



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

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Auditor of State

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**NEWS RELEASE**

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FOR RELEASE \_\_\_\_\_ August 11, 2015 \_\_\_\_\_

Auditor of State Mary Mosiman today released a reaudit report on the City of Dike for the year ended June 30, 2010. The reaudit also covered certain items applicable to prior and subsequent fiscal years. The reaudit was performed at the request of an elected City official pursuant to section 11.6(4)(a)(2) of the *Code of Iowa*.

The reaudit report included a recommendation to the City to consult legal counsel regarding certain costs reimbursed to the developer of the Fox Ridge Addition project.

A copy of the reaudit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1021-0355-T00Z.pdf>.

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**CITY OF DIKE**  
**AUDITOR OF STATE'S REPORT ON REAUDIT**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2010**

## Table of Contents

	<u>Page</u>
Officials	3
Auditor of State's Report on Reaudit	5
Detailed Finding:	
Fox Ridge Development Agreement	7
Staff	8

**City of Dike**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b><u>(Before January 2010)</u></b>		
Donald E. Knudsen	Mayor	Jan 2010
Stan Van Hauen	Mayor Pro tem	Jan 2012
James Boike	Council Member	Jan 2010
Larry Dufel	Council Member	Jan 2010
Timothy Stage	Council Member	Jan 2010
Jack Emkes	Council Member	Jan 2012
Patti Freese	City Clerk	Indefinite
Ann Hilliard	Deputy Clerk/Treasurer	Indefinite
Gary N. Jones	Attorney	Indefinite
<b><u>(After January 2010)</u></b>		
Michael Soppe	Mayor	Jan 2012
Stan Van Hauen	Mayor Pro tem	Jan 2012
Jack Emkes	Council Member	(Resigned)
Michael Weichers (Appointed)	Council Member	Jan 2012
Nicholas Cleveland	Council Member	Jan 2014
Chad Cutsforth	Council Member	Jan 2014
Wayne Paige	Council Member	Jan 2014
Patti Freese	City Clerk	Indefinite
Ann Hilliard	Deputy Clerk/Treasurer	Indefinite
Gary N. Jones	Attorney	Indefinite

**City of Dike**



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Auditor of State's Report on Reaudit


To the Honorable Mayor  
and Members of the City Council:


We received a request to perform a reaudit of the City of Dike in accordance with section 11.6(4)(a)(2) of the *Code of Iowa*. As a result, we performed a review of the audit report for the year ended June 30, 2010 and the related workpapers to determine whether the audit addressed any or all of the specific issues identified in the request for reaudit. Based on this review and our review of the information available, we determined a partial reaudit was necessary to further investigate specific issues identified in the request for reaudit. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City for the year ended June 30, 2010. We also inquired and performed procedures for certain items applicable to prior and subsequent fiscal years, as necessary. The procedures we performed are summarized as follows:

1. Reviewed the Fox Ridge development agreement, including amendments, to determine if the agreement allowed the City to reimburse the developer for costs related to construction of a golf course.
2. Discussed the scope of Project A and Project B described in the development agreement with City officials, the former City Engineer and the vendor who performed the grading work.
3. Examined invoices provided to the City by the developer to determine if they included costs related to a golf course.
4. Examined rebate payments made by the City to the developer to determine whether the payments exceeded the authorized amounts.
5. Reviewed the payments made by the developer to the City for low to moderate income (LMI) promissory notes the developer provided to the City for sufficiency.

Based on the performance of these procedures, we identified a recommendation for the City. Our recommendation is described in the Detailed Finding of this report. Unless reported in the Detailed Finding of this report, items of non-compliance were not identified during the performance of the specific procedures listed above.

The procedures described above do not constitute an audit of financial statements made in accordance with U.S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of the City of Dike, additional matters might have come to our attention that would have been reported to you. We would like to acknowledge the assistance extended to us by personnel of the City of Dike during the course of the reaudit.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

July 29, 2015

## **Detailed Finding**



City of Dike  
Detailed Finding  
July 1, 2009 through June 30, 2010

Fox Ridge Development Agreement – In 1997, the City entered into a Tax Increment Financing Development Agreement (Agreement) for the Fox Ridge Addition Project. The Agreement included two projects, referred to as “Project A” and “Project B”.

Exhibit B of the Agreement describes Projects A and B as follows:

“Project A shall consist of:

1. Sanitary sewer improvements to connect from the manhole at the east end of Daisy Street to the Urban Renewal Area defined in Area A in Exhibit A, and
2. Grading, paving, sanitary sewer, water main, storm sewer and appurtenances constructed in the Urban Renewal Area defined in Area A in Exhibit A and in accordance with the City’s Subdivision Ordinance, and
3. Residential lots, a nine-hole golf course, and related facilities constructed in the Urban Renewal Area defined in Area A in Exhibit A.

Project B shall consist of:

1. Grading, paving, sanitary sewer, water main, storm sewer and appurtenances constructed in the Urban Renewal Area defined in Area B in Exhibit A and in accordance with the City’s Subdivision Ordinance, and
2. Residential lots and a nine-hole golf course constructed in the Urban Renewal Area defined in Area B in Exhibit A.”

Based on discussions with the City and the former City Engineer, the intent of the City and the developer was not to include construction of a golf course in the costs of the projects, even though the Agreement describes the project as including a golf course.

We reviewed the invoices totaling \$2,220,567 for Project A and \$1,311,666 for Project B provided to the City by the developer to determine if the invoices included costs for construction of a golf course. The invoices related to engineering and construction costs. The construction costs were paid based on progress estimates of the work completed, which included an itemized description of the work. We identified line items for grading totaling \$247,800 and seed/fertilizer/mulch totaling \$7,225 which could include costs related to a golf course. However, the detail of the invoices was not sufficient to determine if these line items related to construction of City infrastructure or a golf course.

We interviewed a representative from the construction company responsible for performing the grading work to determine the scope of the work performed. The representative indicated the grading work included costs for grading a golf course, although the amount of such costs is not separately determinable.

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

Response – We will consult legal counsel.

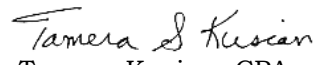
Conclusion – Response accepted.

City of Dike

Staff

This reaudit was performed by:

Donna F. Kruger, CPA, Manager  
Stephen J. Hoffman, Senior Auditor

  
Tamera Kusian, CPA  
Deputy Auditor of State