



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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**NEWS RELEASE**

FOR RELEASE January 15, 2004

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Swisher, Iowa.

The City's receipts totaled \$377,346 for the year ended June 30, 2003. The receipts included \$126,995 in property tax, \$34,565 in tax increment financing collections, \$89,270 from other governments and \$8,692 in interest on investments.

Disbursements for the year totaled \$318,491, and included \$149,663 for public works, \$49,438 for business type activities and \$48,822 for general government.

The report contains recommendations to the City Council and other City officials. For example, operating procedures should be reviewed to obtain the maximum internal control possible and utility billings, collections and delinquencies should be reconciled. The City has responded favorably to the comments.

A copy of the audit report is available for review in the Office of Auditor of State and the City Clerk's office.

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**CITY OF SWISHER**  
**INDEPENDENT AUDITOR'S REPORTS**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2003**

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**City of Swisher**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Scott Grabe	Mayor	Jan 2004
Tina Richmond	Mayor Pro tem	Jan 2004
Virginia Svec	Council Member	Jan 2004
Ann Richmond	Council Member	Jan 2004
Paul Reed	Council Member	Jan 2004
Kenny Feldman	Council Member	Jan 2004
Tawnia Kakacek	Clerk	Jan 2005
Phyllis Collins	Treasurer	Jan 2004
Steve Greenleaf	Attorney	Jan 2004

**City of Swisher**



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the City of Swisher, Iowa, as of and for the year ended June 30, 2003. These financial statements are the responsibility of the City of Swisher's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2002.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2002, as discussed in the preceding paragraph, the aforementioned financial statements present fairly, in all material respects, the results of the cash transactions of the funds of the City of Swisher as of and for the year ended June 30, 2003, on the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 19, 2003 on our consideration of the City of Swisher's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. The supplemental information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2002, as discussed in the third paragraph, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 19, 2003



## **Financial Statements**

City of Swisher  
 Combined Statement of Cash Transactions  
 All Fund Types  
 Year ended June 30, 2003

	<u>Governmental Fund Types</u>	
	General	Special Revenue
Receipts:		
Property tax	\$ 126,995	-
Tax increment financing collections	-	34,565
Other city tax	11,164	-
Licenses and permits	3,367	-
Use of money and property	7,906	20
Intergovernmental	13,041	76,229
Charges for service	37,698	-
Miscellaneous	97	2,363
Total receipts	<u>200,268</u>	<u>113,177</u>
Disbursements:		
Public safety	44,536	-
Public works	64,168	85,495
Culture and recreation	17,713	-
Community and economic development	2,946	-
General government	48,822	-
Business type activities	-	-
Total disbursements	<u>178,185</u>	<u>85,495</u>
Excess (deficiency) of receipts over (under) disbursements	<u>22,083</u>	<u>27,682</u>
Other financing sources (uses):		
Operating transfers in	-	-
Operating transfers out	(2,500)	-
Total other financing sources (uses)	<u>(2,500)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	19,583	27,682
Balance beginning of year	<u>325,024</u>	<u>16,340</u>
Balance end of year	<u>\$ 344,607</u>	<u>44,022</u>

See notes to financial statements.

<u>Proprietary</u> <u>Fund Type</u>	<u>Fiduciary</u> <u>Fund Type</u>	Total (Memorandum Only)
Enterprise	Trust	
-	-	126,995
-	-	34,565
-	-	11,164
-	-	3,367
714	52	8,692
-	-	89,270
61,610	-	99,308
-	1,525	3,985
<u>62,324</u>	<u>1,577</u>	<u>377,346</u>
-	-	44,536
-	-	149,663
-	5,373	23,086
-	-	2,946
-	-	48,822
49,438	-	49,438
<u>49,438</u>	<u>5,373</u>	<u>318,491</u>
<u>12,886</u>	<u>(3,796)</u>	<u>58,855</u>
-	2,500	2,500
-	-	(2,500)
-	2,500	-
12,886	(1,296)	58,855
<u>61,620</u>	<u>6,870</u>	<u>409,854</u>
<u>74,506</u>	<u>5,574</u>	<u>468,709</u>

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City of Swisher

Comparison of Receipts, Disbursements and Changes in Balances -

Actual to Budget

Year ended June 30, 2003

	<u>Actual</u>	<u>Amended Budget</u>
Receipts:		
Property tax	\$ 126,995	131,595
Tax increment financing collections	34,565	37,136
Other city tax	11,164	3,360
Licenses and permits	3,367	11,060
Use of money and property	8,692	7,550
Intergovernmental	89,270	73,385
Charges for service	99,308	93,675
Miscellaneous	3,985	1,350
Total receipts	<u>377,346</u>	<u>359,111</u>
Disbursements:		
Public safety	44,536	45,700
Public works	149,663	201,028
Culture and recreation	23,086	29,364
Community and economic development	2,946	12,100
General government	48,822	86,067
Business type activities	49,438	61,500
Total disbursements	<u>318,491</u>	<u>435,759</u>
Excess (deficiency) of receipts over (under) disbursements	58,855	(76,648)
Balance beginning of year	<u>409,854</u>	<u>343,010</u>
Balance end of year	<u>\$ 468,709</u>	<u>266,362</u>

See notes to financial statements.

<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>	<u>Net as %</u> <u>of Amended</u> <u>Budget</u>
(4,600)	97%
(2,571)	93%
7,804	332%
(7,693)	30%
1,142	115%
15,885	122%
5,633	106%
2,635	295%
<u>18,235</u>	<u>105%</u>
1,164	97%
51,365	74%
6,278	79%
9,154	24%
37,245	57%
12,062	80%
<u>117,268</u>	<u>73%</u>

City of Swisher

Notes to Financial Statements

June 30, 2003

**(1) Summary of Significant Accounting Policies**

The City of Swisher is a political subdivision of the State of Iowa located in Johnson County. It was first incorporated in 1903 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, general government and business type activities.

A. Reporting Entity

For financial reporting purposes, the City of Swisher 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. The City of Swisher 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: Johnson County Assessor's Conference Board, Johnson County Emergency Management Commission and Johnson County Joint E911 Service Board.

B. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements and balances. The various funds and their designated purposes are as follows:

### 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 Special Revenue Funds are utilized to account for receipts derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

### Proprietary Fund

Enterprise Fund – The Enterprise Fund is utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

### Fiduciary Funds

Trust Funds – The Trust Funds are utilized to account for monies and properties received and held by the City in a trustee capacity. These include Expendable Trust Funds.

#### C. Basis of Accounting

The City of Swisher 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.

#### D. Budgets and Budgetary Accounting

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. 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 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.

#### E. Total (Memorandum Only)

The total column on the combined statement of cash transactions is captioned “Memorandum Only” to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2003 were covered by federal depository insurance or 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.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement Number 3.

**(3) Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2003 was \$3,070, equal to the required contribution for the year.

**(4) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation 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 payments payable to employees at June 30, 2003, primarily relating to the General Fund, is \$2,050. This liability has been computed based on rates of pay in effect at June 30, 2003.

**(5) 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 did not exceed commercial insurance coverage in the fiscal year ended June 30, 2003.

**(6) Construction Contract**

During the year ended June 30, 2003, the City entered into a contract totaling \$40,000 for sewer improvements. The City paid \$10,000 on this contract during the year, leaving a balance of \$30,000, which will be paid as work on the project progresses.



**Supplemental Information**

**Schedule 1**

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City of Swisher  
Schedule of Cash Transactions  
General Fund  
Year ended June 30, 2003

Receipts:	
Property tax	\$ 126,995
Other city tax:	
Utility tax replacement excise tax	3,296
Cable franchise fee	7,868
	<u>11,164</u>
Licenses and permits:	
Liquor	1,270
Cigarette	300
Building	1,750
Miscellaneous	47
	<u>3,367</u>
Use of money and property:	
Interest on investments	<u>7,906</u>
Intergovernmental:	
State allocation	9,841
Bank franchise tax	3,200
	<u>13,041</u>
Charges for service:	
Garbage collection	34,741
Garbage and yard waste tags	2,957
	<u>37,698</u>
Miscellaneous	97
Total receipts	<u>200,268</u>
Disbursements:	
Public safety:	
Police:	
Services and commodities	26,000
Civil defense:	
Services and commodities	5,948
Fire protection:	
Services and commodities	12,501
Animal control:	
Services and commodities	87
	<u>44,536</u>

City of Swisher  
 Schedule of Cash Transactions  
 General Fund  
 Year ended June 30, 2003

Disbursements (continued):	
Public works:	
Street lighting:	
Services and commodities	<u>6,980</u>
Roadway maintenance:	
Personal services	12,684
Services and commodities	<u>6,803</u>
	<u>19,487</u>
Garbage:	
Services and commodities	<u>37,701</u>
	<u>64,168</u>
Culture and recreation:	
Library:	
Personal services	
Services and commodities	<u>583</u>
Parks:	
Personal services	3,625
Services and commodities	2,266
Capital outlay	<u>11,239</u>
	<u>17,130</u>
	<u>17,713</u>
Community and economic development:	
Planning and zoning:	
Personal services	19
Services and commodities	<u>1,225</u>
	1,244
Engineering:	
Services and commodities	<u>1,702</u>
	<u>2,946</u>
General government:	
Mayor and Council Members:	
Personal services	<u>5,133</u>
Financial administration:	
Personal services	14,258
Services and commodities	18,603
Capital outlay	<u>8,638</u>
	<u>41,499</u>
Legal services:	
Services and commodities	<u>2,190</u>
	<u>48,822</u>
Total disbursements	<u>178,185</u>

**Schedule 1**

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City of Swisher  
Schedule of Cash Transactions  
General Fund  
Year ended June 30, 2003

Excess of receipts over disbursements	22,083
Other financing uses:	
Operating transfers out:	
Trust:	
Expendable Trusts:	
Centennial	<u>(2,500)</u>
Excess of receipts over disbursements and other financing uses	19,583
Balance beginning of year	<u>325,024</u>
Balance end of year	<u><u>\$ 344,607</u></u>

See accompanying independent auditor's report.

City of Swisher  
Combining Schedule of Cash Transactions  
Special Revenue Funds  
Year ended June 30, 2003

	Road Use Tax	Tax Increment Financing	Total
Receipts:			
Tax increment financing collections	\$ -	34,565	34,565
Use of money and property:			
Interest on investments	-	20	20
Intergovernmental:			
Road use tax allocation	66,189	-	66,189
Underground storage tank grant	-	10,040	10,040
	66,189	10,040	76,229
Miscellaneous:			
Sales tax refund	-	2,363	2,363
Total receipts	66,189	46,988	113,177
Disbursements:			
Public works:			
Roadway maintenance:			
Personal services	12,300	-	12,300
Services and commodities	15,984	-	15,984
Capital outlay	20,899	34,976	55,875
	49,183	34,976	84,159
Snow and ice removal:			
Personal services	1,336	-	1,336
Total disbursements	50,519	34,976	85,495
Excess of receipts over disbursements	15,670	12,012	27,682
Balance beginning of year	14,023	2,317	16,340
Balance end of year	\$ 29,693	14,329	44,022

See accompanying independent auditor's report.

**Schedule 3**

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City of Swisher  
Schedule of Cash Transactions  
Enterprise Fund  
Year ended June 30, 2003

	<u>Sewer Rental</u>
Receipts:	
Use of money and property:	
Interest on investments	\$ 714
Charges for service:	
Sewer rental fees	50,571
Connection fees	10,500
Miscellaneous	539
	<u>61,610</u>
Total receipts	<u>62,324</u>
Disbursements:	
Business type activities:	
Personal services	16,353
Services and commodities	22,177
Capital outlay	10,908
Total disbursements	<u>49,438</u>
Excess of receipts over disbursements	12,886
Balance beginning of year	<u>61,620</u>
Balance end of year	<u>\$ 74,506</u>

See accompanying independent auditor's report.

City of Swisher  
Combining Schedule of Cash Transactions

Trust Funds

Year ended June 30, 2003

	<u>Expendable Trusts</u>		
	<u>Castek Park</u>	<u>Centennial</u>	<u>Total</u>
Receipts:			
Use of money and property:			
Interest on investments	\$ 52	-	52
Miscellaneous:			
Donations	220	-	220
Merchandise sales	-	1,305	1,305
	<u>220</u>	<u>1,305</u>	<u>1,525</u>
Total receipts	<u>272</u>	<u>1,305</u>	<u>1,577</u>
Disbursements:			
Culture and recreation:			
Parks:			
Capital outlay	1,192	-	1,192
Centennial committee:			
Services and commodities	-	4,181	4,181
Total disbursements	<u>1,192</u>	<u>4,181</u>	<u>5,373</u>
Deficiency of receipts under disbursements	(920)	(2,876)	(3,796)
Other financing sources:			
Operating transfers in:			
General	-	2,500	2,500
Deficiency of receipts and other financing sources under disbursements	(920)	(376)	(1,296)
Balance beginning of year	<u>6,338</u>	<u>532</u>	<u>6,870</u>
Balance end of year	<u>\$ 5,418</u>	<u>156</u>	<u>5,574</u>

See accompanying independent auditor's report.

**City of Swisher**





**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Honorable Mayor and  
Members of the City Council:

We have audited the financial statements of the City of Swisher, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated November 19, 2003. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed a qualified opinion since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2002.

Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Swisher's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City of Swisher's operations for the year ended June 30, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. 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. Prior audit statutory comments have been resolved except for item (10).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Swisher's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Swisher's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items (A) and (B) are material weaknesses. Prior audit reportable conditions have been resolved except for items (A), (B) and (C).

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 Swisher and other parties to whom the City of Swisher may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 19, 2003

City of Swisher

Schedule of Findings

Year ended June 30, 2003

**Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

(A) 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. When duties are properly segregated, the activities of one employee act as a check on those of another. One person had control over each of the following areas for the City:

- (1) Cash – preparing bank reconciliations, initiating cash receipts and disbursement transactions and handling and recording cash.
- (2) Investments – detailed recording keeping, custody of investments and reconciling earnings.
- (3) Receipts – collecting, depositing, journalizing and recording.
- (4) Utility receipts – billing, collecting, depositing, recording and reconciling.
- (5) Disbursements – purchasing, check signing, recording and reconciling.
- (6) Payroll – preparing and distributing.
- (7) Financial reporting – preparing, recording and reconciling.
- (8) Information system (computer usage) – performing all general accounting functions and controlling all data input and output.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control activities to obtain the maximum internal control possible under the circumstances.

Response – The City has a separate treasurer and clerk positions and will look into other alternatives as well.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel.

(B) Reconciliation of Utility Billings, Collections and Delinquencies – 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 and also to reconcile collections to deposits. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

Response – The City Clerk has started this and will present monthly reports to the Council.

Conclusion – Response accepted.

City of Swisher

Schedule of Findings

Year ended June 30, 2003

(C) Disbursements – The City required only one signature for a City check to be issued.

Recommendation – To strengthen internal control, each check should be prepared and signed by one person, and then the supporting vouchers and invoices should be made available along with the check to the second or independent person for review and countersignature.

Response – The City will have the Mayor countersign checks with the City Clerk.

Conclusion – Response acknowledged. The supporting vouchers and invoices should be reviewed by the Mayor as well.

(D) Information Systems – The following weaknesses in the City’s computer-based systems were noted:

The City does not have written policies for:

- logging off an unattended computer.
- maintaining password privacy.
- changing password(s) every 60 to 90 days.
- storing system backup tape(s) at an offsite facility.
- running anti-virus program(s).
- usage of the internet.
- requiring a written disaster recovery plan to help ensure the continuity of City operations after a disaster.

Recommendation – The City should develop written policies addressing the above items in order to improve the City’s control over computer-based systems.

Response – The City will look into establishing policies on these issues.

Conclusion – Response accepted.

City of Swisher

Schedule of Findings

Year ended June 30, 2003

**Other Findings Related to Required Statutory Reporting:**

- (1) Official Depositories – A resolution naming the official depository has been approved by the City. The maximum deposit amount stated in the resolution was not exceeded during the year ended June 30, 2003.
- (2) Certified Budget – Disbursements during the year ended June 30, 2003 did not exceed the amounts budgeted.
- (3) Questionable Disbursements – No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (4) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (5) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (6) 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.
- (7) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

The City did not publish minutes within 15 days and published claims did not include the purpose for the disbursement as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should publish minutes and claims as required by Chapter 372.13(6) of the Code of Iowa.

Response – The error is noted and is being monitored.

Conclusion – Response accepted.

- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (9) Solid Waste and Late Penalty Fees – The City approved solid waste and late penalty fees by resolutions of the City Council. Chapter 384.84 of the Code of Iowa requires utility rates be established by ordinance of the City Council.

Recommendation – The City should establish solid waste and late penalty fees in accordance with Chapter 384.84 of the Code of Iowa.

Response – We will forward this recommendation to our City Attorney.

Conclusion – Response acknowledged. The City should comply with Chapter 384.84 of the Code of Iowa.

City of Swisher

Schedule of Findings

Year ended June 30, 2003

- (10) City Code of Ordinances – The City has not compiled the City ordinances since 1988.

Recommendation – Chapter 380.8(2) of the Code of Iowa states that at least once every five years, a city shall compile a code of ordinances containing all of the city ordinances in effect. The City should compile the city ordinances as required.

Response – The City is in the process of codifying through Iowa Codification.

Conclusion – Response accepted.

- (11) Notice of Public Hearing for Public Improvements – The City did not publish a notice of public hearing and bid letting on the sewer infiltration project as required by Chapters 384.102 and 362.3 of the Code of Iowa.

Recommendation – Before entering into any contract for public improvements where the cost is \$25,000 or more, the City Council should set a date for a public hearing and give notice at least four but not more than twenty days prior to the hearing in accordance with Chapters 384.96 and 384.102 of the Code of Iowa.

Response – We misinterpreted the Code. It will be monitored from now on.

Conclusion – Response accepted.

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City of Swisher

Staff

This audit was performed by:

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