



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE July 21, 2003

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515/281-5515

Auditor of State David A. Vaudt today released an audit report on the City of Dexter, Iowa for the year ended June 30, 2002.

Vaudt reported that the City's receipts totaled \$636,353 for the year ended June 30, 2002. The receipts included \$106,468 in property tax, \$141,114 in tax increment financing receipts, \$68,953 from the state, \$234,505 in charges in service and \$16,015 in interest on investments.

Disbursements for the year totaled \$581,755, and included \$120,024 for community protection, \$62,153 for human development, \$324,700 for home and community environment and \$74,878 for policy and administration.

This report contains recommendations to the City Council and other City officials. For example, duties among employees should be segregated to prevent individual employees from handling duties which are incompatible.

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 DEXTER
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2002

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Financial Statements:	<u>Exhibit</u>	
Combined Statement of Cash Transactions – All Fund Types	A	8-9
Comparison of Receipts, Disbursements and Changes in Balances – Actual to Budget	B	10-11
Statement of Indebtedness	C	12-13
Notes to Financial Statements		14-19
Supplemental Information:	<u>Schedule</u>	
Combining and Individual Schedules of Cash Transactions:		
General Fund	1	22-27
Special Revenue Funds	2	28-31
Debt Service Fund	3	32
Capital Projects Funds	4	33
Enterprise Funds	5	34-37
Trust Fund	6	39
Bond and Note Maturities	7	40-41
Independent Auditor’s Report on Compliance and on Internal Control over Financial Reporting		43-44
Schedule of Findings		45-52
Staff		53

City of Dexter

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2002)		
Jerry Stiles	Mayor	Jan 2004
Dixie Simpson	Council Member	Jan 2002
Jerry Smith	Council Member	Jan 2002
Bob Waite	Council Member	Jan 2002
Kris Vasey	Council Member	Jan 2004
Gregg Wahman	Council Member	Jan 2004
Denise Miller	Clerk/Treasurer	Indefinite
Dean Nelson	Attorney	Indefinite
(After January 2002)		
Jerry Stiles	Mayor	Jan 2004
Kris Vasey	Council Member	Jan 2004
Gregg Wahman	Council Member	Jan 2004
Bob Schirm	Council Member	Jan 2006
Dixie Simpson	Council Member	Jan 2006
Bob Willeke	Council Member	Jan 2006
Denise Miller	Clerk/Treasurer	Indefinite
Dean Nelson	Attorney	Indefinite

City of Dexter



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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 Dexter, Iowa, as of and for the year ended June 30, 2002. These financial statements are the responsibility of the City of Dexter'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, 2001.

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, 2001, 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 Dexter as of and for the year ended June 30, 2002, and its indebtedness at June 30, 2002, on the basis of accounting described in note 1.

As described in note 11, at June 30, 2002, corrective transfers of \$110,551 from the General Fund, General Account to the Special Revenue Fund, Tax Increment Financing Account have not been made.

In accordance with Government Auditing Standards, we have also issued our report dated April 7, 2003 on our consideration of the City of Dexter'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 7 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, 2001, 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 7, 2003

City of Dexter

City of Dexter
 Combined Statement of Cash Transactions
 All Fund Types
 Year ended June 30, 2002

	Governmental Fund	
	General	Special Revenue
Receipts:		
Property tax	\$ 80,035	21,377
Tax increment financing collections	-	141,114
Other city tax	5,412	1,348
Licenses and permits	1,703	-
Use of money and property	16,424	31
Intergovernmental	27,240	55,059
Charges for service	823	-
Miscellaneous	12,491	24,334
Total receipts	144,128	243,263
Disbursements:		
Community Protection Program	68,140	51,884
Human Development Program	44,310	5,454
Home and Community Environment Program	5,927	77,645
Policy and Administration Program	63,863	11,015
Total disbursements	182,240	145,998
Excess (deficiency) of receipts over (under) disbursements	(38,112)	97,265
Other financing sources (uses):		
Operating transfers in	1,212	-
Operating transfers out	(1,212)	-
Total other financing sources (uses)	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(38,112)	97,265
Balance beginning of year	88,469	30,150
Balance end of year	\$ 50,357	127,415

See notes to financial statements.

Types		Proprietary	Fiduciary	Total
Debt	Capital	Fund Type	Fund Type	(Memorandum
Service	Projects	Enterprise	Trust	Only)
-	5,056	-	-	106,468
-	-	-	-	141,114
-	318	-	-	7,078
-	-	-	-	1,703
-	-	-	1,200	17,655
-	-	-	-	82,299
-	-	233,682	-	234,505
-	-	8,706	-	45,531
-	5,374	242,388	1,200	636,353
-	-	-	-	120,024
-	12,389	-	-	62,153
-	-	241,128	-	324,700
-	-	-	-	74,878
-	12,389	241,128	-	581,755
-	(7,015)	1,260	1,200	54,598
-	-	88,296	-	89,508
-	-	(88,296)	-	(89,508)
-	-	-	-	-
-	(7,015)	1,260	1,200	54,598
4,153	34,689	167,238	33,143	357,842
4,153	27,674	168,498	34,343	412,440

City of Dexter

Comparison of Receipts, Disbursements and Changes in Balances -

Actual to Budget

Year ended June 30, 2002

	<u>Actual</u>	<u>Less Funds not Required to be Budgeted</u>
Receipts:		
Property tax	\$ 106,468	-
Tax increment financing collections	141,114	-
Other city tax	7,078	-
Licenses and permits	1,703	-
Use of money and property	17,655	1,231
Intergovernmental	82,299	-
Charges for service	234,505	-
Miscellaneous	45,531	24,334
Total receipts	<u>636,353</u>	<u>25,565</u>
Disbursements:		
Community Protection Program	120,024	7,316
Human Development Program	62,153	3,901
Home and Community Environment Program	324,700	-
Policy and Administration Program	74,878	-
Total disbursements	<u>581,755</u>	<u>11,217</u>
Excess (deficiency) of receipts over (under) disbursements	54,598	14,348
Balance beginning of year	<u>357,842</u>	<u>48,625</u>
Balance end of year	<u>\$ 412,440</u>	<u>62,973</u>

See notes to financial statements.

Net	Amended Budget	Variance Favorable (Unfavorable)	Net as % of Amended Budget
106,468	106,039	429	100%
141,114	133,929	7,185	105%
7,078	6,843	235	103%
1,703	1,196	507	142%
16,424	17,000	(576)	97%
82,299	79,778	2,521	103%
234,505	226,865	7,640	103%
21,197	7,473	13,724	284%
<u>610,788</u>	<u>579,123</u>	<u>31,665</u>	<u>105%</u>
112,708	93,824	(18,884)	120%
58,252	48,802	(9,450)	119%
324,700	379,675	54,975	86%
74,878	62,381	(12,497)	120%
<u>570,538</u>	<u>584,682</u>	<u>14,144</u>	<u>98%</u>
40,250	(5,559)		
<u>309,217</u>	<u>334,078</u>		
<u><u>349,467</u></u>	<u><u>328,519</u></u>		

City of Dexter
Statement of Indebtedness
Year ended June 30, 2002

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Street/sewer/water improvements	Jul 1, 1995	5.25%	\$ 120,000
Revenue bonds:			
Water	Jul 8, 1975	5.00%	\$ 399,000
Revenue notes:			
Sewer	Jan 19, 1996	5.00%	\$ 225,000
Sewer	Jan 19, 1996	5.00	116,500
Sewer	Dec 9, 1999	4.375	678,200
Total			

See notes to financial statements.

Balance Beginning of Year	Redeemed During Year	Balance End of Year	Interest Paid
70,000	10,000	60,000	3,675
240,000	10,000	230,000	12,000
218,544	3,432	215,112	9,909
113,157	1,777	111,380	5,131
678,200	-	678,200	29,065
<u>\$ 1,009,901</u>	<u>5,209</u>	<u>1,004,692</u>	<u>44,105</u>

City of Dexter

Notes to Financial Statements

June 30, 2002

(1) Summary of Significant Accounting Policies

The City of Dexter is a political subdivision of the State of Iowa located in Dallas County. It was first incorporated in 1871 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, recreation, public improvements and general administrative services.

A. Reporting Entity

For financial reporting purposes, the City of Dexter has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Dexter (the primary government) and its component units. These component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Blended Component Units

The Dexter Community House is legally separate from the City but is so intertwined with the City that it is, in substance, part of the City. The Dexter Community House was established pursuant to local ordinance and is organized under Chapter 504A of the Code of Iowa as a non-profit corporation. The Association collects donations which are used to purchase items which are not included in the City's budget. The financial transactions have been reported as a Special Revenue Fund of the City.

The Dexter Fire and Rescue Association is legally separate from the City but is so intertwined with the City that it is, in substance, part of the City. The Dexter Fire and Rescue Association was established pursuant to local ordinance and is organized under Chapter 504A of the Code of Iowa as a non-profit corporation. The Association collects donations which are used to purchase items which are not included in the City's budget. The financial transactions have been reported as a Special Revenue Fund of the City.

Jointly Governed Organizations

The City participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following boards and commission: Dallas County Assessor's Conference Board, Dallas County Joint E911 Service Board and Dallas County Emergency Management Commission.

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 fund 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 Fund is 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.

Fiduciary Fund

Trust Fund – The Trust Fund is utilized to account for monies and properties received and held by the City in a trustee capacity. This includes a Non-Expendable Trust Fund.

C. Basis of Accounting

The City of Dexter 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, except the non-expendable trust fund and the blended component units. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon four major classes of disbursements, known as programs, not by fund. These four programs are community protection, human development, home and community environment and policy and administration.

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

City deposits in banks of \$302,375 at June 30, 2002 were not 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 No. 3.

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Notes		Revenue Bonds		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 15,000	3,150	15,000	11,500	11,181	45,996	41,181	60,646
2004	15,000	2,363	10,000	10,750	11,694	45,483	36,694	58,596
2005	15,000	1,575	15,000	10,250	12,232	44,945	42,232	56,770
2006	15,000	788	15,000	9,500	12,794	44,383	42,794	54,671
2007	-	-	15,000	8,750	13,382	43,795	28,382	52,545
2008	-	-	20,000	8,000	13,998	43,179	33,998	51,179
2009	-	-	15,000	7,000	14,642	42,535	29,642	49,535
2010	-	-	20,000	6,250	15,315	41,862	35,315	48,112
2011	-	-	20,000	5,250	16,019	41,158	36,019	46,408
2012	-	-	20,000	4,250	16,757	40,420	36,757	44,670
2013	-	-	20,000	3,250	17,528	39,650	37,528	42,900
2014	-	-	20,000	2,250	18,335	38,842	38,335	41,092
2015	-	-	25,000	1,250	19,179	37,998	44,179	39,248
2016	-	-	-	-	20,062	37,115	20,062	37,115
2017	-	-	-	-	20,986	36,191	20,986	36,191
2018	-	-	-	-	21,953	35,224	21,953	35,224
2019	-	-	-	-	22,963	34,214	22,963	34,214
2020	-	-	-	-	24,022	33,155	24,022	33,155
2021	-	-	-	-	25,129	32,047	25,129	32,047
2022	-	-	-	-	26,288	30,889	26,288	30,889
2023	-	-	-	-	27,500	29,677	27,500	29,677
2024	-	-	-	-	28,768	28,409	28,768	28,409
2025	-	-	-	-	30,095	27,082	30,095	27,082
2026	-	-	-	-	31,483	25,694	31,483	25,694
2027	-	-	-	-	32,936	24,240	32,936	24,240
2028	-	-	-	-	34,456	22,721	34,456	22,721
2029	-	-	-	-	36,047	21,130	36,047	21,130
2030	-	-	-	-	37,711	19,467	37,711	19,467
2031	-	-	-	-	39,452	17,725	39,452	17,725
2032	-	-	-	-	41,275	15,902	41,275	15,902
2033	-	-	-	-	43,181	13,996	43,181	13,996
2034	-	-	-	-	45,176	12,001	45,176	12,001
2035	-	-	-	-	47,264	9,913	47,264	9,913
2036	-	-	-	-	42,105	7,729	42,105	7,729
2037	-	-	-	-	31,119	5,809	31,119	5,809
2038	-	-	-	-	32,481	4,447	32,481	4,447
2039	-	-	-	-	33,902	3,026	33,902	3,026
2040	-	-	-	-	35,282	1,544	35,282	1,544
	<u>\$ 60,000</u>	<u>7,876</u>	<u>230,000</u>	<u>88,250</u>	<u>1,004,692</u>	<u>1,079,593</u>	<u>1,294,692</u>	<u>1,175,719</u>

The Code of Iowa requires that principal and interest on general obligation debt be paid from the Debt Service Fund. However, during the year, \$10,000 of note principal and \$3,675 of note interest was paid from the Special Revenue Fund, Tax Increment Financing Account.

The resolution providing for the issuance of the revenue bonds and notes includes the following provisions:

- (a) The bonds and notes will only be redeemed from the future earnings of the enterprise activity and the bond and note holders hold a lien on the future earnings of the funds.

- (b) Sufficient monthly transfers shall be made to the water and sewer revenue sinking accounts for the purpose of making the bond and note principal and interest payments when due.
- (c) Water and sewer reserve accounts shall be established with a specific established balance. These accounts are restricted for the purpose of paying for principal and interest when funds in the sinking accounts are inadequate.

The City has established the required sinking and reserve accounts. However, the deficit balance in the Water Fund appears to violate provisions of the water revenue bond resolution providing that the bonds are payable solely and only from the net earnings of the enterprise. Also, interest on the 1999 sewer revenue notes was paid from the Enterprise Fund, Sewer Rental Account instead of the Enterprise Fund, Sewer Revenue Note Sinking Account.

(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 salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2002 was \$7,058, equal to the required contribution for the year.

(5) Settlement Agreement

In September 1996, the City entered into a settlement agreement with the South Dallas County Landfill Agency. The settlement resolved a dispute between the parties concerning the City's obligation to pay for closure/postclosure care costs of the Agency. The agreement requires annual payments to be made on or before December 1 of each year. The City's remaining balance at June 30, 2002 was \$34,113, payable in installments of \$1,422 per year until 2025.

(6) Compensated Absences

City employees accumulate 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 time payable to employees at June 30, 2002, primarily relating to the General Fund, is \$2,000. This liability has been computed based on rates of pay in effect at June 30, 2002.

(7) Risk Management

The City of Dexter is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Development Agreement

The City has entered into a development agreement with GRAINCO for an urban renewal project. The agreement requires the City to rebate 45% of the incremental taxes paid by the developer in exchange for the construction of buildings and certain infrastructure improvements made by the developer. The amount paid by the City under the agreement for the fiscal year ended June 30, 2002 was \$7,752.

(9) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the program level. During the year ended June 30, 2002, disbursements in the Community Protection, Human Development and Policy and Administration Programs exceeded the amounts budgeted.

(10) Deficit Fund Balance

The Enterprise Fund, Water Account had a deficit balance of \$88,367 at June 30, 2002. The deficit balance was the result of improvements paid for from this account. The deficit will be eliminated by the use of TIF revenue in the qualifying TIF districts.

(11) Corrective Transfers

At June 30, 2002, the following corrective fund transfers had not been made by the City:

Funds		Amount
Transfers In	Transfers Out	
Special Revenue:	General:	
Tax Increment Financing	General	\$ 110,551

(12) Commitments and Subsequent Events

During the year ended June 30, 2002, the City entered into construction contracts totaling \$154,260 for street and roof replacement projects. At June 30, 2002, no payments had been made on these contracts.

In September 2002, the City entered into a contract for \$13,500 for the Maple Street water line extension, and in March 2003, the City entered into a contract for \$351,123 for the Marshall Street project. In February 2003, the City issued \$540,000 in general obligation notes to pay for these projects.

City of Dexter

Supplemental Information

City of Dexter
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2002

	General	Knight Estate
Receipts:		
Property tax	\$ 80,035	-
Other city tax:		
Cable franchise fee	438	-
Utility tax replacement excise tax	4,974	-
	<u>5,412</u>	<u>-</u>
Licenses and permits	<u>1,703</u>	<u>-</u>
Use of money and property:		
Interest on investments	15,984	-
Cemetery lots	360	-
Rent	80	-
	<u>16,424</u>	<u>-</u>
Intergovernmental:		
State allocation	10,396	-
Bank franchise tax	991	-
Library grant	1,878	-
County library	4,634	-
Open access grant	-	-
Rural fire/rescue contracts	8,712	-
	<u>26,611</u>	<u>-</u>
Charges for service:		
Property liens	735	-
Miscellaneous	88	-
	<u>823</u>	<u>-</u>
Miscellaneous:		
Refunds and reimbursements	402	-
Sale of equipment	2,713	-
Fines	585	-
Insurance claim	3,500	-
Donations and contributions	4,811	-
Miscellaneous	125	-
	<u>12,136</u>	<u>-</u>
Total receipts	<u>143,144</u>	<u>-</u>

Claire V. Golden Trust	Clell F. Hoy Trust	Library	Total
-	-	-	80,035
-	-	-	438
-	-	-	4,974
-	-	-	5,412
-	-	-	1,703
-	-	-	15,984
-	-	-	360
-	-	-	80
-	-	-	16,424
-	-	-	10,396
-	-	-	991
-	-	-	1,878
-	-	-	4,634
-	-	629	629
-	-	-	8,712
-	-	629	27,240
-	-	-	735
-	-	-	88
-	-	-	823
-	-	-	402
-	-	-	2,713
-	-	-	585
-	-	-	3,500
-	-	355	5,166
-	-	-	125
-	-	355	12,491
-	-	984	144,128

City of Dexter
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2002

	General	Knight Estate
Disbursements:		
Community Protection Program:		
Police:		
Personal services	30,046	-
Contractual services	815	-
Commodities	6,504	-
	<u>37,365</u>	<u>-</u>
Fire:		
Contractual services	1,585	-
Commodities	4,518	-
Capital outlay	5,148	-
	<u>11,251</u>	<u>-</u>
Rescue:		
Contractual services	4,082	-
Commodities	3,137	-
Capital outlay	1,930	-
	<u>9,149</u>	<u>-</u>
Traffic control	<u>338</u>	<u>-</u>
Street lights	<u>10,037</u>	<u>-</u>
	<u>68,140</u>	<u>-</u>
Human Development Program:		
Library:		
Personal services	11,496	-
Contractual services	1,824	-
Commodities	3,781	-
Capital outlay	7,173	-
	<u>24,274</u>	<u>-</u>
Library Hall:		
Personal services	576	-
Commodities	1,852	-
	<u>2,428</u>	<u>-</u>
Park :		
Contractual services	123	-
Commodities	852	-
	<u>975</u>	<u>-</u>
Museum:		
Contractual services	1,470	-
Capital outlay	13,342	-
	<u>14,812</u>	<u>-</u>

Claire V. Golden Trust	Clell F. Hoy Trust	Library	Total
-	-	-	30,046
-	-	-	815
-	-	-	6,504
-	-	-	37,365
-	-	-	1,585
-	-	-	4,518
-	-	-	5,148
-	-	-	11,251
-	-	-	4,082
-	-	-	3,137
-	-	-	1,930
-	-	-	9,149
-	-	-	338
-	-	-	10,037
-	-	-	68,140
-	-	-	11,496
-	-	-	1,824
-	-	808	4,589
-	-	-	7,173
-	-	808	25,082
-	-	-	576
-	-	-	1,852
-	-	-	2,428
-	-	-	123
-	-	-	852
-	-	-	975
-	-	-	1,470
-	-	-	13,342
-	-	-	14,812

City of Dexter
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2002

	General	Knight Estate
Disbursements (continued):		
Human Development Program:		
Animal control:		
Commodities	1,013	-
	43,502	-
Home and Community Environment Program:		
Cemetery:		
Contractual services	5,533	-
Commodities	23	-
	5,556	-
Storm sewers:		
Contractual services	371	-
	5,927	-
Policy and Administration Program:		
Personal services	15,586	-
Contractual services	37,557	-
Commodities	7,120	-
Capital outlay	3,600	-
	63,863	-
Total disbursements	181,432	-
Excess (deficiency) of receipts over (under) disbursements	(38,288)	-
Other financing sources (uses):		
Operating transfers in (out):		
General:		
General	-	-
Clell F. Hoy Trust	(1,212)	-
Total other financing sources (uses)	(1,212)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(39,500)	-
Balance beginning of year	54,561	29,116
Balance end of year	\$ 15,061	29,116

See accompanying independent auditor's report.

Claire V. Golden Trust	Clell F. Hoy Trust	Library	Total
-	-	-	1,013
-	-	808	44,310
-	-	-	5,533
-	-	-	23
-	-	-	5,556
-	-	-	371
-	-	-	5,927
-	-	-	15,586
-	-	-	37,557
-	-	-	7,120
-	-	-	3,600
-	-	-	63,863
-	-	808	182,240
-	-	176	(38,112)
-	1,212	-	1,212
-	-	-	(1,212)
-	1,212	-	-
-	1,212	176	(38,112)
3,566	843	383	88,469
3,566	2,055	559	50,357

City of Dexter
Combining Schedule of Cash Transactions
Special Revenue Funds
Year ended June 30, 2002

	Road Use Tax	Employee Benefits
Receipts:		
Property tax	\$ -	21,377
Tax increment financing collections	-	-
Other city tax:		
Utility tax replacement excise tax	-	1,348
Use of money and property:		
Interest on investments	-	-
Intergovernmental:		
Road use tax allocation	55,059	-
Miscellaneous:		
Donations and contributions	-	-
Total receipts	55,059	22,725
Disbursements:		
Community Protection Program:		
Personal services	-	3,607
Commodities	-	-
Capital outlay	-	-
	-	3,607
Human Development Program:		
Personal services	-	1,553
Commodities	-	-
Capital outlay	-	-
	-	1,553

Tax Increment Financing	Dexter Community House	Dexter Fire and Rescue Association	Total
-	-	-	21,377
141,114	-	-	141,114
-	-	-	1,348
-	6	25	31
-	-	-	55,059
-	10,016	14,318	24,334
141,114	10,022	14,343	243,263
-	-	-	3,607
-	-	2,316	2,316
40,961	-	5,000	45,961
40,961	-	7,316	51,884
-	-	-	1,553
-	962	-	962
-	2,939	-	2,939
-	3,901	-	5,454

City of Dexter
Combining Schedule of Cash Transactions
Special Revenue Funds
Year ended June 30, 2002

	Road Use Tax	Employee Benefits
Disbursements (continued):		
Home and Community Environment Program:		
Personal services	16,948	-
Contractual services	20,086	-
Commodities	9,853	-
Capital outlay	10,325	-
Debt service:		
Principal redeemed	-	-
Interest paid	-	-
	57,212	-
Policy and Administration Program:		
Personal services	-	1,841
Professional services	-	-
Development agreement rebate	-	-
	-	1,841
Total disbursements	57,212	7,001
Excess (deficiency) of receipts over (under) disbursements	(2,153)	15,724
Balance beginning of year	14,426	242
Balance end of year	\$ 12,273	15,966

See accompanying independent auditor's report.

Tax Increment Financing	Dexter Community House	Dexter Fire and Rescue Association	Total
-	-	-	16,948
5,100	-	-	25,186
-	-	-	9,853
1,658	-	-	11,983
10,000	-	-	10,000
3,675	-	-	3,675
20,433	-	-	77,645
-	-	-	1,841
1,422	-	-	1,422
7,752	-	-	7,752
9,174	-	-	11,015
70,568	3,901	7,316	145,998
70,546	6,121	7,027	97,265
-	1,513	13,969	30,150
70,546	7,634	20,996	127,415

Schedule 3

City of Dexter
Schedule of Cash Transactions
Debt Service Fund
Year ended June 30, 2002

Receipts:		
None	\$	-
Disbursements:		
None		-
Net		-
Balance beginning of year		<u>4,153</u>
Balance end of year	\$	<u><u>4,153</u></u>

See accompanying independent auditor's report.

City of Dexter
Combining Schedule of Cash Transactions
Capital Projects Funds
Year ended June 30, 2002

	Capital Reserve		
	Levy - Community Building	Sewer Project	Total
Receipts:			
Property tax	\$ 5,056	-	5,056
Other city tax:			
Utility tax replacement excise tax	318	-	318
Total receipts	<u>5,374</u>	-	<u>5,374</u>
Disbursements:			
Human Development Program:			
Construction	6,667		6,667
Professional fees	5,277	-	5,277
Miscellaneous	445	-	445
Total disbursements	<u>12,389</u>	-	<u>12,389</u>
Deficiency of receipts under disbursements	(7,015)	-	(7,015)
Balance beginning of year	<u>33,984</u>	705	<u>34,689</u>
Balance end of year	<u>\$ 26,969</u>	705	<u>27,674</u>

See accompanying independent auditor's report.

City of Dexter
Combining Schedule of Cash Transactions
Enterprise Funds
Year ended June 30, 2002

	Water	Water Revenue Bond Sinking	Water Revenue Bond Reserve
Receipts:			
Charges for service:			
Sale of water	\$ 101,628	-	-
Bulk water sales	1,132	-	-
Service charges	823	-	-
Penalties	1,986	-	-
Sewer rental fees	-	-	-
Sewer connection fees	-	-	-
Solid waste collection fees	-	-	-
Miscellaneous	-	-	-
	105,569	-	-
Miscellaneous:			
Sales tax collected	5,055	-	-
Customer deposits	2,875	-	-
	7,930	-	-
Total receipts	113,499	-	-
Disbursements:			
Home and Community Environment Program:			
Utility operations:			
Personal services	27,283	-	-
Contractual services	52,885	-	-
Commodities	14,940	-	-
Debt service:			
Principal redeemed	-	10,000	-
Interest paid	-	12,000	-
Total disbursements	95,108	22,000	-
Excess (deficiency) of receipts over (under) disbursements	18,391	(22,000)	-

Water Revenue Bond Depreciation	Sewer Rental	Sewer Revenue Note Sinking	Sewer Revenue Note Reserve	Sewer Revenue Note Depreciation	Solid Waste	Total
-	-	-	-	-	-	101,628
-	-	-	-	-	-	1,132
-	-	-	-	-	-	823
-	1,758	-	-	-	851	4,595
-	87,365	-	-	-	-	87,365
-	100	-	-	-	-	100
-	-	-	-	-	37,789	37,789
-	250	-	-	-	-	250
-	89,473	-	-	-	38,640	233,682
-	330	-	-	-	446	5,831
-	-	-	-	-	-	2,875
-	330	-	-	-	446	8,706
-	89,803	-	-	-	39,086	242,388
-	17,547	-	-	-	4,081	48,911
-	6,297	-	-	-	34,697	93,879
-	11,868	-	-	-	216	27,024
-	-	5,209	-	-	-	15,209
-	29,065	15,040	-	-	-	56,105
-	64,777	20,249	-	-	38,994	241,128
-	25,026	(20,249)	-	-	92	1,260

City of Dexter
Combining Schedule of Cash Transactions
Enterprise Funds
Year ended June 30, 2002

	Water	Water Revenue Bond Sinking	Water Revenue Bond Reserve
Other financing sources (uses):			
Operating transfers in (out):			
Enterprise:			
Water	-	44,999	4,095
Water Revenue Bond Sinking	(44,999)	-	-
Water Revenue Bond Reserve	(4,095)	-	-
Water Revenue Bond Depreciation	(4,975)	-	-
Sewer Rental	-	-	-
Sewer Revenue Note Sinking	-	-	-
Sewer Revenue Note Reserve	-	-	-
Sewer Revenue Note Depreciation	-	-	-
Total other financing sources (uses)	<u>(54,069)</u>	<u>44,999</u>	<u>4,095</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(35,678)	22,999	4,095
Balance beginning of year	<u>(52,689)</u>	<u>34,499</u>	<u>23,581</u>
Balance end of year	<u>\$ (88,367)</u>	<u>57,498</u>	<u>27,676</u>

See accompanying independent auditor's report.

Water Revenue Bond Depreciation	Sewer Rental	Sewer Revenue Note Sinking	Sewer Revenue Note Reserve	Sewer Revenue Note Depreciation	Solid Waste	Total
4,975	-	-	-	-	-	54,069
-	-	-	-	-	-	(44,999)
-	-	-	-	-	-	(4,095)
-	-	-	-	-	-	(4,975)
-	-	20,982	5,675	7,570	-	34,227
-	(20,982)	-	-	-	-	(20,982)
-	(5,675)	-	-	-	-	(5,675)
-	(7,570)	-	-	-	-	(7,570)
4,975	(34,227)	20,982	5,675	7,570	-	-
4,975	(9,201)	733	5,675	7,570	92	1,260
18,015	76,482	11,439	18,950	32,248	4,713	167,238
22,990	67,281	12,172	24,625	39,818	4,805	168,498

City of Dexter

City of Dexter
 Schedule of Cash Transactions
 Trust Fund
 Year Ended June 30, 2002

	Non-Expendable Cemetery Perpetual Care
Receipts:	
Use of money and property:	
Sale of cemetery lots	\$ 1,200
Disbursements:	
None	-
Excess of receipts over disbursements	1,200
Balance beginning of year	33,143
Balance end of year	\$ 34,343

See accompanying independent auditor's report.

City of Dexter
 Bond and Note Maturities
 June 30, 2002

Year Ending June 30,	General Obligation Notes		Revenue Bonds	
	Street/Sewer/Water Improvements		Water	
	Issued Jul 1, 1995		Issued Jul 8, 1975	
	Interest Rates	Amount	Interest Rates	Amount
2003	5.25%	\$ 15,000	5.00%	\$ 15,000
2004	5.25	15,000	5.00%	10,000
2005	5.25	15,000	5.00%	15,000
2006	5.25	15,000	5.00%	15,000
2007		-	5.00%	15,000
2008		-	5.00%	20,000
2009		-	5.00%	15,000
2010		-	5.00%	20,000
2011		-	5.00%	20,000
2012		-	5.00%	20,000
2013		-	5.00%	20,000
2014		-	5.00%	20,000
2015		-	5.00%	25,000
2016		-		-
2017		-		-
2018		-		-
2019		-		-
2020		-		-
2021		-		-
2022		-		-
2023		-		-
2024		-		-
2025		-		-
2026		-		-
2027		-		-
2028		-		-
2029		-		-
2030		-		-
2031		-		-
2032		-		-
2033		-		-
2034		-		-
2035		-		-
2036		-		-
2037		-		-
2038		-		-
2039		-		-
2040		-		-
Total		<u>\$ 60,000</u>		<u>\$ 230,000</u>

See accompanying independent auditor's report.

Revenue Notes								
Sewer								
Issued Jan 19, 1996		Issued Jan 19, 1996		Issued Dec 9, 1999				Total
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount			
5.00%	\$ 2,585	5.00%	\$ 1,339	4.375%	\$ 7,257			11,181
5.00	2,714	5.00	1,406	4.375	7,574			11,694
5.00	2,850	5.00	1,476	4.375	7,906			12,232
5.00	2,993	5.00	1,550	4.375	8,251			12,794
5.00	3,142	5.00	1,628	4.375	8,612			13,382
5.00	3,300	5.00	1,709	4.375	8,989			13,998
5.00	3,465	5.00	1,794	4.375	9,383			14,642
5.00	3,638	5.00	1,884	4.375	9,793			15,315
5.00	3,820	5.00	1,978	4.375	10,221			16,019
5.00	4,011	5.00	2,077	4.375	10,669			16,757
5.00	4,211	5.00	2,181	4.375	11,135			17,527
5.00	4,422	5.00	2,290	4.375	11,623			18,335
5.00	4,643	5.00	2,405	4.375	12,131			19,179
5.00	4,875	5.00	2,525	4.375	12,662			20,062
5.00	5,119	5.00	2,651	4.375	13,216			20,986
5.00	5,375	5.00	2,784	4.375	13,794			21,953
5.00	5,643	5.00	2,923	4.375	14,397			22,963
5.00	5,926	5.00	3,069	4.375	15,027			24,022
5.00	6,222	5.00	3,223	4.375	15,685			25,130
5.00	6,533	5.00	3,384	4.375	16,371			26,288
5.00	6,860	5.00	3,553	4.375	17,087			27,500
5.00	7,203	5.00	3,730	4.375	17,835			28,768
5.00	7,563	5.00	3,917	4.375	18,615			30,095
5.00	7,941	5.00	4,113	4.375	19,429			31,483
5.00	8,338	5.00	4,319	4.375	20,280			32,937
5.00	8,755	5.00	4,534	4.375	21,167			34,456
5.00	9,193	5.00	4,761	4.375	22,093			36,047
5.00	9,652	5.00	4,999	4.375	23,059			37,710
5.00	10,135	5.00	5,249	4.375	24,068			39,452
5.00	10,642	5.00	5,512	4.375	25,121			41,275
5.00	11,174	5.00	5,787	4.375	26,220			43,181
5.00	11,732	5.00	6,077	4.375	27,367			45,176
5.00	12,319	5.00	6,380	4.375	28,565			47,264
5.00	8,118	5.00	4,173	4.375	29,814			42,105
	-		-	4.375	31,119			31,119
	-		-	4.375	32,481			32,481
	-		-	4.375	33,902			33,902
	-		-	4.375	35,282			35,282
	<u>\$ 215,112</u>		<u>\$ 111,380</u>		<u>\$ 678,200</u>			<u>1,004,692</u>

City of Dexter



OFFICE OF AUDITOR OF STATE
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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 Dexter, Iowa, as of and for the year ended June 30, 2002, and have issued our report thereon dated April 7, 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, 2001.

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 Dexter's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and 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 noncompliance that is required to be reported under Government Auditing Standards, which is described in the accompanying Schedule of Findings as item (15). We also 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 Dexter's operations for the year ended June 30, 2002 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Dexter'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 Dexter'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, we believe that items (A), (C) and (D) are material weaknesses.

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 Dexter and other parties to whom the City of Dexter 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 Dexter 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 7, 2003

City of Dexter
Schedule of Findings
Year ended June 30, 2002

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. When duties are properly segregated, the activities of one employee act as a check on those of another. One individual can have control over one or more of the following areas:
- (a) Receipts – cash receipts listing, bank deposits and posting.
 - (b) Utility billing – preparation, collecting, depositing, posting and reconciling billings to collections.
 - (c) Disbursements – purchasing, preparing, recording and reconciling.
 - (d) Payroll – preparing and distributing.
 - (e) Separately maintained records - cash receipt and disbursement listing, bank deposits and bank reconciliations.

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

Response – We will have the Council review information and will obtain initials indicating review.

Conclusion – Response acknowledged. The date reviewed by Council should also be documented.

- (B) Records of Accounts – The Library maintains the accounting records pertaining to the operations of the library gift and donation funds. The 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.”

Recommendation – For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be recorded in the Clerk’s records.

Response – The Library will provide monthly financial information to the Clerk.

Conclusion – Response accepted.

City of Dexter

Schedule of Findings

Year ended June 30, 2002

- (C) Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent accounts listing was not prepared. Also, billing and collection computer information was not adequate to enable preparation of a reconciliation of billings to collections and delinquent accounts. Meter reading information was not available to determine if customers were charged the proper amounts and paid stubs were not all located to support amounts paid by customers.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period. Also, a listing of delinquent accounts should be prepared on a monthly basis. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies. Meter readings and paid stubs should be retained to support the amounts billed and payments received from customers.

Response – We will prepare a reconciliation and will file it with the Council monthly. All billing information will be retained for review.

Conclusion – Response acknowledged. Delinquent accounts should be reviewed and monitored by the Council.

- (D) Monthly Books, Records and Bank Reconciliations – The City Clerk has not prepared a monthly report which includes beginning and ending balances by fund and all monthly activity by fund. Book balances were not reconciled to bank balances and details of the reconciling items were not maintained. Checks were issued out of numerical order, receipts were not issued promptly for money collected, checks received were not promptly endorsed and some were held and not deposited timely. The receipt register was incomplete and the receipt register for two months during the fiscal year could not be located.

Recommendation – To strengthen control over receipts, disbursements and proper financial reporting, the City should prepare monthly financial reports for all months, document the bank reconciliations, maintain documentation of all reconciling items, including all outstanding checks, deposits in transit, investments, cash on hand and any other reconciling items. All collections should be immediately recorded, and checks received should be endorsed and deposited in a timely manner. All computer generated financial reports and records should be maintained in an orderly manner.

Response – The Clerk will follow all of the suggested recommendations.

Conclusion – Response accepted.

- (E) Investment and Indebtedness Registers – The City did not maintain a detailed register of investments purchased and redeemed during the year. Also, the register of bonds and notes was not kept current.

Recommendation – The City should maintain a detailed list of all investment activity, including all pertinent details of each investment and interest received on each investment. Also, the register of bond and note indebtedness activity should be kept current.

City of Dexter
Schedule of Findings
Year ended June 30, 2002

Response – The Clerk has started to prepare registers for the current year.

Conclusion – Response accepted.

- (F) Information Systems – During our review of internal control, the existing control activities in the City's computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the City's computer based systems were noted:

The City does not have written policies for:

- Requiring password changes because the City's software does not require the user to change log-ins/passwords periodically.
- Electronic record retention.
- Usage of the internet.

Also, the City does not require back up tapes to be stored offsite daily.

Recommendation – The City should develop written policies addressing the above items and store backup tapes off site in order to improve the City's control over computer based systems.

Response – We will develop policies and will follow suggestions.

Conclusion – Response accepted.

City of Dexter

Schedule of Findings

Year ended June 30, 2002

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A current resolution naming official depositories has not been approved by the City.

Recommendation – The City should adopt a resolution which names each depository for amounts sufficient to cover all City deposits.

Response – The City Council will adopt a resolution at its next meeting.

Conclusion – Response accepted.

- (2) Certified Budget – Disbursements during the year ended June 30, 2002 exceeded the amounts budgeted in the Community Protection, Human Development and Policy and Administration Programs. 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. Also, the notice of hearing on the original budget adopted could not be located to determine compliance with public hearing requirements.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. Also, proof of publication for budget hearings should be kept on file.

Response – We will amend the budget in the future, if necessary, and will make sure all publication notices are included in the budget files.

Conclusion – Response accepted.

- (3) Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- (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 that 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.

The Council went into closed session six times during the year. However, the minutes record did not document the specific information regarding the closed session as required by Chapter 21 of the Code of Iowa, commonly known as the open-meetings law.

Although minutes of Council proceedings were published, they were not always published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. Also, the City did not publish total disbursements from each fund, a list of all claims allowed, a summary of all receipts and did not publish annual gross salaries in accordance with an Attorney General's opinion dated April 12, 1978.

City of Dexter

Schedule of Findings

Year ended June 30, 2002

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

Response – We will comply with Code requirements and will make all required publications.

Conclusion – Response accepted.

- (8) Deposits and Investments – Except as noted above, 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) Revenue Bonds and Notes – The City has established the sinking and reserve accounts required by the water revenue bond resolution and sewer revenue note resolutions and has made the required transfers, except that some of the interest on the 1999 sewer revenue notes was paid from the Sewer Rental Fund.

Recommendation – The City should transfer amounts to the sinking account in amounts sufficient to pay all debt when it is due, as required.

Response – We will make the transfers and pay the debt from the sinking accounts as required.

Conclusion – Response accepted.

- (10) Payment of General Obligation Notes – The general obligation notes were paid from the Special Revenue Fund, Tax Increment Financing Account. Chapter 384.4 of the Code of Iowa states in part that “Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the Debt Service Fund.”

Recommendation – The City should transfer from the Special Revenue Fund, Tax Increment Financing Account to the Debt Service Fund for future funding contributions. Repayment of the notes should be made from the Debt Service Fund.

Response – We will make transfers and pay from the Debt Service Fund.

Conclusion – Response accepted.

- (11) Financial Condition – The Enterprise Fund, Water Account had a deficit balance of \$88,367 at June 30, 2002.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this account to a sound financial position.

Response – The City will transfer money from the Reserve and Depreciation Accounts to the Water Account. We will keep the required minimum balances in those two accounts.

Conclusion – Response accepted.

- (12) Employee Benefits Tax Levy – The City levies taxes to pay the City’s share of employee benefits relating to Governmental Fund Type salaries. The City received \$22,725 in property taxes for the year ended June 30, 2002. However, expenditures totaled only \$7,001. The City property tax request appears to be excessive.

City of Dexter

Schedule of Findings

Year ended June 30, 2002

Recommendation – The City should request only the amount needed to pay employee benefits and should reduce the tax asking in the next budget year to use the excess balance in the Special Revenue Fund, Employee Benefits Account.

Response – We will analyze employee benefits paid from the General Fund, General Account and the Special Revenue Fund, Road Use Tax Account to determine the amount that should be transferred to them from the Special Revenue Fund, Employee Benefits Account.

Conclusion – Response accepted.

- (13) Notice of Public Hearing for Public Improvements – The City did not publish a notice of public hearing and bid letting on the Community Building roof replacement within the time limits 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 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 as provided in Chapter 362.3 of the Code of Iowa.

Response – We will publish the appropriate notices in the future.

Conclusion – Response accepted.

- (14) Trust Funds – The City reported the Knight Estate, Claire V. Golden Trust and Clell F. Hoy Trust accounts in the General Fund.

Recommendation – In the future, these trust accounts should be reported in the Special Revenue Fund rather than the General Fund. The City should reclassify these accounts.

Response – The City will reclassify these accounts.

Conclusion – Response accepted.

- (15) Tax Increment Financing (TIF) Unallowable Expenditures – The City receives tax increment financing collections related to the urban renewal areas of the City in accordance with the TIF debt certificate filed by the City each year. The debt certificate included amounts for items which were not allowable uses of the TIF money and resulted in excess revenue collected by the City. The City also used TIF money to purchase items unrelated to the urban renewal plan.

During the fiscal year ended June 30, 2002, the City expended \$42,383 in TIF revenues for the following questionable expenditures:

Fire truck chassis	\$ 25,000
Equipment, including an airpack and voice amplifier	10,900
Defibrillator	3,134
Landfill settlement	1,422
Rescue equipment	1,407
Other	<u>520</u>
Total	<u>\$ 42,383</u>

City of Dexter

Schedule of Findings

Year ended June 30, 2002

During the fiscal year ended June 30, 2001, the City expended \$27,154 in TIF revenues for the following questionable expenditures:

Legal fees	\$ 1,918
Landfill settlement	2,412
Tuck pointing	6,877
Water tower	<u>15,947</u>
Total	<u>\$ 27,154</u>

Also, the City Council passed a resolution in August 2002 to repay the Special Revenue Fund, Tax Increment Financing Account \$31,368 from the General Fund for items inappropriately purchased from TIF revenues in fiscal years 2001, 2000 and prior to fiscal year 2000 that should have been paid from the General Fund. These items are not included in the unallowable expenditures listed above. According to the August 2002 Council resolution, repayment of the \$31,368 will commence with the fiscal year beginning July 1, 2003.

These items include:

Remodeling City Hall	\$ 20,028
Fire truck payment	5,340
Police defibrillator	3,600
Truck for Public Works	<u>2,400</u>
Total	<u>\$ 31,368</u>

In addition, landfill settlement costs of \$9,646 were paid from the Special Revenue Fund, Tax Increment Financing Account in prior years that are not included in the unallowable expenditures listed above.

Recommendation – The City should repay the Special Revenue Fund, TIF Account \$110,551 for these unallowable expenditures.

Response – We have passed a resolution to repay items in prior years and will repay TIF for all items identified. We will pass a new resolution to repay the proper funds. A copy of the new resolution will be provided to the auditors. The City will also repay all landfill settlement costs paid from TIF revenues to correct this problem.

Conclusion – Response acknowledged. The City should continue to work with legal and TIF counsel to ensure compliance with the TIF requirements and determine the proper disposition of excess TIF revenues collected by the City. The City should refrain from using TIF revenues to subsidize the General Fund.

- (16) General Fund Financial Condition – The General Fund, General Account balance was \$15,061 at June 30, 2002, prior to making the repayment identified above.

City of Dexter

Schedule of Findings

Year ended June 30, 2002

Recommendation – The City should review and investigate alternatives for making the required repayment from the General Fund. The City had previously established a five-year repayment plan for the \$31,368 in unallowable TIF expenditures. This repayment plan should be re-evaluated to consider the \$110,551 total amount owed by the General Fund or other funds, if appropriate, to determine an appropriate repayment plan.

Response – The City will watch expenses in the General Fund, General Account and increase revenues to the extent allowable to keep the General Fund, General Account healthy. The City will evaluate the repayment plan previously passed and pass a new resolution for a repayment plan to repay the proper funds. A copy of the new resolution will be provided to the auditors.

Conclusion – Response accepted.

- (17) Petition Items – Except as noted, all items identified in the petition have been resolved. The City Council should continue to monitor the status and resolution of the items noted in this report to ensure proper disposition of all findings and recommendations.

City of Dexter

Staff

This audit was performed by:

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