



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

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NEWS RELEASE

FOR RELEASE April 5, 2003

Contact: Andy Nielsen
515/281-5515

The Office of Auditor of State today released an audit report on the City of Dike, Iowa.

The City's receipts totaled \$1,396,426 for the year ended June 30, 2002. The receipts included \$216,289 in property tax, \$81,953 from tax increment financing collections, \$46,328 in local option sales tax, \$93,730 from the state, \$50,097 from the federal government and \$9,193 in interest on investments. The City also received \$300,000 in note proceeds that are reported as an other financing source.

Disbursements for the year totaled \$1,441,311, and included \$116,916 for community protection, \$151,573 for human development, \$1,080,487 for home and community environment and \$92,335 for policy and administration.

This report contains recommendations to the City Council and other City officials for improving internal controls. For example, the City should segregate accounting duties to the extent possible to ensure maximum control over receipts, disbursements, investments, long-term debt and payroll. To strengthen control over collections and utilities and to provide better financial information, the City should reconcile utility billings, collections and delinquent accounts and maintain and retain monthly utility receipt ledgers. Also, receipt and disbursement journals should be reconciled to monthly reports and to bank and investment accounts.

City officials have responded to each item in the report and stated that corrective action is being taken.

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

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CITY OF DIKE
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2002

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City of Dike

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2002)		
Donald E. Knudsen	Mayor	Jan 2002
Stan Van Hauen	Mayor Pro tem	Jan 2004
James Boike	Council Member	Jan 2002
Larry Dufel	Council Member	Jan 2002
Timothy Stage	Council Member	Jan 2002
Sara Paar	Council Member	Jan 2004
Patti Freese	Clerk	Indefinite
Lynette Petersen	Deputy Clerk/Treasurer	Resigned
Ann Hilliard (Appointed)	Deputy Clerk/Treasurer	Indefinite
Gerald R. Monk	Attorney	Indefinite
(After January 2002)		
Donald E. Knudsen	Mayor	Jan 2004
Stan Van Hauen	Mayor Pro tem	Jan 2004
Sara Paar	Council Member	Jan 2004
James Boike	Council Member	Jan 2006
Larry Dufel	Council Member	Jan 2006
Timothy Stage	Council Member	Jan 2006
Patti Freese	Clerk	Indefinite
Ann Hilliard	Deputy Clerk/Treasurer	Indefinite
Gerald R. Monk	Attorney	Indefinite

City of Dike



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

In accordance with Government Auditing Standards, we have also issued our report dated February 20, 2003 on our consideration of the City of Dike's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information included in Schedules 1 through 6 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, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 20, 2003

City of Dike

Financial Statements

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

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Receipts:			
Property tax	\$ 146,031	-	70,258
Tax increment financing collections	-	81,953	-
Other city tax	-	46,328	-
Licenses and permits	15,246	-	-
Use of money and property	6,429	-	-
Intergovernmental	59,930	75,612	-
Charges for service	33,908	-	-
Special assessments	-	-	-
Miscellaneous	35,187	22,983	-
Total receipts	<u>296,731</u>	<u>226,876</u>	<u>70,258</u>
Disbursements:			
Community Protection Program	92,941	23,975	-
Human Development Program	151,573	-	-
Home and Community Environment Program	40,033	201,785	54,496
Policy and Administration Program	92,335	-	-
Total disbursements	<u>376,882</u>	<u>225,760</u>	<u>54,496</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(80,151)</u>	<u>1,116</u>	<u>15,762</u>
Other financing sources (uses):			
General obligation notes sold	-	-	-
Operating transfers in	174,593	-	20,210
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>174,593</u>	<u>-</u>	<u>20,210</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	94,442	1,116	35,972
Balance beginning of year	<u>(229,628)</u>	<u>119,598</u>	<u>(8,917)</u>
Balance end of year	<u>\$ (135,186)</u>	<u>120,714</u>	<u>27,055</u>

See notes to financial statements.

Capital Projects	Proprietary Fund Type Enterprise	Fiduciary Fund Type Expendable Trust	Total Reporting Entity (Memorandum Only)
-	-	-	216,289
-	-	-	81,953
-	-	-	46,328
-	-	-	15,246
2,279	2,304	256	11,268
50,097	-	-	185,639
-	648,877	-	682,785
63,896	-	-	63,896
1,580	27,554	5,718	93,022
117,852	678,735	5,974	1,396,426
-	-	-	116,916
-	-	-	151,573
350,772	432,513	888	1,080,487
-	-	-	92,335
350,772	432,513	888	1,441,311
(232,920)	246,222	5,086	(44,885)
300,000	-	-	300,000
119,825	-	2,187	316,815
-	(316,251)	(564)	(316,815)
419,825	(316,251)	1,623	300,000
186,905	(70,029)	6,709	255,115
(33,958)	705,054	16,237	568,386
152,947	635,025	22,946	823,501

Exhibit B

City of Dike

Comparison of Receipts, Disbursements and Changes in Balances -

Actual to Budget

Year ended June 30, 2002

	Actual	Amended Budget	Variance Favorable (Unfavorable)	Actual as % of Amended Budget
Receipts:				
Property tax	\$ 216,289	202,918	13,371	107%
Tax increment financing collections	81,953	84,000	(2,047)	98%
Other city tax	46,328	52,326	(5,998)	89%
Licenses and permits	15,246	6,611	8,635	231%
Use of money and property	11,268	7,643	3,625	147%
Intergovernmental	185,639	387,280	(201,641)	48%
Charges for service	682,785	705,049	(22,264)	97%
Special assessments	63,896	98,485	(34,589)	65%
Miscellaneous	93,022	31,370	61,652	297%
Total receipts	1,396,426	1,575,682	(179,256)	89%
Disbursements:				
Community Protection Program	116,916	92,197	(24,719)	127%
Human Development Program	151,573	145,376	(6,197)	104%
Home and Community Environment Program	1,080,487	1,283,088	202,601	84%
Policy and Administration Program	92,335	86,822	(5,513)	106%
Total disbursements	1,441,311	1,607,483	166,172	90%
Deficiency of receipts under disbursements	(44,885)	(31,801)		
Other financing sources, net	300,000	15,500		
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	255,115	(16,301)		
Balance beginning of year	568,386	59,340		
Balance end of year	\$ 823,501	43,039		

See notes to financial statements.

City of Dike

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

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
7th street drainage	Aug 1, 1996	5.00-5.40%	\$ 100,000
Waterline extension	Apr 1, 1998	4.75-5.25	90,000
Street improvements	Aug 1, 2000	5.00-5.55	260,000
2nd street storm sewer	May 15, 2002	4.625	300,000
Total			
Loan:			
Fire equipment (note 4)	Jan 5, 1994	5.50%	\$ 98,000
Lease purchase agreement:			
Street equipment (note 5)	Jan 17, 2001	5.75%	\$ 108,900

See notes to financial statements.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
60,000	-	10,000	50,000	3,100
63,000	-	9,000	54,000	3,166
260,000	-	130,000	130,000	11,177
-	300,000	-	300,000	-
\$ 383,000	300,000	149,000	534,000	17,443
34,927	-	11,025	23,902	1,921
102,684	-	11,894	90,790	5,594

City of Dike

Notes to Financial Statements

June 30, 2002

(1) Summary of Significant Accounting Policies

The City of Dike is a political subdivision of the State of Iowa located in Grundy County. It was first incorporated in 1900 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 Dike 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 Dike has no component units required to be reported in accordance with the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Grundy County Assessor's Conference Board, Grundy County Emergency Management Commission, and Grundy 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 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 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 Fund - The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through the 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 Funds

Expendable Trust Funds - The Expendable Trust Funds are used to account for monies and properties received and held by the City in a trustee capacity.

C. Basis of Accounting

The City of Dike 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 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

The City's deposits in banks at June 30, 2002 were entirely 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 investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$138,065, at June 30, 2002 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(3) Notes Payable

Annual debt service requirements to maturity for general obligation capital loan notes are as follows:

Year Ending June 30,	7th Street Drainage			Waterline Extension			Street Improvements		
	Issued Aug 1, 1996			Issued Apr 1, 1998			Issued Aug 1, 2000		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2003	5.00%	\$ 10,000	2,600	4.850%	\$ 9,000	2,738	5.40%	\$ 30,000	6,987
2004	5.10	10,000	2,100	4.950	9,000	2,302	5.45	30,000	5,450
2005	5.20	10,000	1,590	5.050	9,000	1,856	5.50	35,000	3,850
2006	5.30	10,000	1,070	5.125	9,000	1,402	5.55	35,000	1,942
2007	5.40	10,000	540	5.200	9,000	941		-	-
2008		-	-	5.250	9,000	472		-	-
2009		-	-		-	-		-	-
2010		-	-		-	-		-	-
2011		-	-		-	-		-	-
2012		-	-		-	-		-	-
2013		-	-		-	-		-	-
		\$ 50,000	7,900		\$ 54,000	9,711		\$ 130,000	18,229

Year Ending June 30,	2nd Street Storm Sewer				
	Issued May 15, 2002				
	Interest Rates	Principal	Interest	Total	
				Principal	Interest
2003		\$ -	14,492	\$ 49,000	26,817
2004	4.625%	25,000	13,575	74,000	23,427
2005	4.625	25,000	12,719	79,000	20,015
2006	4.625	25,000	11,563	79,000	15,977
2007	4.625	25,000	10,406	44,000	11,887
2008	4.625	30,000	9,250	39,000	9,722
2009	4.625	30,000	7,863	30,000	7,863
2010	4.625	30,000	6,475	30,000	6,475
2011	4.625	35,000	5,088	35,000	5,088
2012	4.625	35,000	3,469	35,000	3,469
2013	4.625	40,000	1,850	40,000	1,850
		\$ 300,000	96,750	\$ 534,000	132,590

(4) Bank Loan Payable

On January 5, 1994, the City entered into a loan agreement with a local bank for \$98,000 to purchase fire equipment. Ten annual installments of \$12,946, including interest at 5.50% per annum, are due beginning December 5, 1994. The unpaid principal amount at June 30, 2002 was \$23,902.

(5) Lease Purchase Agreement

On January 17, 2001, the City entered into a lease purchase agreement to purchase street equipment for \$108,900. The lease purchase agreement bears interest at a rate of 5.75% and matures January 10, 2006. The following is a schedule of the future minimum annual lease purchase payments to maturity:

Year Ending June 30,	Amount
2003	\$ 17,488
2004	17,488
2005	17,488
2006	<u>52,305</u>
Total minimum lease payments	<u>104,769</u>
Less amount representing interest	<u>(13,979)</u>
Present value of net minimum lease payments	<u>\$ 90,790</u>

Payments under this capital lease agreement for the year ended June 30, 2002 totaled \$17,488.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2002 was \$6,637, equal to the required contribution for the year.

(7) Risk Management

The City of Dike 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 past fiscal year.

(8) 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.

(9) Construction Contract

During the year ended June 30, 2002, the City entered into a construction contract for storm sewer improvements totaling \$378,151. At June 30, 2002, \$272,627 remains unpaid and will be paid as work on the project progresses.

(10) Deficit Balances

Deficit balances at June 30, 2002 were as follows:

<u>Fund/Account</u>	<u>Amount</u>
General:	
General	\$ (142,326)
Special Revenue:	
Road Use Tax	(12,293)
TIF - Fox Ridge	(974)
Capital Projects:	
Main Street Curb and Gutter	(130,805)

The deficit in the General Fund, General Account will be eliminated through the transfer of available funds in the Enterprise Fund, Electric Account.

The deficit in the Special Revenue Fund, Road Use Tax Account will be eliminated through collection of future road use tax funds.

The deficit in the Special Revenue Fund, TIF - Fox Ridge Account will be eliminated through future tax increment financing collections.

The deficit in the Capital Projects Fund, Main Street Curb and Gutter Account will be eliminated through transfers from the Capital Projects Fund, Main Street Project Account and future collections of special assessments.

(11) Subsequent Events

On December 23, 2002, the City approved an offer to purchase land for \$140,000.

On February 10, 2003, the City authorized the issuance of \$140,000 in general obligation capital loan notes for street improvements.

Supplemental Information

Schedule 1

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

	General	Fire	Ambulance	Total
Receipts:				
Property tax	\$ 146,031	-	-	146,031
Licenses and permits:				
Liquor	2,116	-	-	2,116
Cigarette	300	-	-	300
Building	12,679	-	-	12,679
Dog and cat	151	-	-	151
	<u>15,246</u>	-	-	<u>15,246</u>
Use of money and property:				
Interest on investments	4,230	16	108	4,354
Rent	2,075	-	-	2,075
	<u>6,305</u>	<u>16</u>	<u>108</u>	<u>6,429</u>
Intergovernmental:				
State allocation	12,526	-	-	12,526
Bank franchise tax	3,118	-	-	3,118
Enrich Iowa grant	2,474	-	-	2,474
County library allocation	17,472	-	-	17,472
County ambulance allocation	2,784	-	-	2,784
Township fire protection	20,944	-	-	20,944
Miscellaneous	612	-	-	612
	<u>59,930</u>	-	-	<u>59,930</u>
Charges for service:				
Ambulance fees	12,707	-	-	12,707
Park, pool and recreation	18,201	-	-	18,201
Cemetery	3,000	-	-	3,000
	<u>33,908</u>	-	-	<u>33,908</u>
Miscellaneous:				
Court fines	515	-	-	515
Cable franchise fee	2,786	-	-	2,786
Insurance reimbursement	25,189	-	-	25,189
Miscellaneous	6,697	-	-	6,697
	<u>35,187</u>	-	-	<u>35,187</u>
Total receipts	<u>296,607</u>	<u>16</u>	<u>108</u>	<u>296,731</u>

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

	General	Fire	Ambulance	Total
Disbursements:				
Community Protection Program:				
Police:				
Contractual services	40,026	-	-	40,026
Ambulance:				
Contractual services	5,753	-	-	5,753
Commodities	2,550	-	-	2,550
	<u>8,303</u>	-	-	<u>8,303</u>
Fire:				
Personal services	5,141	-	-	5,141
Contractual services	10,000	-	-	10,000
Commodities	2,009	-	-	2,009
Capital outlay	11,792	-	-	11,792
Loan repayment:				
Principal	11,025	-	-	11,025
Interest	1,921	-	-	1,921
	<u>41,888</u>	-	-	<u>41,888</u>
Emergency management	2,724	-	-	2,724
	<u>92,941</u>	-	-	<u>92,941</u>
Human Development Program:				
Park:				
Personal services	8,978	-	-	8,978
Contractual services	3,640	-	-	3,640
Commodities	1,372	-	-	1,372
Capital outlay	2,096	-	-	2,096
	<u>16,086</u>	-	-	<u>16,086</u>
Swimming pool:				
Personal services	23,060	-	-	23,060
Contractual services	4,881	-	-	4,881
Commodities	8,154	-	-	8,154
Capital outlay	24,858	-	-	24,858
	<u>60,953</u>	-	-	<u>60,953</u>
Chemical dependency	1,050	-	-	1,050

Schedule 1

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

	General	Fire	Ambulance	Total
Disbursements (continued):				
Human Development Program:				
Summer recreation:				
Personal services	2,228	-	-	2,228
Commodities	1,683	-	-	1,683
Capital outlay	898	-	-	898
	<u>4,809</u>	-	-	<u>4,809</u>
Community building:				
Personal services	4,934	-	-	4,934
Contractual services	5,173	-	-	5,173
Commodities	1,603	-	-	1,603
Capital outlay	3,490	-	-	3,490
	<u>15,200</u>	-	-	<u>15,200</u>
Library:				
Personal services	25,481	-	-	25,481
Contractual services	4,545	-	-	4,545
Commodities	2,637	-	-	2,637
Capital outlay	20,812	-	-	20,812
	<u>53,475</u>	-	-	<u>53,475</u>
	<u>151,573</u>	-	-	<u>151,573</u>
Home and Community Environment Program:				
Cemetery:				
Personal services	8,979	-	-	8,979
Contractual services	3,622	-	-	3,622
Commodities	1,098	-	-	1,098
Capital outlay	1,899	-	-	1,899
	<u>15,598</u>	-	-	<u>15,598</u>
Streets:				
Personal services	9,025	-	-	9,025
Contractual services	6,778	-	-	6,778
Commodities	6,649	-	-	6,649
Capital outlay	1,983	-	-	1,983
	<u>24,435</u>	-	-	<u>24,435</u>
	<u>40,033</u>	-	-	<u>40,033</u>

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

	General	Fire	Ambulance	Total
Disbursements (continued):				
Policy and Administration Program:				
Mayor and Council:				
Personal services	5,539	-	-	5,539
Clerk:				
Personal services	16,207	-	-	16,207
Professional fees:				
Contractual services	23,621	-	-	23,621
Publications:				
Contractual services	2,622	-	-	2,622
Insurance:				
Contractual services	19,160	-	-	19,160
City Hall:				
Contractual services	11,974	-	-	11,974
Commodities	9,976	-	-	9,976
	21,950	-	-	21,950
Miscellaneous				
	3,236	-	-	3,236
	92,335	-	-	92,335
Total disbursements				
	376,882	-	-	376,882
Excess (deficiency) of receipts over (under)				
disbursements	(80,275)	16	108	(80,151)
Other financing sources (uses):				
Operating transfers in (out):				
Enterprise:				
Electric	176,216	-	-	176,216
Expendable Trust:				
Library Property Improvement	(1,623)	-	-	(1,623)
Total other financing sources (uses)				
	174,593	-	-	174,593
Excess of receipts and other financing sources				
over disbursements and other financing uses	94,318	16	108	94,442
Balance beginning of year				
	(236,644)	667	6,349	(229,628)
Balance end of year				
	\$ (142,326)	683	6,457	(135,186)

See accompanying independent auditor's report.

Schedule 2

City of Dike
 Combining Schedule of Cash Transactions
 Special Revenue Fund
 Year ended June 30, 2002

	Road Use Tax	Local Option Sales Tax	Tax Increment Financing - Fox Ridge	Volunteer Fire Department	Total
Receipts:					
Tax increment financing collections	\$ -	-	81,953	-	81,953
Other city tax:					
Local option sales tax	-	46,328	-	-	46,328
Intergovernmental:					
Road use tax allocation	75,612	-	-	-	75,612
Miscellaneous:					
Fundraisers, contributions and donations	-	-	-	22,983	22,983
Total receipts	75,612	46,328	81,953	22,983	226,876
Disbursements:					
Community Protection Program:					
Operations	-	-	-	23,975	23,975
Home and Community Environment Program:					
Street maintenance:					
Personal services	24,428	-	-	-	24,428
Contractual services	7,379	-	-	-	7,379
Commodities	7,871	-	-	-	7,871
Capital outlays	61,692	-	82,927	-	144,619
Lease purchase agreement:					
Principal	11,894	-	-	-	11,894
Interest	5,594	-	-	-	5,594
Total disbursements	118,858	-	82,927	23,975	225,760
Excess (deficiency) of receipts over (under) disbursements	(43,246)	46,328	(974)	(992)	1,116
Balance beginning of year	30,953	64,274	-	24,371	119,598
Balance end of year	\$ (12,293)	110,602	(974)	23,379	120,714

See accompanying independent auditor's report.

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

Receipts:	
Property tax	<u>\$ 70,258</u>
Disbursements:	
Home and Community Environment Program:	
Debt service:	
Principal redemption	44,000
Interest payments	<u>10,496</u>
Total disbursements	<u>54,496</u>
Excess of receipts over disbursements	15,762
Other financing sources:	
Operating transfers in:	
Enterprise:	
Electric	<u>20,210</u>
Excess of receipts and other financing sources over disbursements	35,972
Balance beginning of year	<u>(8,917)</u>
Balance end of year	<u><u>\$ 27,055</u></u>

See accompanying independent auditor's report.

City of Dike
Combining Schedule of Cash Transactions
Capital Projects Fund
Year ended June 30, 2002

	Highway 20 Engineering	Wetland Mitigation	Kruger Development- Fox Ridge	South Main Drainage
Receipts:				
Use of money and property:				
Interest on investments	\$ -	-	-	-
Intergovernmental:				
Community development block grant	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous:				
Accrued interest on sale of notes	-	-	-	-
Total receipts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:				
Home and Community Environment Program:				
Contractual services	-	-	-	-
Capital outlay	-	-	-	-
Note repayment:				
Principal	-	-	-	-
Interest	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):				
General obligation capital loan note proceeds	-	-	-	-
Operating transfers in (out):				
Capital Projects:				
2nd Street Drainage	-	-	-	-
Block Grant Storm Sewer Project	-	-	-	-
Enterprise:				
Electric	15,420	69,470	10,258	11,281
Total other financing sources (uses)	<u>15,420</u>	<u>69,470</u>	<u>10,258</u>	<u>11,281</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	15,420	69,470	10,258	11,281
Balance beginning of year	<u>(15,420)</u>	<u>(69,470)</u>	<u>(10,258)</u>	<u>(11,281)</u>
Balance end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

See accompanying independent auditor's report.

Fox Ridge-Water Line	Main Street Curb and Gutter	2nd Street Drainage	Local Option Sales Tax - Curb and Gutter	Main Street Project	Block Grant Storm Sewer Project	Total
-	1,760	-	519	-	-	2,279
-	-	-	-	-	50,097	50,097
-	-	-	-	63,896	-	63,896
-	-	1,580	-	-	-	1,580
-	1,760	1,580	519	63,896	50,097	117,852
-	7,572	48,611	-	-	-	56,183
-	76,817	105,825	-	-	-	182,642
-	105,000	-	-	-	-	105,000
-	6,947	-	-	-	-	6,947
-	196,336	154,436	-	-	-	350,772
-	(194,576)	(152,856)	519	63,896	50,097	(232,920)
-	-	300,000	-	-	-	300,000
-	-	-	-	-	(7,007)	(7,007)
-	-	7,007	-	-	-	7,007
13,295	-	-	101	-	-	119,825
13,295	-	307,007	101	-	(7,007)	419,825
13,295	(194,576)	154,151	620	63,896	43,090	186,905
(13,295)	63,771	-	21,995	-	-	(33,958)
-	(130,805)	154,151	22,615	63,896	43,090	152,947

City of Dike
Combining Schedule of Cash Transactions

Enterprise Funds

Year ended June 30, 2002

	Water	Water Improvement	Sewer Rental	Sewer Improvement
Receipts:				
Use of money and property:				
Interest on investments	\$ -	838	-	1,371
Charges for service:				
Sale of water	58,858	-	-	-
Sale of electricity	-	-	-	-
Garbage bags	-	-	-	-
Refuse collection	-	-	-	-
Sewer rental fees	-	-	97,477	-
	<u>58,858</u>	<u>-</u>	<u>97,477</u>	<u>-</u>
Miscellaneous:				
Deposits and fees	-	-	-	-
Sales tax collected	-	-	-	-
Miscellaneous	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total receipts	<u>58,858</u>	<u>838</u>	<u>97,477</u>	<u>1,371</u>
Disbursements:				
Home and Community Environment Program:				
Personal services	8,594	-	8,594	-
Employee benefits	1,224	-	1,820	-
Contractual services	8,266	2,640	21,145	2,861
Commodities	9,693	-	5,679	-
Capital outlay	4,440	-	10,908	-
Total disbursements	<u>32,217</u>	<u>2,640</u>	<u>48,146</u>	<u>2,861</u>
Excess (deficiency) of receipts over (under) disbursements	<u>26,641</u>	<u>(1,802)</u>	<u>49,331</u>	<u>(1,490)</u>
Other financing sources (uses):				
Operating transfers in (out):				
General:				
General	-	-	-	-
Debt Service	-	-	-	-
Capital Projects:				
Highway 20 Engineering	-	-	-	-
Wetland Mitigation	-	-	-	-
Kruger Development-Fox Ridge	-	-	-	-
South Main Drainage	-	-	-	-
Fox Ridge-Water Line	-	-	-	-
Local Option Sales Tax-Curb and Gutter	-	-	-	-

Electric	Electric Project Share	Garbage	Water Treatment Plant	Customer Deposits	Sales Tax	Total
35	2	-	58	-	-	2,304
-	-	-	-	-	-	58,858
441,663	-	-	-	-	-	441,663
-	-	19,577	-	-	-	19,577
-	-	31,302	-	-	-	31,302
-	-	-	-	-	-	97,477
441,663	-	50,879	-	-	-	648,877
-	-	-	-	2,725	-	2,725
-	-	-	-	-	24,750	24,750
-	-	-	-	79	-	79
-	-	-	-	2,804	24,750	27,554
441,698	2	50,879	58	2,804	24,750	678,735
24,316	-	-	-	-	-	41,504
3,464	-	-	-	-	-	6,508
245,982	-	37,305	-	898	23,725	342,822
4,988	-	5,187	-	-	-	25,547
784	-	-	-	-	-	16,132
279,534	-	42,492	-	898	23,725	432,513
162,164	2	8,387	58	1,906	1,025	246,222
(176,216)	-	-	-	-	-	(176,216)
(20,210)	-	-	-	-	-	(20,210)
(15,420)	-	-	-	-	-	(15,420)
(69,470)	-	-	-	-	-	(69,470)
(10,258)	-	-	-	-	-	(10,258)
(11,281)	-	-	-	-	-	(11,281)
(13,295)	-	-	-	-	-	(13,295)
(101)	-	-	-	-	-	(101)

City of Dike
Combining Schedule of Cash Transactions

Enterprise Funds

Year ended June 30, 2002

	Water	Water Improvement	Sewer Rental	Sewer Improvement
Operating transfers in (out) (continued):				
Enterprise:				
Water	-	6,600	-	600
Water Investment	(6,600)	-	-	-
Sewer Rental	-	-	-	7,200
Sewer Improvement	(600)	-	(7,200)	-
Electric	918	-	-	-
Sales Tax	-	-	-	-
Total other financing sources (uses)	<u>(6,282)</u>	<u>6,600</u>	<u>(7,200)</u>	<u>7,800</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	20,359	4,798	42,131	6,310
Balance beginning of year	<u>(2,935)</u>	<u>33,414</u>	<u>173,482</u>	<u>55,888</u>
Balance end of year	<u>\$ 17,424</u>	<u>38,212</u>	<u>215,613</u>	<u>62,198</u>

See accompanying independent auditor's report.

Electric	Electric Project Share	Garbage	Water Treatment Plant	Customer Deposits	Sales Tax	Total
(918)	-	-	-	-	-	6,282
-	-	-	-	-	-	(6,600)
-	-	-	-	-	-	7,200
-	-	-	-	-	-	(7,800)
(1,964)	-	-	-	-	1,964	2,882
(1,964)	-	-	-	-	-	(1,964)
(319,133)	-	-	-	-	1,964	(316,251)
(156,969)	2	8,387	58	1,906	2,989	(70,029)
429,159	342	11,845	2,446	3,377	(1,964)	705,054
272,190	344	20,232	2,504	5,283	1,025	635,025

Schedule 6

City of Dike
Combining Schedule of Cash Transactions
Expendable Trust Funds
Year ended June 30, 2002

	Fire Department Memorial Trust	Library Furnishings	Library Property Improvement	Total
Receipts:				
Use of money and property:				
Interest on investments	\$ 18	42	196	256
Miscellaneous:				
Donations	-	2,693	3,025	5,718
Total receipts	<u>18</u>	<u>2,735</u>	<u>3,221</u>	<u>5,974</u>
Disbursements:				
Home and Community Environment Program:				
Contractual services	-	-	568	568
Capital outlay	-	320	-	320
Total disbursements	<u>-</u>	<u>320</u>	<u>568</u>	<u>888</u>
Excess of receipts over disbursements	18	2,415	2,653	5,086
Other financing sources:				
Operating transfers in (out):				
General:				
General	-	-	-	-
General	-	-	1,623	1,623
Excess of receipts and other financing sources over disbursements	18	2,415	4,276	6,709
Balance beginning of year	<u>1,247</u>	<u>5,659</u>	<u>9,331</u>	<u>16,237</u>
Balance end of year	<u>\$ 1,265</u>	<u>8,074</u>	<u>13,607</u>	<u>22,946</u>

See accompanying independent auditor's report.

City of Dike

City of Dike



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

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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 Dike, Iowa, as of and for the year ended June 30, 2002, and have issued our report thereon dated February 20, 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 Dike's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City of Dike'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. Prior audit statutory comments have been resolved except for items (2), (7), (8), and (9).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Dike'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 Dike's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The 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), (B) and (C) are material weaknesses. Prior audit reportable conditions have not been resolved and are repeated as items (A), (B), (C), (D), (E), (F), (G), (H), and (I).

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 Dike and other parties to whom the City of Dike 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 Dike 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.

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 20, 2003

City of Dike
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 control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated the activities of one employee act as a check on those of another. One person had control over each of the following areas for the City:

- (1) Accounting system – performance of all general accounting functions and custody of assets.
- (2) Investments – investing, recording, and custody.
- (3) Long-term debt – recording, reconciling, and performing cash functions.
- (4) Receipts – collecting, depositing, journalizing and posting.
- (5) Utility receipts – billing, collecting, depositing, posting, and reconciling.
- (6) Disbursements – purchasing, preparing, recording and reconciling.
- (7) Payroll – preparing and distributing.
- (8) Financial reporting – Preparing, reconciling and distributing.

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

Response – We will review our control procedures to obtain maximum control over the above-mentioned duties.

Conclusion – Response accepted.

(B) Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled. In addition, the delinquent accounts listing did not match the amount in arrears shown on the billing register at June 30, 2002.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies. The amount listed on the billing register as in arrears should also be reconciled to the delinquent accounts listing. The Council should review the reconciliation and monitor delinquencies.

City of Dike

Schedule of Findings

Year ended June 30, 2002

Response – We are now doing the above-mentioned reconciliation for the current fiscal year. We will monitor more carefully the delinquencies.

Conclusion – Response accepted.

- (C) Monthly Financial Reports and Computer Records – The Clerk's financial reports did not reconcile to the computer printouts, receipt and disbursement journals, subsidiary ledgers and bank accounts due to various posting and clerical errors.

Recommendation – The amount of cash in bank, as well as the balance of investments, should be reconciled to the accounting records on a monthly basis. One of the purposes of such a reconciliation is to determine whether the actual assets agree with the recorded accountability. Also, to provide better financial information and control and to assist in locating and correcting errors in a timely manner, the account ledger cards should be reconciled to the receipt and disbursement journals and computer printouts on a monthly basis.

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." All funds of the City should be included in the Clerk's report and the report should also include all investments as part of the fund balances to comply with Chapter 384.20 of the Code of Iowa.

Response – The City is currently consulting with Computer Management Services to follow the above recommendation.

Conclusion – Response accepted.

- (D) Accounting Policies and Procedures Manual – The City does not have a written accounting policies and procedures manual.

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

- (1) Aids in training additional or replacement personnel and acts as a quick reference for staff members and officials.
- (2) Helps streamline accounting operations by achieving uniformity in accounting and in application of policies and procedures.
- (3) Saves supervisory time by recording decisions so that they will not have to be made each time the same, or similar, situation arises.
- (4) Helps to preserve the key elements in the government's internal control structure.
- (5) Increases effectiveness and efficiency.

In addition to accounting policies, the City should also consider written policies on employee job descriptions, evaluations and periodic reviews, requiring

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

confidentiality agreements for employees with access to confidential information and employee use of City vehicles and/or equipment.

Response – The City will carry out the recommendations.

Conclusion – Response accepted.

(E) Information Systems – The City does not have written policies for:

- Requiring the maintenance of password privacy and confidentiality.
- Ensuring that only software licensed to the City is installed on City computers.
- Requiring a complete system back up (both transactions and programs) at least monthly and at fiscal year end.
- Requiring that back up tapes be stored off-site daily.
- Requiring a time out and/or log off function or screen saver password to protect a terminal if left unattended.

Also, the City does not have a 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 – We will develop written policies to address the above recommendations.

Conclusion – Response accepted.

(F) Disbursements – Invoices or other supporting documentation did not contain proper authorization. Certain disbursements were not supported by proper documentation, or the invoices or other supporting documentation could not be located for review. In addition, checks were sometimes countersigned in advance.

Recommendation – All invoices or other supporting documentation should reflect the Council's authorization and be included in a listing that includes check numbers, approved and signed by the Council. All disbursements should be supported by original invoices or other supporting documentation. In addition, checks should only be signed and countersigned when the completed check and appropriate supporting documentation is available for review. Prior to signing, the checks and supporting documentation should be reviewed for propriety.

Response – The City Clerk will follow the recommendations stated above.

Conclusion – Response accepted.

(G) Payroll – Time cards and time sheets tested were not approved by a responsible official or supervisor.

City of Dike

Schedule of Findings

Year ended June 30, 2002

Recommendation – Time cards/sheets should be approved and initialed by the employees supervisor or by an independent official that is not involved with the payroll function.

Response – The City is doing this for the current fiscal year and will continue to do so.

Conclusion – Response accepted.

- (H) Transfers – Fund/Account transfers were not always authorized or approved and documented in the minutes record. Also, interfund transfers are not balanced monthly or always adequately explained and documented.

Recommendation – All Fund/Account transfers should be approved by the City council and their approval documented in the minutes record. A procedure should be developed to balance interfund transfers monthly as well as to require adequate explanations and documentation for each transfer.

Response – The City will follow the above recommendation.

Conclusion – Response accepted.

- (I) Records of Accounts – The Volunteer Fire Department maintains the accounting records pertaining to the operations of the Fire Department. 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."

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 City will follow Chapter 384.20 of the Code of Iowa.

Conclusion – Response accepted.

City of Dike

Schedule of Findings

Year ended June 30, 2002

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories - A resolution naming the official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2002.
- (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.

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 budgeted amounts.

Response - The City will follow Chapter 384.18 of the Code of Iowa with respect to disbursements.

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 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 previously noted and as noted below, no transactions were found that we believe should have been approved in the Council minutes but were not.

The City did not publish minutes within fifteen days for the meeting held July 21, 2001. Summaries of receipts and summaries of disbursements by fund required by Chapter 372.13(6) of the Code of Iowa were not found in any of the minutes reviewed. The City did not publish annual gross salaries in accordance with an Attorney General's opinion dated April 12, 1978. Also, a complete listing of disbursements was not included in the minutes, and the lists that were included did not document check numbers and approval.

Recommendation - The City should publish minutes and gross salaries as required and ensure that all disbursement transactions are properly approved and recorded in the minutes.

City of Dike

Schedule of Findings

Year ended June 30, 2002

Response - The City will publish the minutes per Code of Iowa requirements. Gross salaries will be published in accordance with the Attorney General's opinion dated April 12, 1978. We will ensure that a complete listing of disbursements is included in the minutes and that the lists will include check numbers and approval.

Conclusion - Response accepted.

- (8) Deposits and Investments - For the year ended June 30, 2002, the City's investment policy referred to Chapter 452 of the Code of Iowa instead of Chapter 12B.

Recommendation - The City's investment policy should be reviewed and should be amended to refer to Chapter 12B of the Code of Iowa.

Response - The City will consult with legal counsel to amend this policy.

Conclusion - Response accepted.

- (9) Financial Condition - At June 30, 2002, the City had deficit balances in certain accounts as follows:

<u>Fund/Account</u>	<u>Amount</u>
General:	
General	\$ (142,326)
Special Revenue:	
Road Use Tax	(12,293)
TIF - Fox Ridge	(974)
Capital Projects:	
Main Street Curb and Gutter	(130,805)

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

Response - The deficit in the General Fund, General Account will be eliminated through the transfer of available funds in the Enterprise, Electric Fund.

The deficit in the Special Revenue Fund, Road Use Tax Account will be eliminated through collection of future road use tax funds.

The deficit in the Special Revenue Fund, TIF - Fox Ridge Account will be eliminated through future tax increment financing collections.

The deficit in the Capital Projects Fund, Main Street Curb and Gutter Account will be eliminated through transfers from the Capital Projects Fund, Main Street Project Account and future collections of special assessments.

Conclusion - Response accepted.

City of Dike

Staff

This audit was performed by:

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