



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

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David A Vaudt, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE _____ June 23, 2004

Contact: Andy Nielsen
515/281-5834

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

The City's receipts totaled \$1,849,846 for the year ended June 30, 2003. The receipts included \$249,808 in property tax, \$18,341 in tax increment financing collections, \$73,834 in local option sales tax, \$305,045 from other governments and \$15,296 in interest on investments. The City also received \$372,400 in note proceeds that are reported as other financing sources.

Disbursements for the year totaled \$1,968,413, and included \$870,909 for business type activities, \$417,789 for culture and recreation and \$224,309 for public safety.

The report contains recommendations to the City Council and other City officials. For example, the City should review its control activities to obtain the maximum internal control possible. Also, the City should amend the budget in sufficient amounts in accordance with Chapter 348.18 of the Code of Iowa before disbursements are allowed to exceed the budget. 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 STRAWBERRY POINT
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2003

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City of Strawberry Point

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Eldon Fenton	Mayor	(Resigned)
Eugene Rima (Appointed)	Mayor	Nov 2003
Billie Winter	Mayor Pro tem	(Resigned)
Jon Bushaw (Appointed)	Council Member	Nov 2003
Gary Carradus	Council Member	Jan 2004
Max Reynolds	Council Member	Jan 2004
Michael Tucker	Council Member	Jan 2004
Doug Schmidt	Council Member	Jan 2006
Rebecca Lower	City Clerk/Administrator	(Resigned)
Danette Lujan	City Clerk	Jan 2006
Thomas Munter	Treasurer	Jan 2006
Timothy T. Schloss	City Attorney	Jan 2006

City of Strawberry Point



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David A Vaudt, CPA
Auditor of State

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 Strawberry Point, Iowa, as of and for the year ended June 30, 2003. These financial statements are the responsibility of the City of Strawberry Point's management. Our responsibility is to express an opinion on these financial statements based on our audit.

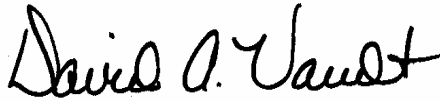
Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United 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 Strawberry Point as of and for the year ended June 30, 2003, and its indebtedness at 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 April 14, 2004 on our consideration of the City of Strawberry Point's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 8 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

April 14, 2004

Financial Statements

City of Strawberry Point
 Combined Statement of Cash Transactions
 All Fund Types

Year ended June 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Receipts:				
Property tax	\$ 201,098	26,482	22,228	-
Tax increment financing collections	-	18,341	-	-
Other city tax	909	72,925	-	-
Licenses and permits	2,222	-	-	-
Use of money and property	27,494	147	-	-
Intergovernmental	39,944	125,836	-	33,472
Charges for service	128,192	-	-	-
Miscellaneous	10,263	50,750	743	-
Total receipts	<u>410,122</u>	<u>294,481</u>	<u>22,971</u>	<u>33,472</u>
Disbursements:				
Public safety	139,218	47,699	-	-
Public works	71,842	118,507	-	-
Culture and recreation	112,613	193,945	-	-
Community and economic development	24,581	6,881	-	-
General government	87,981	9,770	-	-
Debt service	-	-	86,962	-
Capital projects	-	-	-	48,882
Business type activities	-	-	-	-
Total disbursements	<u>436,235</u>	<u>376,802</u>	<u>86,962</u>	<u>48,882</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(26,113)</u>	<u>(82,321)</u>	<u>(63,991)</u>	<u>(15,410)</u>
Other financing sources (uses):				
Sale of general fixed assets	-	-	-	-
General obligation note proceeds (net of \$7,600 discount)	-	178,801	193,599	-
Fire truck and swimming pool notes refunded	-	-	(188,477)	-
Operating transfers in	-	-	84,693	21,625
Operating transfers out	(43,257)	(121,175)	-	-
Total other financing sources (uses)	<u>(43,257)</u>	<u>57,626</u>	<u>89,815</u>	<u>21,625</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>(69,370)</u>	<u>(24,695)</u>	<u>25,824</u>	<u>6,215</u>
Balance beginning of year	<u>235,871</u>	<u>313,815</u>	<u>61,531</u>	<u>(12,919)</u>
Balance end of year	<u>\$ 166,501</u>	<u>289,120</u>	<u>87,355</u>	<u>(6,704)</u>

See notes to financial statements.

Proprietary Fund Types		Total
Enterprise	Internal Service	(Memorandum Only)
-	-	249,808
-	-	18,341
-	-	73,834
25	-	2,247
12,505	857	41,003
-	105,793	305,045
913,516	-	1,041,708
56,104	-	117,860
982,150	106,650	1,849,846
-	37,392	224,309
-	-	190,349
-	111,231	417,789
-	-	31,462
-	-	97,751
-	-	86,962
-	-	48,882
870,909	-	870,909
870,909	148,623	1,968,413
111,241	(41,973)	(118,567)
54,000	-	54,000
-	-	372,400
-	-	(188,477)
422,595	61,998	590,911
(426,479)	-	(590,911)
50,116	61,998	237,923
161,357	20,025	119,356
599,923	119,994	1,318,215
761,280	140,019	1,437,571

City of Strawberry Point

City of Strawberry Point

Comparison of Receipts, Disbursements and Changes in Balances -
Actual to Budget

Year ended June 30, 2003

	Actual	Amended Budget	Variance Favorable (Unfavorable)	Actual as % of Amended Budget
Receipts:				
Property tax	\$ 249,808	234,628	15,180	106%
Tax increment financing collections	18,341	18,292	49	100%
Other city tax	73,834	73,893	(59)	100%
Licenses and permits	2,247	1,150	1,097	195%
Use of money and property	41,003	46,975	(5,972)	87%
Intergovernmental	305,045	407,709	(102,664)	75%
Charges for service	1,041,708	1,191,884	(150,176)	87%
Special assessments	-	250	(250)	-
Miscellaneous	117,860	295,310	(177,450)	40%
Total receipts	<u>1,849,846</u>	<u>2,270,091</u>	<u>(420,245)</u>	<u>81%</u>
Disbursements:				
Public safety	224,309	347,869	123,560	64%
Public works	190,349	292,712	102,363	65%
Culture and recreation	417,789	781,660	363,871	53%
Community and economic development	31,462	156,772	125,310	20%
General government	97,751	109,495	11,744	89%
Debt service	86,962	46,591	(40,371)	187%
Capital projects	48,882	-	(48,882)	
Business type activities	870,909	1,086,552	215,643	80%
Total disbursements	<u>1,968,413</u>	<u>2,821,651</u>	<u>853,238</u>	<u>70%</u>
Deficiency of receipts under disbursements	(118,567)	(551,560)		
Other financing sources, net	<u>237,923</u>	<u>372,143</u>		
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	119,356	(179,417)		
Balance beginning of year	<u>1,318,215</u>	<u>1,324,595</u>		
Balance end of year	<u>\$1,437,571</u>	<u>1,145,178</u>		

See notes to financial statements.

City of Strawberry Point
Statement of Indebtedness
Year ended June 30, 2003

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Corporate purpose	Feb 6, 1996	6.50%	\$ 148,000
Fire truck	Nov 17, 2000	6.00	83,720
Swimming pool	Nov 30, 1999	5.75	165,000
Civic center improvement and refunding	Nov 2, 2002	2.25-4.60%	380,000
Total			
Revenue notes:			
Sewer	Sep 21, 1999	5.00%	\$ 127,500
Electric	Jun 1, 2001	4.50	1,380,000
Total			

See notes to financial statements.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
106,000	-	31,000	11,000	2,146
71,679	-	71,679	-	5,737
127,495	-	127,495	-	3,431
-	380,000	25,000	355,000	7,801
<u>\$ 305,174</u>	<u>380,000</u>	<u>255,174</u>	<u>366,000</u>	<u>19,115</u>
63,750	-	21,250	42,500	3,141
1,320,000	-	60,000	1,260,000	65,990
<u>\$1,383,750</u>	<u>-</u>	<u>81,250</u>	<u>1,302,500</u>	<u>69,131</u>

City of Strawberry Point

Notes to Financial Statements

June 30, 2003

(1) Summary of Significant Accounting Policies

The City of Strawberry Point is a political subdivision of the State of Iowa located in Clayton County. It was first incorporated in 1887 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 Strawberry Point 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 Strawberry Point 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: Clayton County Assessor's Conference Board, Clayton County Emergency Management Commission and Clayton 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.

Debt Service Fund – The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general obligation long-term debt.

Capital Projects Funds – The Capital Projects Funds are utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those that are financed through Enterprise Funds.

Proprietary Funds

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

Internal Service Funds – The Internal Service Funds are utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

C. Basis of Accounting

The City of Strawberry Point 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 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 entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. Chapter 12C of the Code of Iowa 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 No. 3.

(3) Notes Payable

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

Year Ending June 30,	General		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 50,000	13,525	86,250	65,445	136,250	78,970
2005	50,000	12,200	86,250	61,425	136,250	73,625
2006	61,000	10,700	70,000	57,340	131,000	68,040
2007	50,000	8,335	75,000	54,015	125,000	62,350
2008	40,000	6,535	75,000	50,377	115,000	56,912
2009	40,000	4,995	80,000	46,703	120,000	51,698
2010	25,000	3,355	85,000	42,703	110,000	46,058
2011	20,000	2,280	745,000	38,367	765,000	40,647
2012	30,000	1,380	-	-	30,000	1,380
Total	\$ 366,000	63,305	1,302,500	416,375	1,668,500	479,680

The resolution providing for the issuance of the revenue notes includes the following provisions.

- (1) The electric and sewer revenue 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.

- (2) Sufficient monthly transfers shall be made to a separate electric sinking account for the purpose of making the principal and interest payments when due.
- (3) Additional transfers to a separate electric principal and interest reserve account shall be made to maintain a \$130,000 balance. This account is restricted for the purpose of making principal and interest payments when funds are insufficient in the electric sinking account.
- (4) Additional monthly transfers of \$1,600 to a separate electric improvement account shall be made until a minimum balance of \$100,000 has been accumulated. This account is restricted for the purpose of making principal and interest payments when insufficient balances exist in the other accounts and to pay for any necessary improvements and extensions to the utility.
- (5) After all other accounts have sufficient balances, the net revenues available after making the required principal and interest payments should be credited to an electric surplus fund for operation of the utility.

The City is using the electric generation project account as the required sinking account. The reserve and improvement accounts required by the electric revenue note resolution have not been established.

In November 2002, the City issued \$380,000 of general obligation Civic Center improvement and refunding notes, with interest rates ranging from 2.25% to 4.60%, to refund principal of \$60,982 and interest of \$1,433 of an outstanding general obligation fire truck note dated November 17, 2000 and principal of \$127,495 and interest of \$3,432 of an outstanding general obligation swimming pool note dated November 30, 1999. The principal on the notes was called on November 21, 2002 and the notes were redeemed in their entirety by June 30, 2003. The issue also included \$178,801 to pay a portion of the cost to replace the roof on the City's Civic Center.

The City refunded the notes to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$9,700.

(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.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2003 was \$20,143, equal to the required contribution for the year.

(5) Compensated Absences

City employees accumulate vacation, sick leave and compensatory time 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 maximum liability for earned vacation, sick leave and compensatory time hours payable to employees at June 30, 2003, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 11,300
Sick leave	300
Compensatory Time	<u>400</u>
Total	<u>\$ 12,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2003.

(6) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations by function. During the year ended June 30, 2003, disbursements in the debt service and capital projects functions exceeded the amounts budgeted.

(7) Related Party Transactions

The City had business transactions totaling \$4,545 between the City and City officials during the year ended June 30, 2003.

(8) 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 the fiscal year ended June 30, 2003.

(9) Deficit Balances

Deficit balances at June 30, 2003 were as follows:

Fund/Account	Amount
Capital Projects:	
Housing Rehabilitation	\$ (949)
Streetscape Project	(32,709)
Internal Service:	
Swimming Pool Equipment	(8,010)
Park Equipment and Bike Trail	(13,044)
City Hall Office Equipment	(7,551)

The deficit balance in the Capital Projects Fund, Housing Rehabilitation account will be eliminated through anticipated reimbursement from grants. The deficit balance in the Capital Projects Fund, Streetscape Project account will be eliminated through the transfer of currently available funds from either the Special Revenue Fund, Road Use Tax account or the Special Revenue Fund, Local Option Sales Tax account.

The deficit balances in the Internal Service Funds will be eliminated through transfer of General Fund reserves.

(10) Subsequent Event

In March 2004, the City was awarded a \$500,000 community development block grant for sanitary sewer system improvements.

Supplemental Information

City of Strawberry Point

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

Receipts:	
Property tax	\$ 201,098
Other city tax:	
Mobile home tax	909
Licenses and permits:	
Liquor	952
Cigarette	375
Building	895
	<u>2,222</u>
Use of money and property:	
Interest on investments	6,987
Rent	7,567
Civic Center rent	12,940
	<u>27,494</u>
Intergovernmental:	
State allocation	18,910
Bank franchise tax	2,372
Liquor license	1,283
Safety grant	1,836
Township ambulance allocation	2,627
Township fire protection	12,916
	<u>39,944</u>
Charges for service:	
Garbage collection	64,763
Library fees	2,832
Ambulance fees	49,093
Swimming pool fees	8,647
Miscellaneous	2,857
	<u>128,192</u>
Miscellaneous:	
Refunds and reimbursements	5,313
Gas tax refund	116
Vending receipts	1,081
Animal control	330
Sales tax	576
Court fines	2,061
Miscellaneous	786
	<u>10,263</u>
Total receipts	<u>410,122</u>

Schedule 1

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

Disbursements:		
Public safety:		
Police:		
Personal services	50,057	
Services and commodities	14,234	
Capital outlay	636	
	<u>64,927</u>	
Disaster control:		
Personal services	70	
Services and commodities	3,648	
	<u>3,718</u>	
Animal control:		
Personal services	910	
Services and commodities	203	
	<u>1,113</u>	
Ambulance:		
Personal services	24,732	
Services and commodities	15,389	
Capital outlay	4,339	
	<u>44,460</u>	
Fire Department:		
Personal services	12,406	
Services and commodities	11,236	
Capital outlay	1,358	
	<u>25,000</u>	
	<u>139,218</u>	
Public works:		
Roads, bridges and sidewalks:		
Services and commodities	22	
	<u>22</u>	
Street lighting:		
Services and commodities	156	
	<u>156</u>	
Garbage:		
Services and commodities	71,664	
	<u>71,664</u>	
Culture and recreation:		
Library:		
Personal services	22,233	
Services and commodities	19,915	
Capital outlay	1,741	
	<u>43,889</u>	
Museum:		
Services and commodities	2,685	
	<u>2,685</u>	

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

Disbursements (continued):	
Culture and recreation:	
Parks:	
Services and commodities	<u>5,286</u>
Ball park:	
Services and commodities	<u>4,358</u>
Swimming pool:	
Personal services	19,123
Services and commodities	12,278
Capital outlay	<u>589</u>
	<u>31,990</u>
Civic Center:	
Personal services	3,190
Services and commodities	<u>19,715</u>
	<u>22,905</u>
Tree board:	
Services and commodities	<u>1,500</u>
	<u>112,613</u>
Community and economic development:	
Economic development:	
Personal services	18,812
Services and commodities	<u>4,833</u>
	23,645
Planning and zoning:	
Services and commodities	<u>936</u>
	<u>24,581</u>
General government:	
Mayor and council members:	
Personal services	<u>9,068</u>
City treasurer:	
Personal services	<u>700</u>
City clerk:	
Personal services	14,537
Services and commodities	7,200
Capital outlay	<u>530</u>
	<u>22,267</u>

Schedule 1

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

Disbursements (continued):	
General government:	
City Hall:	
Services and commodities	55,040
Capital outlay	906
	<u>55,946</u>
	<u>87,981</u>
Total disbursements	<u>436,235</u>
Deficiency of receipts under disbursements	<u>(26,113)</u>
Other financing uses:	
Operating transfers out:	
Internal Service:	
Police Equipment	(3,758)
Fire Equipment	(17,499)
Ambulance Equipment	(20,000)
Swimming Pool Equipment	(2,000)
Total other financing uses	<u>(43,257)</u>
Deficiency of receipts under disbursements and other financing uses	(69,370)
Balance beginning of year	<u>235,871</u>
Balance end of year	<u>\$ 166,501</u>

See accompanying independent auditor's report.

City of Strawberry Point

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

	Road Use Tax	Local Option Sales Tax	Employee Benefits
Receipts:			
Property tax	\$ -	-	26,482
Tax increment financing collections	-	-	-
Other city tax:			
Local option sales tax	-	72,925	-
Use of money and property:			
Interest on investments	-	-	-
Intergovernmental:			
Road use tax allocation	112,839	-	-
Cass Township cemetery property tax	-	-	-
Trees forever grant	-	-	-
	<u>112,839</u>	<u>-</u>	<u>-</u>
Miscellaneous:			
Contributions	-	-	-
Refunds and reimbursements	-	-	967
	<u>-</u>	<u>-</u>	<u>967</u>
Total receipts	<u>112,839</u>	<u>72,925</u>	<u>27,449</u>
Disbursements:			
Public safety:			
Personal services	-	-	30,369
Services and commodities	-	-	-
Capital outlay	-	-	-
	<u>-</u>	<u>-</u>	<u>30,369</u>
Public works:			
Personal services	44,699	-	-
Services and commodities	72,990	-	-
Capital outlay	818	-	-
	<u>118,507</u>	<u>-</u>	<u>-</u>
Culture and recreation:			
Personal services	-	-	9,545
Services and commodities	-	-	-
Capital outlay	-	-	-
	<u>-</u>	<u>-</u>	<u>9,545</u>
Community and economic development:			
Personal services	-	-	6,881
General government:			
Personal services	-	-	9,770
Total disbursements	<u>118,507</u>	<u>-</u>	<u>56,565</u>

Urban Renewal Tax Increment	Firemen's Association	Special Contributions	Total
-	-	-	26,482
18,341	-	-	18,341
-	-	-	72,925
-	-	147	147
-	-	-	112,839
-	-	12,497	12,497
-	-	500	500
-	-	12,997	125,836
-	11,971	37,812	49,783
-	-	-	967
-	11,971	37,812	50,750
18,341	11,971	50,956	294,481
-	-	-	30,369
-	4,933	456	5,389
-	5,925	6,016	11,941
-	10,858	6,472	47,699
-	-	-	44,699
-	-	-	72,990
-	-	-	818
-	-	-	118,507
-	-	-	9,545
-	-	14,376	14,376
-	-	170,024	170,024
-	-	184,400	193,945
-	-	-	6,881
-	-	-	9,770
-	10,858	190,872	376,802

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

	Road Use Tax	Local Option Sales Tax	Employee Benefits
Excess (deficiency) of receipts over (under) disbursements	(5,668)	72,925	(29,116)
Other : financing sources over (under)			
General obligation note proceeds	-	-	-
Operating transfers out:			
Debt Service	-	(54,693)	-
Capital Projects:			
Special Assessments	-	-	-
Streetscape Project	(10,000)	-	-
Enterprise:			
Sewer System Rehab	-	(9,116)	-
Internal Service:			
Garbage Equipment	-	-	-
Street Equipment	(5,000)	(9,116)	-
Total other financing sources (uses)	(15,000)	(72,925)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(20,668)	-	(29,116)
Balances beginning of year	103,254	30,471	111,738
Balances end of year	\$ 82,586	30,471	82,622

See accompanying independent auditor's report.

Urban Renewal Tax Increment	Firemen's Association	Special Contributions	Total
18,341	1,113	(139,916)	(82,321)
-	-	178,801	178,801
(30,000)	-	-	(84,693)
-	-	(1,625)	(1,625)
-	-	-	(10,000)
-	-	-	(9,116)
-	-	(1,625)	(1,625)
-	-	-	(14,116)
(30,000)	-	175,551	57,626
(11,659)	1,113	35,635	(24,695)
29,656	11,421	27,275	313,815
17,997	12,534	62,910	289,120

City of Strawberry Point

City of Strawberry Point
 Schedule of Cash Transactions
 Debt Service Fund
 Year ended June 30, 2003

Receipts:	
Property tax	\$ 22,228
Miscellaneous:	
Accrued interest on sale of notes	743
Total receipts	<u>22,971</u>
Disbursements:	
Debt service:	
Principal redeemed	66,697
Interest paid	19,115
Management fee	1,000
Note registration fees	150
Total disbursements	<u>86,962</u>
Deficiency of receipts under disbursements	<u>(63,991)</u>
Other financing sources (uses):	
General obligation note proceeds	193,599
Fire truck and swimming pool notes refunded	(188,477)
Operating transfers in:	
Special Revenue:	
Local Option Sales Tax	54,693
Urban Renewal Tax Increment	30,000
Total other financing sources (uses)	<u>89,815</u>
Excess of receipts and other financing sources over disbursements and other financing uses	25,824
Balance beginning of year	<u>61,531</u>
Balance end of year	<u>\$ 87,355</u>

See accompanying independent auditor's report.

City of Strawberry Point
Combining Schedule of Cash Transactions
Capital Project Funds
Year ended June 30, 2003

	Housing Rehabilitation	Special Assessments
Receipts:		
Intergovernmental:		
Community development block grant	\$ 33,472	-
Disbursements:		
Capital projects	34,205	-
Deficiency of receipts under disbursements	(733)	-
Other financing sources:		
Operating transfers in:		
Special Revenue:		
Road Use Tax	-	-
Special Contributions	-	1,625
Enterprise:		
Electric	-	-
Total other financing sources	-	1,625
Excess (deficiency) of receipts and other financing sources over (under) disbursements	(733)	1,625
Balance beginning of year	(216)	25,329
Balance end of year	\$ (949)	26,954

See accompanying independent auditor's report.

Streetscape	
Project	Total
-	33,472
14,677	48,882
(14,677)	(15,410)
10,000	10,000
-	1,625
10,000	10,000
20,000	21,625
5,323	6,215
(38,032)	(12,919)
(32,709)	(6,704)

City of Strawberry Point
Combining Schedule of Cash Transactions
Enterprise Funds
Year ended June 30, 2003

	Water	Water Equipment Reserve	Water Meter Deposits	Sewer Rental	Sewer Equipment Reserve
Receipts:					
Licenses and permits	\$ 25	-	-	-	-
Use of money and property:					
Interest on investments	706	87	-	-	-
Watertower rent	5,200	-	-	-	-
	<u>5,906</u>	<u>87</u>	<u>-</u>	<u>-</u>	<u>-</u>
Charges for service:					
Sale of water	90,217	-	-	-	-
Penalties	1,990	-	-	-	-
Electric sales	-	-	-	-	-
Sewer rental fees	-	-	-	118,625	-
	<u>92,207</u>	<u>-</u>	<u>-</u>	<u>118,625</u>	<u>-</u>
Miscellaneous:					
Sales tax collected	5,822	-	-	3,601	-
Customer deposits	-	-	1,254	-	-
Miscellaneous	1,277	-	-	271	-
	<u>7,099</u>	<u>-</u>	<u>1,254</u>	<u>3,872</u>	<u>-</u>
Total receipts	<u>105,237</u>	<u>87</u>	<u>1,254</u>	<u>122,497</u>	<u>-</u>
Disbursements:					
Business type activities:					
Personal services	41,909	-	-	27,379	-
Services and commodities	29,050	-	1,350	20,779	-
Capital outlay	2,610	-	-	2,475	-
Miscellaneous	13	-	-	14	-
Debt service:					
Principal redeemed	-	-	-	-	-
Interest paid	-	-	-	-	-
Registrar's fee	-	-	-	-	-
Total disbursements	<u>73,582</u>	<u>-</u>	<u>1,350</u>	<u>50,647</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>31,655</u>	<u>87</u>	<u>(96)</u>	<u>71,850</u>	<u>-</u>

Sewer Revenue Note	Sewer System Rehab	Electric	Electric Equipment Reserve	Electric Meter Deposits	Electric Generation Project	Total
-	-	-	-	-	-	25
-	-	6,330	182	-	-	7,305
-	-	-	-	-	-	5,200
-	-	6,330	182	-	-	12,505
-	-	-	-	-	-	90,217
-	-	3,148	-	-	-	5,138
-	-	699,536	-	-	-	699,536
-	-	-	-	-	-	118,625
-	-	702,684	-	-	-	913,516
-	-	34,359	-	-	-	43,782
-	-	-	-	4,573	-	5,827
-	-	4,947	-	-	-	6,495
-	-	39,306	-	4,573	-	56,104
-	-	748,320	182	4,573	-	982,150
-	-	178,540	-	-	-	247,828
-	1,657	370,639	-	4,500	-	427,975
-	-	38,592	-	-	-	43,677
-	-	721	-	-	-	748
21,250	-	-	-	-	60,000	81,250
3,141	-	-	-	-	65,990	69,131
-	-	-	-	-	300	300
24,391	1,657	588,492	-	4,500	126,290	870,909
(24,391)	(1,657)	159,828	182	73	(126,290)	111,241

City of Strawberry Point
Combining Schedule of Cash Transactions

Enterprise Fund

Year ended June 30, 2003

	Water	Water Equipment Reserve	Water Meter Deposits	Sewer Rental	Sewer Equipment Reserve
Other financing sources (uses):					
Proceeds from sale of capital assets	-	-	-	-	-
Operating transfers in (out):					
Special Revenue:					
Local Option Sales Tax	-	-	-	-	-
Capital Projects:					
Streetscape Project	-	-	-	-	-
Enterprise:					
Water	-	7,620	-	-	-
Water Equipment Reserve	(7,620)	-	-	-	-
Sewer Rental	-	-	-	-	39,059
Sewer Revenue Note	-	-	-	(25,800)	-
Sewer Equipment Reserve	-	-	-	(39,059)	-
Sewer System Rehab	-	-	-	(28,976)	-
Electric	-	-	-	-	-
Electric Equipment Reserve	-	-	-	-	-
Electric Generation Project	-	-	-	-	-
Internal Service:					
City Hall Office Equipment	(1,000)	-	-	(1,000)	-
Total other financing sources (uses)	(8,620)	7,620	-	(94,835)	39,059
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	23,035	7,707	(96)	(22,985)	39,059
Balances beginning of year	104,793	15,336	7,989	62,929	57,683
Balances end of year	\$ 127,828	23,043	7,893	39,944	96,742

See accompanying independent auditor's report.

Sewer Revenue Note	Sewer System Rehab	Electric	Electric Equipment Reserve	Electric Meter Deposits	Electric Generation Project	Total
-	-	-	-	-	54,000	54,000
-	9,116	-	-	-	-	9,116
-	-	(10,000)	-	-	-	(10,000)
-	-	-	-	-	-	7,620
-	-	-	-	-	-	(7,620)
25,800	28,976	-	-	-	-	93,835
-	-	-	-	-	-	(25,800)
-	-	-	-	-	-	(39,059)
-	-	-	-	-	-	(28,976)
-	-	-	10,000	-	302,024	312,024
-	-	(10,000)	-	-	-	(10,000)
-	-	(302,024)	-	-	-	(302,024)
-	-	(1,000)	-	-	-	(3,000)
25,800	38,092	(323,024)	10,000	-	356,024	50,116
1,409	36,435	(163,196)	10,182	73	229,734	161,357
12,135	(28,373)	256,675	36,138	9,957	64,661	599,923
13,544	8,062	93,479	46,320	10,030	294,395	761,280

City of Strawberry Point
Combining Schedule of Cash Transactions
Internal Service Funds
Year ended June 30, 2003

	Police Equipment	Fire Equipment	Ambulance Equipment	Swimming Pool Equipment
Receipts:				
Use of money and property:				
Interest on investments	\$ 220	-	340	-
Intergovernmental:				
Federal Emergency Management Agency grant	-	31,176	-	-
Iowa Department of Natural Resources bike trail grant	-	-	-	-
Total receipts	<u>220</u>	<u>31,176</u>	<u>340</u>	<u>-</u>
Disbursements:				
Public safety:				
Capital outlay	2,404	34,988	-	-
Culture and recreation:				
Capital outlay	-	-	-	-
Total disbursements	<u>2,404</u>	<u>34,988</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(2,184)</u>	<u>(3,812)</u>	<u>340</u>	<u>-</u>
Other financing sources:				
Operating transfers in:				
General	3,758	17,499	20,000	2,000
Special Revenue:				
Road Use Tax	-	-	-	-
Local Option Sales Tax	-	-	-	-
Special Contributions	-	-	-	-
Enterprise:				
Water	-	-	-	-
Sewer Rental	-	-	-	-
Electric	-	-	-	-
Total other financing sources	<u>3,758</u>	<u>17,499</u>	<u>20,000</u>	<u>2,000</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements	1,574	13,687	20,340	2,000
Balances beginning of year	<u>19,128</u>	<u>(2,499)</u>	<u>23,502</u>	<u>(10,010)</u>
Balances end of year	<u>\$ 20,702</u>	<u>11,188</u>	<u>43,842</u>	<u>(8,010)</u>

See accompanying independent auditor's report.

Park Equipment and Bike Trail	Garbage Equipment	Street Equipment	Garage Equipment	City Hall Office Equipment	Total
218	73	-	6	-	857
-	-	-	-	-	31,176
74,617	-	-	-	-	74,617
74,617	-	-	-	-	105,793
74,835	73	-	6	-	106,650
-	-	-	-	-	37,392
111,231	-	-	-	-	111,231
111,231	-	-	-	-	148,623
(36,396)	73	-	6	-	(41,973)
-	-	-	-	-	43,257
-	-	5,000	-	-	5,000
-	-	9,116	-	-	9,116
-	1,625	-	-	-	1,625
-	-	-	-	1,000	1,000
-	-	-	-	1,000	1,000
-	-	-	-	1,000	1,000
-	1,625	14,116	-	3,000	61,998
(36,396)	1,698	14,116	6	3,000	20,025
23,352	7,506	69,156	410	(10,551)	119,994
(13,044)	9,204	83,272	416	(7,551)	140,019

Schedule 7

City of Strawberry Point

Schedule of Changes in Individual Special Revenue Fund, Special Contributions Accounts

Year ended June 30, 2003

Account	Balance Beginning of Year	Receipts	Disbursements	Other Financing Sources (Uses)	Balance End of Year
Ambulance	\$ 3,170	4,323	456	-	7,037
Fire Tanker	(134)	6,575	6,016	-	425
Munter Park	8,941	6,698	1,200	-	14,439
Harley Howe Library	2,298	-	-	-	2,298
Millard Library	266	-	-	-	266
Library Capital Improvement	(4,104)	17,970	313	(3,250)	10,303
Swimming Pool	1,294	-	-	-	1,294
Civic Center	12,547	220	170,024	178,801	21,544
Tree Board	1,036	1,133	1,241	-	928
Cass Township Cemetery	-	12,497	9,653	-	2,844
Library Gift	1,961	1,540	1,969	-	1,532
Total	\$ 27,275	50,956	190,872	175,551	62,910

See accompanying independent auditor's report.

City of Strawberry Point

Note Maturities

June 30, 2003

Year Ending June 30,	General Obligation Notes					Total Principal
	Corporate Purpose		Civic Center Improvement and Refunding Notes			
	Issued February 6, 1996		Issued November 1, 2002			
	Interest Rates	Principal	Interest Rates	Principal		
2004	\$	-	2.65%	\$ 50,000	\$ 50,000	
2005		-	3.00	50,000	50,000	
2006	6.50%	11,000	3.30	50,000	61,000	
2007		-	3.60	50,000	50,000	
2008		-	3.85	40,000	40,000	
2009		-	4.10	40,000	40,000	
2010		-	4.30	25,000	25,000	
2011		-	4.50	20,000	20,000	
2012		-	4.60	30,000	30,000	
Total	\$	11,000		\$ 355,000	\$ 366,000	

Year Ending June 30,	Revenue Notes					Total Principal
	Sewer Revenue Note		Electric Revenue Notes			
	Issued September 21, 1999		Issued June 1, 2001			
	Interest Rates	Principal	Interest Rates	Principal		
2004	5.00%	\$ 21,250	4.55%	\$ 65,000	\$ 86,250	
2005	5.00	21,250	4.65	65,000	86,250	
2006		-	4.75	70,000	70,000	
2007		-	4.85	75,000	75,000	
2008		-	4.90	75,000	75,000	
2009		-	5.00	80,000	80,000	
2010		-	5.10	85,000	85,000	
2011		-	5.15	745,000	745,000	
2012		-		-	-	
Total	\$	42,500		\$ 1,260,000	\$ 1,302,500	

See accompanying independent auditor's report.

City of Strawberry Point



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

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David A Vaudt, CPA
Auditor of State

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 Strawberry Point, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated April 14, 2004. Our report, which was prepared in conformity with an other comprehensive basis of accounting, expressed a qualified opinion on the financial statements 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 Strawberry Point's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 Strawberry Point'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 items (2), (5) and (12).

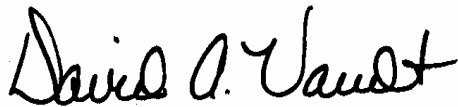
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Strawberry Point'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 Strawberry Point'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.

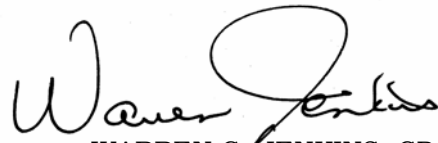
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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 item (A) is a material weakness. Prior audit reportable conditions have been resolved except for item (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 Strawberry Point and other parties to whom the City of Strawberry Point 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 Strawberry Point 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

April 14, 2004

City of Strawberry Point
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 accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. For the City, one of two individuals has control over each of the following areas:

- (1) Receipts–collecting, depositing, journalizing, posting and reconciling.
- (2) Disbursements–check writing, signing and reconciling.
- (3) Utilities–billing, collecting and posting.
- (4) Payroll–preparation and distribution.

For the Strawberry Point Firemen’s Association (Firemen’s Association) one individual has control over each of the following areas:

- (1) Receipts–collecting, depositing, posting and reconciling.
- (2) Disbursements–preparing, recording and reconciling.

Recommendation– We realize segregation of duties is difficult with a limited number of office employees. However, the City and the Firemen’s Association should review their operating procedures to obtain the maximum internal control possible under the circumstances.

Response– It is difficult in a two person office to segregate duties. We will make every effort to segregate as much as we can. One of the changes we have made is requiring two signatures on all checks written. We also have the treasurer review the entire bank statement. We also asked the bank to start sending photo copies of both the front and back of the checks that have cleared.

Conclusion–Response accepted.

- (B) 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 for staff members and officials.
- (2) Help streamline accounting operations by achieving uniformity in accounting and in the application of policies and procedures.

City of Strawberry Point

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- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.
- (4) Help preserve the key elements in the government's internal control.
- (5) Increase effectiveness and efficiency.

Response – We will make every effort to create an accounting policies and procedures manual and keep it up to date.

Conclusion–Response accepted.

- (C) Information System – The following weaknesses in the City's information systems were noted:

The City does not have written policies for:

- (1) Requiring password changes because software does not require the user to change logins/passwords periodically.
- (2) Requiring a timeout and/or logoff function or a screensaver password to protect a terminal if left unattended.
- (3) Restricting access to office computers.
- (4) Storage of backup tapes/disks off site.
- (5) Use of internet.
- (6) Disaster recovery plan.

Recommendation – The City should develop written policies addressing the above items in order to improve the City's control over information systems.

Response – The City will develop written policies addressing the above items to improve control over computer based systems.

Conclusion–Response accepted.

- (D) Records of Accounts – The Strawberry Point Public Library (Library) maintains the accounting records pertaining to donations and memorials for the Library. These transactions and the resulting balances are not recorded in the Clerk's records. Chapter 384.20 of the Code of Iowa states in part that a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose.

Also, the Firemen's Association maintained the Association checking and savings account records separate from the Clerk's records. The transactions and the resulting balances were not reported to the Council each month and the transactions were not recorded in the Clerk's records.

City of Strawberry Point

Schedule of Findings

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Additionally, prenumbered receipts were not issued, paid invoices or other supporting documentation were not always properly canceled and accounting records did not facilitate the classification of receipts or disbursements by source and object, respectively.

Recommendation – Monthly Firemen’s Association and Library account financial transactions should be included in the Clerk’s monthly financial reports. Internal control could be strengthened and operating efficiency could be increased by integrating the account receipts and disbursements with the City accounting records in the Clerk’s office.

If the Firemen’s Association account receipts and disbursements are not integrated with the City accounting records, the Firemen’s Association should segregate accounting duties to the extent possible, require the issuance of prenumbered receipts for all collections, cancel all invoices or other appropriate documentation in a manner to help prevent possible duplicate payments and accounting records should facilitate the classification of receipts and disbursements by source and object, respectively.

Response – We will begin including all Library financial activity in the City’s financial records. We will also begin including all Firemen’s Association records with the Clerk’s report each month. We are implementing procedures for the Firemen’s Association to report their financial activity to the Clerk each month.

Conclusion–Response accepted.

(E) 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–We will begin to keep detailed records of all investment transactions by fund which will include the investment number, purchase date, interest rate, redemption date and the amount of principal and interest received.

Conclusion–Response accepted.

City of Strawberry Point

Schedule of Findings

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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 not was exceeded during the year ended June 30, 2003.
- (2) Certified Budget – Disbursements during the year ended June 30, 2003 exceeded the amounts budgeted in the debt service and capital projects functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should be amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

Response – We will make every effort to ensure the budget is amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa.

Conclusion – Response accepted.

- (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 – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Beth Corell, part time office help, husband, mother and brother own Cordes oil	Tank decals	\$ 14
Karen Munter, Deputy Clerk, and Thomas Munter, Treasurer, owners of Munter's True Value	Parts and supplies	4,531

In accordance with Chapter 362.5(11) of the Code of Iowa, the above transaction with the part time office help does not appear to represent a conflict of interest since the cumulative amount was less than \$2,500 during the fiscal year.

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with Karen and Thomas Munter may represent conflicts of interest since total transactions for these individuals was greater than \$2,500 during the fiscal year.

City of Strawberry Point

Schedule of Findings

Year ended June 30, 2003

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

Response– In a small town it is very difficult to prevent related party purchases. The City will make every effort to avoid these transactions.

Conclusion – Response acknowledged. The City should consult legal counsel to determine the disposition of this matter.

- (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– Except as noted, no transactions were found that we believe should have been approved in the Council minutes but were not.

Although certain transfers were approved through the certified budget or Council resolutions, certain other transfers were not approved in the minutes record.

The City did not publish annual gross salaries in accordance with an Attorney General's opinion dated April 12, 1978 and Chapter 372.13(6) of the Code of Iowa.

Certain minutes of the Council meetings were not signed as required by Chapter 380.7 of the Code of Iowa.

Recommendation – The Council should insure all transfers are approved through the certified budget, resolutions or minutes record. Also, the City should publish annual individual salaries to comply with Chapter 372.13 of the Code of Iowa and the minutes should be signed.

Response – We will make every effort to ensure transfers are approved through the certified budget, resolutions or minutes record. We will also make sure to publish the annual individual salaries as required and will ensure all minutes are properly signed.

Conclusion–Response accepted.

- (8) Deposits and Investments – No instances of noncompliance 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) Electric Revenue Notes–The City has not established electric reserve and improvement accounts which are required by the note resolution.

Recommendation – The City should establish the required accounts and make the necessary transfers as required by the note resolution.

Response – The City will establish the required accounts and make the necessary transfers as required by the revenue note resolution. We will also review the resolution periodically to ensure the required transfers are being made.

Conclusion–Response accepted.

City of Strawberry Point

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Year ended June 30, 2003

- (10) Electronic Check Retention – Chapter 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 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 are now obtaining images of both the front and back of all checks.

Conclusion – Response accepted.

- (11) Annual Financial Report – The City prepared the annual financial report for the fiscal year ending June 30, 2003. However, the report was not filed by December 1, 2003 as required by Chapter 384.22 of the Code of Iowa. There were also several errors noted on the annual financial report.

Recommendation – The Annual Financial Report should be completed and filed as required by Chapter 384.22 of the Code of Iowa.

Response – We will make every effort to have the annual financial report filed timely and will ensure its accuracy.

Conclusion – Response accepted.

- (12) Financial Condition – At June 30, 2003, the City had deficit balances in certain accounts as follows:

<u>Fund/Account</u>	<u>Amount</u>
Capital Projects:	
Housing Rehabilitation	\$ (949)
Streetscape Project	(32,709)
Internal Service:	
Swimming Pool Equipment	(8,010)
Park Equipment and Bike Trail	(13,044)
City Hall Office Equipment	(7,551)

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

Response – The City will investigate alternatives to eliminate these deficits and return them to a sound financial position.

Conclusion – Response accepted.

City of Strawberry Point

Schedule of Findings

Year ended June 30, 2003

- (13) Refunding Notes – The public notice for the meeting to approve the Civic Center loan agreement was not published within 10 days before the meeting was held and there was no indication in the notice of the right of the public to petition for an election.

Recommendation – The City should comply with Chapter 384.26(5)(a) of the Code of Iowa for public notice requirements.

Response – The City will make every effort in the future to comply with public notice requirements.

Conclusion – Response accepted.

- (14) City Code – The City last had its City Code recodified in 1997. Chapter 380.8 of the Code of Iowa states in part, at least once every five years, a City shall compile a code of ordinances containing all of the City ordinances in effect, except grade ordinances, bond ordinances, zoning ordinances and ordinances vacating streets and alleys.

Recommendation – The City should have its City Code recodified as required by the Code of Iowa.

Response – The City has had the City Attorney prepare a rough draft codification and will make that a priority to get it completed as soon as possible.

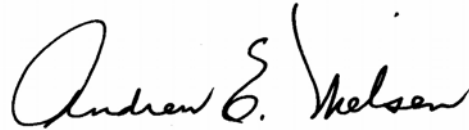
Conclusion – Response accepted.

City of Strawberry Point

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager
Billie Jo Heth, Staff Auditor
Daniel L. Grady, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and a distinct 'E'.

Andrew E. Nielsen, CPA
Deputy Auditor of State