793,944</u>	<u>\$ 2,975,342</u>	<u>\$ 3,006,417</u>	<u>\$ -212,473</u>
\$ 175,616	\$ 166,673	\$ 183,253	\$ 7,637
275,899	274,601	289,501	13,602
-	3,147	3,147	3,147
324,334	329,308	338,308	13,974
12,015	399,752	399,752	387,737
96,173	103,209	103,209	7,036
322,757	93,888	93,888	-228,869
251,601	376,548	376,548	124,947
1,548,345	1,781,543	1,841,543	293,198
<u>\$ 3,006,740</u>	<u>\$ 3,528,669</u>	<u>\$ 3,629,149</u>	<u>\$ 622,409</u>
\$ -212,796	\$ -553,327	\$ -622,732	\$ 409,936
209,349	626,548	686,548	-477,199
\$ -3,447	\$ 73,221	\$ 63,816	\$ -67,263
472,260	760,217	760,217	-287,957
<u>\$ 468,813</u>	<u>\$ 833,438</u>	<u>\$ 824,033</u>	<u>\$ -355,220</u>

**City of Reinbeck**

**Notes to Other Information – Budgetary Reporting**

**June 30, 2013**

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon 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, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the 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 \$100,480 and budgeted revenues by \$31,075. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the debt service function.

## **Supplementary Information**

**City of Reinbeck**

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

**As of and for the year ended June 30, 2013**

	Special Revenue	
	Employee Benefits	Special Assessments
Receipts:		
Property tax	\$ 69,071	\$ -
Special assessments	-	7,393
Miscellaneous	-	-
Total receipts	\$ 69,071	\$ 7,393
Disbursements:		
Operating:		
Public safety	\$ 32,868	\$ -
Public works	15,350	-
Culture and recreation	19,237	-
Community and economic development	751	-
General government	1,322	-
Capital projects	-	-
Total disbursements	\$ 69,528	\$ -
Excess (deficiency) of receipts over (under) disbursements	\$ -457	\$ 7,393
Other financing sources (uses):		
Operating transfers in (out)	\$ -	\$ -
Change in cash balances	\$ -457	\$ 7,393
Cash balances beginning of year	54,318	6,767
Cash balances end of year	\$ 53,861	\$ 14,160
<b>Cash Basis Fund Balances</b>		
Restricted for other purposes	\$ 53,861	\$ -
Unassigned	-	14,160
Total cash basis fund balances	\$ 53,861	\$ 14,160

See accompanying independent auditor's report.

Capital Projects

Memorial Building	Daycare	Foundation	Tele-Communications	Other	Total
\$ -	\$ -	\$ -	\$ -	\$ -	69,071
-	-	-	-	-	7,393
4,490	-	24,000	-	-	28,490
\$ 4,490	\$ -	\$ 24,000	\$ -	\$ -	104,954
\$ -	\$ -	\$ -	\$ -	\$ -	32,868
-	-	-	-	-	15,350
-	-	-	-	-	19,237
-	-	-	-	-	751
-	-	-	-	-	1,322
152,460	-	17,831	37,023	44,287	251,601
\$ 152,460	\$ -	\$ 17,831	\$ 37,023	\$ 44,287	\$ 321,129
\$ -147,970	\$ -	\$ 6,169	\$ -37,023	\$ -44,287	\$ -216,175
\$ 28,688	\$ -	\$ -	\$ 35,746	\$ -	64,434
\$ -119,282	\$ -	\$ 6,169	\$ -1,277	\$ -44,287	\$ -151,741
-	25,749	4,910	-35,746	97,890	153,888
\$ -119,282	\$ 25,749	\$ 11,079	\$ -37,023	\$ 53,603	\$ 2,147
\$ -	\$ -	\$ -	\$ -	\$ -	53,861
-119,282	25,749	11,079	-37,023	53,603	-51,714
\$ -119,282	\$ 25,749	\$ 11,079	\$ -37,023	\$ 53,603	\$ 2,147

**City of Reinbeck**  
**Schedule of Indebtedness**  
**Year ended June 30, 2013**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation capital loan notes:			
Essential corporate purpose	Jan 23, 2003	1.75-4.0%	\$1,595,000
Daycare loan	June 1, 2013	4.00%	\$300,000
Vehicle loan	June 1, 2013	4.25%	\$200,000
Revenue note:			
Telecommunications revenue	Sept 1, 2001	4.4-5.2%	\$1,810,000
Sewer revenue (SRF Loan)	Sept 13, 2004	3.0%	\$2,970,000
Water revenue (SRF Loan)	Oct 26, 2012	1.75%	\$209,349
Other			
Bank loan	Nov 30, 2011	4.50%	\$45,000
Total			

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$180,000	\$-	\$180,000	\$-	\$6,450	-
150,000	-	75,000	75,000	6,600	-
100,000	-	50,000	50,000	4,057	-
<u>\$430,000</u>	<u>\$-</u>	<u>\$305,000</u>	<u>\$125,000</u>	<u>\$17,107</u>	<u>-</u>
\$695,000	\$-	\$160,000	\$535,000	\$36,139	-
2,123,000	-	136,000	1,987,000	63,690	-
-	\$209,349	14,000	195,349	2,183	-
<u>\$2,818,000</u>	<u>\$209,349</u>	<u>\$310,000</u>	<u>\$2,717,349</u>	<u>\$102,012</u>	<u>-</u>
\$45,000	\$-	\$15,000	\$30,000	\$1,391	-
<u>\$3,293,000</u>	<u>\$209,349</u>	<u>\$630,000</u>	<u>\$2,872,349</u>	<u>\$120,510</u>	<u>-</u>

## City of Reinbeck

## Note Maturities

June 30, 2013

General Obligation Capital Loan Notes						
Year Ending June 30,	Daycare Loan		Vehicle Loan			
	Issued June 1, 2010		Issued June 1, 2010			
	Interest Rate	Amount	Interest Rate	Amount		
2014	4.00%	75,000	4.25%	\$50,000		
		<u>75,000</u>		<u>\$50,000</u>		
Revenue Notes						
Year Ending June 30,	Sewer Revenue		Water Revenue		Telecommunications Revenue	
	Issued Sept 13, 2004		Issued Oct 26, 2012		Issued Sept 1, 2001	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2014	3.0%	\$140,000	1.75%	\$12,910	5.10%	\$170,000
2015	3.0%	144,000	1.75%	13,000	5.1%	180,000
2016	3.0%	149,000	1.75%	14,000	5.20%	185,000
2017	3.0%	153,000	1.75%	14,000	-	-
2018	3.0%	158,000	1.75%	14,000	-	-
2019	3.0%	162,000	1.75%	15,000	-	-
2020	3.0%	167,000	1.75%	15,000	-	-
2021	3.0%	172,000	1.75%	15,000	-	-
2022	3.0%	177,000	1.75%	15,000	-	-
2023	3.0%	183,000	1.75%	16,000	-	-
2024	3.0%	188,000	1.75%	16,000	-	-
2025	3.0%	194,000	1.75%	16,000	-	-
2026	-	-	1.75%	17,000	-	-
2027	-	-	1.75%	2,439	-	-
		<u>\$1,987,000</u>		<u>\$195,349</u>		<u>\$535,000</u>
Other Notes						
Year Ending June 30,	Street Sweeper Bank Loan		Total			
	Issued Sept 13, 2004					
	Interest Rate	Amount				
2014	4.50%	\$15,000	\$337,910			
2015	4.50%	15,000	352,000			
2016	-	-	348,000			
2017	-	-	167,000			
2018	-	-	172,000			
2019	-	-	177,000			
2020	-	-	182,000			
2021	-	-	187,000			
2022	-	-	192,000			
2023	-	-	199,000			
2024	-	-	204,000			
2025	-	-	210,000			
2026	-	-	17,000			
2027	-	-	2,439			
		<u>\$30,000</u>	<u>\$2,747,349</u>			

See accompanying independent auditor's report.

**City of Reinbeck**

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

**For the Last Nine Years**

	2013 Audited	2012 Unaudited	2011 Unaudited	2010 Audited
<b>Receipts:</b>				
Property tax	\$ 551,031	\$ 511,593	\$ 601,662	\$ 585,076
Tax increment financing collection	389,339	359,989	430,372	348,858
Other city tax	-	-	-	6,370
Licenses and permits	4,371	4,382	4,062	5,861
Use of money and property	12,056	11,751	13,380	19,037
Intergovernmental	187,247	233,765	376,446	218,829
Charges for service	171,648	104,366	182,463	113,259
Special assessments	7,393	1,621	2,519	2,627
Miscellaneous	87,121	107,417	66,791	213,149
<b>Total</b>	<b>\$ 1,410,206</b>	<b>\$ 1,334,884</b>	<b>\$ 1,677,695</b>	<b>\$ 1,513,066</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 175,616	\$ 151,766	\$ 158,575	\$ 147,810
Public works	275,899	268,489	236,945	455,224
Health and social services	-	-	-	374
Culture and recreation	324,334	363,074	321,807	301,141
Community and economic development	12,015	127,031	182,447	57,173
General government	96,173	115,076	91,292	88,710
Debt service	322,757	324,811	611,145	526,130
Capital projects	251,601	77,330	139,895	301,866
<b>Total</b>	<b>\$ 1,458,395</b>	<b>\$ 1,427,577</b>	<b>\$ 1,742,106</b>	<b>\$ 1,878,428</b>

See accompanying independent auditor's report.

	2009 Unaudited	2008 Unaudited	2007 Audited	2006 Unaudited	2005 Audited
\$	612,938	\$ 649,723	\$ 590,734	\$ 546,003	\$ 561,052
	480,484	393,756	407,204	382,991	350,402
	-	-	22,726	21,858	22,531
	11,316	9,851	4,483	4,185	4,301
	35,669	40,009	33,939	33,530	23,559
	189,477	203,004	341,151	175,085	217,903
	101,483	130,315	142,977	96,057	4,038
	2,409	2,478	2,705	4,013	4,346
	95,966	191,131	106,067	347,173	97,580
\$	<u>1,529,742</u>	<u>\$ 1,620,267</u>	<u>\$ 1,651,986</u>	<u>\$ 1,610,895</u>	<u>\$ 1,285,712</u>
\$	365,357	\$ 178,367	\$ 158,833	\$ 127,204	\$ 187,490
	281,124	335,208	251,739	256,520	272,893
	3,448	5,037	2,323	6,635	5,474
	358,382	329,792	289,809	251,639	234,317
	65,227	22,133	64,397	7,580	87,771
	109,381	105,910	83,282	107,460	105,876
	316,101	323,413	441,828	314,337	316,422
	363,902	337,159	1,265,561	949,291	10,574
\$	<u>1,862,922</u>	<u>\$ 1,637,019</u>	<u>\$ 2,557,772</u>	<u>\$ 2,020,666</u>	<u>\$ 1,220,817</u>

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

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

To the Honorable Mayor and  
Members of the City Council:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Reinbeck, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated March 5, 2014. My report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Reinbeck's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Reinbeck's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Reinbeck's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the 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 combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Reinbeck's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-13 through I-C-13 material weaknesses.

A significant deficiency is a deficiency or 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. I consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-D-13 through I-H-13 to be a significant deficiencies.

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### City of Reinbeck's Responses to Findings

The City of Reinbeck's responses to findings identified in my audit are described in the accompanying Schedule of Findings. The City of Reinbeck's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

  
Keith Oltrogge  
Certified Public Accountant

March 5, 2014

**City of Reinbeck**  
**Schedule of Findings**  
**Year ended June 30, 2013**

**Part I – Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

None

**INTERNAL CONTROL DEFICIENCIES:**

I-A-13 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of cash receipts to the cash journal are all done by the same person.

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

Response – We have reviewed procedures and will make changes to improve internal control wherever possible.

Conclusion – Response accepted.

I-B-13 Financial Reporting – During the audit, I identified material amounts of expenditures and revenues misposted. Adjustments were subsequently made by the City to properly record these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all expenditures and revenues are properly record in the City's financial statements.

Response – We will double check this in the future to avoid posting errors.

Conclusion – Response accepted.

I-C-13 Credit Cards – The City has credit cards for use by various employees while on the City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges. Additionally, supporting documentation was not always available to support credit card charges.

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls the credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – Although we have not established a formal written policy detailing specifics on the use of City credit cards, we have unwritten guidelines. We will review procedures and guidelines and establish a written policy.

Conclusion – Response accepted.

**City of Reinbeck**  
**Schedule of Findings**  
**Year ended June 30, 2013**

**Part I – Findings Related to the Financial Statements (continued):**

I-D-13 Financial Statements – Currently, the Administrator is required to provide monthly financial information to the Council. These reports are not consistently provided to the Council and are often times incorrect.

Recommendation – I recommend that internal monthly financial statements be timely and accurately prepared in order to assist the City Council in making financial decisions. Some examples of statements that should be provided are: Balance Sheet; Statement of Cash Receipts, Cash Disbursements and Changes in Cash Balances compared with Budget and prior year actual balances.

Response – The City will employ a qualified person that can prepare monthly financial statements in a timely and accurate manner.

Conclusion – Response accepted.

I-E-13 Record of Investments – A detailed record of investment transactions was not maintained.

Recommendation – A detailed record of investment transactions by fund should be maintained. This record should include investment number, purchase date, redemption date, interest rate and amount of principal and interest received.

Response – A record of investment transactions will be prepared and updated as needed.

Conclusion – Response accepted.

I-F-13 Separately Maintained Records – The City maintains a separate checking account for its Reinbeck Bucks activities. This account is separate from the City's accounts, allowing transactions to go unrecorded. Accordingly, certain donations and expenditures from this account are not being appropriately included on the City's financial statements. The expenditures may not meet the requirements of public purpose and may not be appropriately included within the budget as required by the Code of Iowa.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, "A City shall keep accounts which show an accurate and detailed statement of all public funds collected, received or expended for any city purpose". For better accountability, and financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and reported to the Council on a monthly basis.

Response – We will ensure that procedures are in place to document all receipts and expenditures in accordance with the Code of Iowa.

Conclusion – Response accepted.

**City of Reinbeck**  
**Schedule of Findings**  
**Year ended June 30, 2013**

**Part I – Findings Related to the Financial Statements (continued):**

I-G-13 Accounting Policies and Procedures Manual – The City does not have an accounting policies and procedures manual.

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

- 1) Aid in training additional or replacement personnel and act as a quick reference to staff members and officials.
- 2) Help streamline accounting operations by achieving uniformity in accounting and in application of policies and procedures.
- 3) Save supervisory time by recording decisions so that they will not have to be made each time the same, or a similar, situation arises.
- 4) Help preserve the key elements in the City's internal controls.
- 5) Increase effectiveness and efficiency in the City

Response – The Administrator will compile an accurate policies and procedure manual and update it as necessary.

Conclusion – Response accepted.

I-H-13 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosures is a necessary aspect of internal control over the City's financial reporting process. The City does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The City has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the City are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is a common control deficiency of most small Cities and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the City would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

**City of Reinbeck**  
**Schedule of Findings**  
**Year ended June 30, 2013**

**Part II: Other Findings Related to Statutory Reporting:**

II-A-13 Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the debt service 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 budgeted should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

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

Conclusion – Response accepted.

II-B-13 Questionable Disbursements –No disbursements I believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

II-C-13 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-13 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Ron Peterson, Council Member Employee at Moeller and Walter Lumber	Park Storage Shed	\$11,642
	Memorial Building	9,458
	Concession Stand	5,026
	Supplies	1,357
		<u>\$27,483</u>
Tim Johnson, Council Member Owners of J-Cats	Meter reading	<u>\$250</u>

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with Moeller and Walter Lumber , which were not bid, may represent conflicts of interest since the total transactions exceeded \$2,500 during the fiscal year.

The transaction with Tim Johnson does not appear to represent a conflict of interest in accordance with Chapter 362.5(2)(k) of the Code of Iowa since the total transactions were less than \$2,500 during the fiscal year.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – We will consult legal counsel.

Conclusion – Response acknowledged.

**City of Reinbeck**

**Schedule of Findings**

**Year ended June 30, 2013**

**Part II: Other Findings Related to Statutory Reporting (continued):**

II-E-13 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

II-F-13 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolution were noted.

II-G-13 Payment of General Obligation Bonds – Chapter 384.4 of the Code of Iowa states, in part “Moneys pledged or available to service general obligation bonds, and received from sources other than property tax must be deposited in the debt service fund.” General obligation bond payments were made from the Enterprise Sewer Fund and Special Revenue Funds – Road Use Tax and Tax Increment Financing.

Recommendation – The City should transfer monies from various funds to Debt Service Fund for future funding contributions. Payment of the bonds should then be disbursed from the Debt Service Fund.

Response – We will transfer in the future as recommended.

Conclusion – Response accepted.

II-H-13 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 the coverage is adequate for current operations.

II-I-13 Council Minutes – No transactions were found that I believe should have been approved in the Council minutes but were not.

Although minutes of Council proceedings were published, they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. Also, the City did not publish annual gross salaries in accordance with an Attorney General’s opinion dated April 12, 1978. Not all of the minutes were signed.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and should publish minutes and annual salaries as required. All minutes should be properly signed.

Response – We will publish signed minutes as required.

Conclusion – Response accepted.

II-J-13 Financial Condition – The following funds had deficit balances at June 30, 2013:

General Fund	\$9,904
Capital Projects – Memorial Building	\$119,282
Capital Projects – Telecommunications	\$37,023
Enterprise – Sewer	\$24,655
Enterprise – Cable TV	\$96,765
Enterprise - Telephone	\$119,175

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return the funds to a sound financial position.

Response – The deficits were due to construction costs and expenses incurred prior to receiving revenues.

Conclusion – Response accepted.

**City of Reinbeck**

**Schedule of Findings**

**Year ended June 30, 2013**

**Part II: Other Findings Related to Statutory Reporting (continued):**

II-K-13 **Tax Increment Financing (TIF)** – Chapter 403.19 of the Code of Iowa provides a municipality shall certify indebtedness to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of taxes to generate dollars to repay the certified indebtedness, There is nothing in Chapter 403.19 of the Codes of Iowa which allows a municipality to set aside taxes divided for tax increment purposes for future urban renewal projects. With only an exception for assistance for low and moderate income family housing discussed in Chapter 403.22 of the Code of Iowa, indebtedness incurred is to be certified to the County Auditor and then the divided taxes are to be used to pay the principal of and interest on that indebtedness. In addition, Chapter 403.19(5)(b) requires the City to certify the amount of reductions to the County Auditor resulting from reduction in debt or for any other reason.

The City's actions document the City's has set aside money to pay for future urban renewal projects within the Urban Renewal Area.

The City appears to have collected TIF revenue in excess of current TIF debt repayment requirements in the Urban Renewal Area.

TIF revenues and related interest income, if any, should have been segregated and used in accordance with Chapter 403.19(5) of the Code of Iowa. Bank interest was only recorded in the general fund.

With few exceptions, the City must use TIF revenue for the payment of TIF Indebtedness. The City may not use TIF funds for the direct payment of project costs.

**Recommendation** – The City should adjust its requests for additional tax increment revenues in its next and future TIF debt certifications to the Grundy County Auditor until the TIF account balances are consistent with current requirements for the debt outstanding. The City should review and determine the excess cash on hand in the Urban Renewal Area, if any, for repayment to the County. In addition, the City should review and determine the reasons for the variances between the TIF balances and the annual report.

The City should consult TIF legal counsel to determine the disposition of the City's TIF certifications and the amount of TIF debt to be decertified, if any.

Investment income earned on debt proceeds should be used for the payment of principal and interest. Investment income from unspent debt proceeds should not be used outside the scope and purpose of the original debt covenants or for other projects unless specifically allowed by the debt covenants.

**Response** – We will consult with our legal counsel to determine the disposition of the City's TIF certifications prior to the next TIF Debt Certification due date.

**Conclusion** – Response acknowledged.

**City of Reinbeck**

**Schedule of Findings**

**Year ended June 30, 2013**

**Part II: Other Findings Related to Statutory Reporting (continued):**

II-L-13 Urban Renewal Annual Report – The urban renewal annual report was not certified to the Iowa Department of Management on or before December 1.

Recommendation – The City should file the urban renewal annual report timely and ensure the cash balances and debt amounts reported on the Levy Authority Summary agrees with the City's records.

Response – These items will be corrected on next year's report.

Conclusion – Response accepted.

II-M-13 Telecommunication Services – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.

II-N-13 Low and Moderate (LMI) Requirements – The City has entered into urban renewal development agreements, for the construction of housing units. In accordance with these agreements and Chapter 403.22 of the Code of Iowa, any project related to housing which receives tax increment financing assistance must also generate funds to be used to provide assistance to housing for low and moderate income (LMI) families. As of June 30, 2013 the City has not demonstrated compliance with the LMI set aside requirements.

Recommendation – The City should consult legal counsel to determine the disposition of this matter, including determination of the appropriate LMI amounts required to be set aside pursuant to the City's urban renewal agreements and Chapter 403.22 of the Code of Iowa. In the future, appropriate amounts should be set aside from all TIF collections.

Response – The City Clerk will consult legal counsel to get this matter resolved and ensure appropriate amounts will be set aside for LMI collections in the future.

Conclusion – Response accepted.

II-O-13 Official Depositories – A resolution naming official depositories required by section 12B.10B of the Code of Iowa was adopted by the Council for the City but the City was unable to locate the resolution.

Recommendation – Procedures should be established to maintain documentation of the Council's actions.

Response – Currently we are implementing many changes in our procedures with our new City Administrator.

Conclusion – Response acknowledged.

**City of Reinbeck**

**Schedule of Findings**

**Year ended June 30, 2013**

**Part II: Other Findings Related to Statutory Reporting (continued):**

II-P-13 Petty Cash – It was noted that the petty cash fund was used for mileage and shelter deposit.

Recommendations – The City should write checks for reimbursement of travel expenditures and refunds with proper documentation. The petty cash fund should only be used for small purchases.

Response – The petty cash fund will only be used for small purchases.

Conclusion – Response accepted.

II-Q-13 Electronic Check Retention – Section 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The City should obtain and retain an image of both the front and back of each cancelled check as required.

Response – We will contact our bank.

Conclusion – Response acknowledged.

II-R-13 1099 Forms – The City did not file a 1099 form with the Internal Revenue Service for those recipients receiving payments for services in excess of \$600.00

Recommendation – The City should ensure all recipients receiving payments for services in excess of \$600.00 receive a 1099 form as required by the Internal Revenue Service.

Response – We will issue 1099 forms as required.

Conclusion – Response acknowledged.