



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

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NEWS RELEASE

FOR RELEASE

March 26, 2003

Contact: Andy Nielsen
515/281-5515

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

The City's receipts totaled \$410,370 for the year ended June 30, 2002. The receipts included \$111,194 in property tax, \$69,392 in local option sales tax, \$65,273 from the state and \$16,856 in interest on investments. The City also received \$240,000 in general obligation storm sewer improvement note proceeds that are reported as an other financing source.

Disbursements for the year totaled \$326,887, and included \$96,420 for community protection, \$23,359 for human development, \$142,654 for home and community environment and \$64,454 for policy and administration.

This report contains recommendations to the City Council and other City officials. For example, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances. The City has responded that operating procedures will be reviewed.

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

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City of Gilbertville

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2002)		
Richard Bornong	Mayor	Resigned Nov 2001
John P. Mayer	Mayor	Jan 2004
Scott Becker	Mayor Pro tem	Jan 2002
Scott Vandebos	Council Member	Resigned Nov 2001
Tim Knipp	Council Member	Jan 2002
Monica Frost	Council Member	Jan 2004
Dan Ramaker	Council Member	Jan 2004
Orville Weber, Jr.	Council Member	Jan 2004
(After January 2002)		
John P. Mayer	Mayor	Jan 2004
Monica Frost	Mayor Pro tem	Jan 2004
Dan Ramaker	Council Member	Jan 2004
Orville Weber, Jr.	Council Member	Jan 2004
Dan Gardner	Council Member	Jan 2006
Jeff Balvanz	Council Member	Jan 2006
Barbara K. Doubek	Clerk	Indefinite
Mary McGee	Deputy Clerk/Treasurer	Indefinite
John McCoy	Attorney	Indefinite

City of Gilbertville



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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 Gilbertville, Iowa, as of and for the year ended June 30, 2002. These financial statements are the responsibility of the City of Gilbertville'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 Gilbertville, 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 18, 2003 on our consideration of the City of Gilbertville'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 3 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 18, 2003

City of Gilbertville

Financial Statements

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

	<u>Governmental Fund Types</u>	
	General	Special Revenue
Receipts:		
Property tax	\$ 111,194	-
Other city tax	23,607	17,348
Licenses and permits	4,428	-
Use of money and property	10,560	1,361
Intergovernmental	28,785	55,887
Charges for service	23,559	-
Special assessments	305	
Miscellaneous	8,900	10,371
Total receipts	<u>211,338</u>	<u>84,967</u>
Disbursements:		
Community Protection Program	94,605	1,815
Human Development Program	23,359	-
Home and Community Environment Program	31,507	17,926
Policy and Administration Program	64,454	-
Total disbursements	<u>213,925</u>	<u>19,741</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(2,587)</u>	<u>65,226</u>
Other financing sources (uses):		
General obligation note proceeds	-	240,000
Operating transfers in	14,650	-
Operating transfers out	(1,650)	-
Total other financing sources (uses)	<u>13,000</u>	<u>240,000</u>
Excess of receipts and other financing sources over disbursements and other financing uses	10,413	305,226
Balance beginning of year	<u>154,219</u>	<u>94,041</u>
Balance end of year	<u>\$ 164,632</u>	<u>399,267</u>

See notes to financial statements.

Proprietary Fund Type	Total (Memorandum Only)
Enterprise	
-	111,194
34,696	75,651
-	4,428
6,180	18,101
-	84,672
69,996	93,555
	305
3,193	22,464
114,065	410,370
-	96,420
-	23,359
93,221	142,654
-	64,454
93,221	326,887
20,844	83,483
-	240,000
-	14,650
(13,000)	(14,650)
(13,000)	240,000
7,844	323,483
278,208	526,468
286,052	849,951

City of Gilbertville

Comparison of Receipts, Disbursements and Changes in Balances -

Actual to Budget

Year ended June 30, 2002

	Actual	Less Funds Not Required to be Budgeted
Receipts:		
Property tax	\$ 111,194	-
Other city tax	75,651	-
Licenses and permits	4,428	-
Use of money and property	18,101	-
Intergovernmental	84,672	53
Charges for service	93,555	-
Special assessments	305	-
Miscellaneous	22,464	10,172
Total receipts	410,370	10,225
Disbursements:		
Community Protection Program	96,420	1,815
Human Development Program	23,359	-
Home and Community Environment Program	142,654	-
Policy and Administration Program	64,454	-
Total disbursements	326,887	1,815
Excess (deficiency) of receipts over (under) disbursements	83,483	8,410
Other financing sources, net	240,000	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	323,483	8,410
Balance beginning of year	526,468	2,920
Balance end of year	\$ 849,951	11,330

See notes to financial statements.

Net	Amended Budget	Variance Favorable (Unfavorable)	Net as % of Amended Budget
111,194	111,185	9	100%
75,651	77,440	(1,789)	98%
4,428	4,075	353	109%
18,101	18,680	(579)	97%
84,619	93,753	(9,134)	90%
93,555	90,200	3,355	104%
305	392	(87)	78%
12,292	2,500	9,792	492%
<u>400,145</u>	<u>398,225</u>	<u>1,920</u>	<u>100%</u>
94,605	98,662	4,057	96%
23,359	34,857	11,498	67%
142,654	194,057	51,403	74%
64,454	80,843	16,389	80%
<u>325,072</u>	<u>408,419</u>	<u>83,347</u>	<u>80%</u>
75,073	(10,194)		
<u>240,000</u>	-		
315,073	(10,194)		
<u>523,548</u>	<u>488,109</u>		
<u><u>838,621</u></u>	<u><u>477,915</u></u>		

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

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation note: Storm sewer improvements	Jan 1, 2002	3.75-4.70%	\$ 240,000

See notes to financial statements.

Balance Beginning of Year	Issued During Year	Balance End of Year	Interest Paid
-	240,000	240,000	-

City of Gilbertville

Notes to Financial Statements

June 30, 2002

(1) Summary of Significant Accounting Policies

The City of Gilbertville is a political subdivision of the State of Iowa located in Black Hawk County. It was first incorporated in 1917 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 Gilbertville 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.

Blended Component Unit

The Gilbertville Fire Fighters' Association is legally separate from the City but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. Although the Gilbertville Fire Fighters' Association is legally separate from the City, its purpose is to benefit the City of Gilbertville (the primary government) by soliciting contributions and managing those funds.

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: Black Hawk County Assessor's Conference Board, Black Hawk County Emergency Management Commission, and Black Hawk 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.

Proprietary Fund

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.

C. Basis of Accounting

The City of Gilbertville 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 blended component unit. 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 no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$685,457 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(3) General Obligation Storm Sewer Improvements Note

On January 1, 2002, the City issued a general obligation storm sewer improvements note for \$240,000 to provide funds to construct, reconstruct, improve, extend and equip the municipal storm sewer system. The repayment terms are as follows:

Year Ending June 30,	Interest Rates	Issued Jan 1, 2002	
		Principal	Interest
2003		\$ -	14,532
2004		-	10,258
2005	3.75%	20,000	10,258
2006	3.90	25,000	9,507
2007	4.00	25,000	8,532
2008	4.10	25,000	7,532
2009	4.25	25,000	6,507
2010	4.35	30,000	5,445
2011	4.50	30,000	4,140
2012	4.60	30,000	2,790
2013	4.70	30,000	1,410
Total		\$ 240,000	80,911

(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 \$5,602, equal to the required contribution for the year.

(5) Compensated Absences

City employees accumulate vacation and compensatory 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 and compensatory time payable to employees at June 30, 2002, primarily relating to the General Fund, is \$4,000. This liability has been computed based on rates of pay in effect at June 30, 2002.

(6) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 384.12 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 400 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2002 were \$10,977.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2002, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Subsequent Event

In October, 2002, the City entered into a construction contract for \$153,136 for the parkview storm sewer project. The costs will be paid from proceeds of the general obligation storm sewer improvements note issued on January 1, 2002.

Supplemental Information

City of Gilbertville

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

	General	Fire Truck	Total
Receipts:			
Property tax	\$ 111,194	-	111,194
Other city tax:			
Utility tax replacement excise tax	3,198	-	3,198
Cable franchise fee	3,061	-	3,061
Local option sales tax	17,348	-	17,348
	<u>23,607</u>	<u>-</u>	<u>23,607</u>
Licenses and permits:			
Liquor	1,848	-	1,848
Cigarette	225	-	225
Building	2,355	-	2,355
	<u>4,428</u>	<u>-</u>	<u>4,428</u>
Use of money and property:			
Interest on investments	7,062	2,253	9,315
Rent	1,245	-	1,245
	<u>8,307</u>	<u>2,253</u>	<u>10,560</u>
Intergovernmental:			
State allocation	8,237	-	8,237
Bank franchise tax	1,149	-	1,149
Township fire contribution	7,760	11,639	19,399
	<u>17,146</u>	<u>11,639</u>	<u>28,785</u>
Charges for service:			
Garbage collection fees	23,559	-	23,559
Special assessments	305	-	305
Miscellaneous:			
Fines and fees	1,653	-	1,653
Refunds and reimbursements	5,097	-	5,097
Miscellaneous	2,150	-	2,150
	<u>8,900</u>	<u>-</u>	<u>8,900</u>
Total receipts	<u>197,446</u>	<u>13,892</u>	<u>211,338</u>

Schedule 1

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

	General	Fire Truck	Total
Disbursements:			
Community Protection Program:			
Police:			
Personal services	27,803	-	27,803
Contractual services	5,771	-	5,771
Commodities	2,117	-	2,117
Capital outlay	4,469	-	4,469
	<u>40,160</u>	<u>-</u>	<u>40,160</u>
Fire:			
Personal services	3,247	-	3,247
Contractual services	12,965	-	12,965
Commodities	1,594	-	1,594
Capital outlay	8,486	-	8,486
	<u>26,292</u>	<u>-</u>	<u>26,292</u>
First Responders:			
Contractual services	1,500	-	1,500
Street lighting	6,880	-	6,880
Civil Defense:			
Contractual services	464	-	464
Capital outlay	13,736	-	13,736
	<u>14,200</u>	<u>-</u>	<u>14,200</u>
Miscellaneous Protective Services:			
Contractual services	5,573	-	5,573
	<u>94,605</u>	<u>-</u>	<u>94,605</u>
Human Development Program:			
Recreation and Culture	1,000	-	1,000
Parks:			
Personal services	6,191	-	6,191
Contractual services	11,084	-	11,084
Commodities	2,167	-	2,167
Capital outlay	1,655	-	1,655
	<u>21,097</u>	<u>-</u>	<u>21,097</u>
Social Services	1,262	-	1,262
	<u>23,359</u>	<u>-</u>	<u>23,359</u>

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

	General	Fire Truck	Total
Disbursements (continued):			
Home and Community Environment Program:			
Building and Housing:			
Personal services	1,067	-	1,067
Contractual services	1,753	-	1,753
Commodities	61	-	61
	<u>2,881</u>	<u>-</u>	<u>2,881</u>
Storm Drainage:			
Personal services	358	-	358
Capital outlay	162	-	162
	<u>520</u>	<u>-</u>	<u>520</u>
Solid Waste:			
Personal services	597	-	597
Contractual services	27,509	-	27,509
	<u>28,106</u>	<u>-</u>	<u>28,106</u>
	<u>31,507</u>	<u>-</u>	<u>31,507</u>
Policy and Administration Program:			
Mayor and Council Members:			
Personal services	5,318	5,318	10,636
Clerk/Treasurer:			
Personal services	35,248	-	35,248
Contractual services	9,153	-	9,153
Commodities	2,536	-	2,536
	<u>46,937</u>	<u>-</u>	<u>46,937</u>
Elections	854	-	854
Insurance	3,588	-	3,588
Legal services	1,838	-	1,838
City Buildings:			
Personal services	1,988	-	1,988
Contractual services	977	-	977
Commodities	2,724	-	2,724
Capital outlay	230	-	230
	<u>5,919</u>	<u>-</u>	<u>5,919</u>
	<u>64,454</u>	<u>-</u>	<u>64,454</u>
Total disbursements	<u>213,925</u>	<u>-</u>	<u>213,925</u>

Schedule 1

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

	General	Fire Truck	Total
Excess (deficiency) of receipts over (under) disbursements	(16,479)	13,892	(2,587)
Other financing sources (uses):			
Operating transfers in (out):			
General:			
General	-	1,650	1,650
Fire Truck	(1,650)	-	(1,650)
Enterprise:			
Water Utility	13,000	-	13,000
Total other financing sources (uses)	11,350	1,650	13,000
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(5,129)	15,542	10,413
Balance beginning of year	50,020	104,199	154,219
Balance end of year	\$ 44,891	119,741	164,632

See accompanying independent auditor's report.

City of Gilbertville

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

	Road Use Tax	Urban Renewal Tax Increment	Gilbertville Fire Fighters Association	Total
Receipts:				
Other City tax:				
Local option sales tax	\$ 17,348	-	-	17,348
Use of money and property:				
Interest on investments	-	1,308	53	1,361
Intergovernmental:				
Road use tax allocation	55,887	-	-	55,887
Miscellaneous:				
Donations and fund raisers	-	-	10,172	10,172
Miscellaneous	-	199	-	199
	-	199	10,172	10,371
Total receipts	73,235	1,507	10,225	84,967
Disbursements:				
Community Protection Program:				
Fire:				
Contractual services	-	-	1,185	1,185
Commodities	-	-	630	630
	-	-	1,815	1,815
Home and Community Environment Program:				
Sewer operations:				
Contractual services	-	8,015	-	8,015
Street maintenance:				
Personal services	4,589	-	-	4,589
Contractual services	3,377	-	-	3,377
Commodities	386	-	-	386
Capital outlay	1,559	-	-	1,559
	9,911	-	-	9,911
	9,911	8,015	-	17,926
Total disbursements	9,911	8,015	1,815	19,741
Excess (deficiency) of receipts over (under) disbursements	63,324	(6,508)	8,410	65,226

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

	Road Use Tax	Urban Renewal Tax Increment	Gilbertville Fire Fighters Association	Total
Other financing sources:				
General obligation note proceeds	-	240,000	-	240,000
Excess of receipts and other financing sources over disbursements	63,324	233,492	8,410	305,226
Balance beginning of year	91,121	-	2,920	94,041
Balance end of year	\$ 154,445	233,492	11,330	399,267

See accompanying independent auditor's report.

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

	Water Utility	Water Deposits
Receipts:		
Other city tax:		
Local option sales tax	\$ 17,348	-
Use of money and property:		
Interest on investments	4,489	-
Charges for service:		
Sale of water	29,853	-
Sewer rental fees	-	-
Penalties	673	-
Miscellaneous	1,044	-
	31,570	-
Miscellaneous:		
Sales tax collected	-	-
Customer deposits	-	730
	-	730
Total receipts	53,407	730
Disbursements:		
Home and Community Environment Program:		
Personal services	14,256	-
Contractual services	16,531	860
Commodities	4,694	-
Capital outlay	3,835	-
Total disbursements	39,316	860
Excess (deficiency) of receipts over (under) disbursements	14,091	(130)

Sewer Utility	Sewer Deposits	Sales Tax	Total
17,348	-	-	34,696
1,691	-	-	6,180
-	-	-	29,853
38,426	-	-	38,426
-	-	-	673
-	-	-	1,044
38,426	-	-	69,996
-	-	2,313	2,313
-	150	-	880
-	150	2,313	3,193
57,465	150	2,313	114,065
15,138	-	-	29,394
33,716	180	2,226	53,513
1,242	-	-	5,936
543	-	-	4,378
50,639	180	2,226	93,221
6,826	(30)	87	20,844

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

	Water Utility	Water Deposits
Other financing uses:		
Operating transfers (out):		
General:		
General	(13,000)	-
Excess (deficiency) of receipts over (under) disbursements and other financing uses	1,091	(130)
Balance beginning of year	187,490	1,670
Balance end of year	\$ 188,581	1,540

See accompanying independent auditor's report.

Sewer Utility	Sewer Deposits	Sales Tax	Total
-	-	-	(13,000)
6,826	(30)	87	7,844
88,024	450	574	278,208
94,850	420	661	286,052

City of Gilbertville



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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 Gilbertville, Iowa, as of and for the year ended June 30, 2002, and have issued our report thereon dated February 18, 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 Gilbertville'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 Gilbertville'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 item (10).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Gilbertville'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 Gilbertville'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 that items (A) and (B) are material weaknesses. Prior audit reportable conditions have been resolved except for item (A).

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 Gilbertville and other parties to whom the City of Gilbertville 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 Gilbertville 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 18, 2003

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

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

Response – Items (1), (2), (3), (5), and (7) are shared responsibilities. The Clerk and Deputy Clerk are cross-trained to perform these duties. The Clerk primarily performs all these duties with the exception of utility billing. The Deputy Clerk manages the utility accounts. She works 15-20 hours per week.

The City will review internal control procedures and the possibility of changing roles on a frequent basis.

Conclusion – Response acknowledged. The City could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- (B) Reconciliation of Utility Billings, Collections and Delinquencies – Monthly utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – Procedures should be established to reconcile monthly utility billings, collections and delinquencies for each billing period. The City Council or a Council designated independent person should review the reconciliations and monitor delinquencies.

City of Gilbertville

Schedule of Findings

Year ended June 30, 2002

Response – I will discuss this with the mayor and council members and ask them if they would like a reconciliation of billings, payments and past dues each month or quarterly or at anytime during the year.

Conclusion – Response acknowledged. The City should perform utility reconciliations for each billing cycle to ensure funds are properly recorded and deposited.

(C) Receipts – The City does not prepare receipts for City collections.

Recommendation – For additional accountability over City receipts and financial reporting, prenumbered receipts should be issued as collections are received.

Response – Upon receipt of collections, checks and supporting documents are photo copied. Collections are assigned a budget revenue number and entered in the computer. The photo copied documents are attached to the deposit slip and outline the budget and receipt numbers.

The Clerk visited with software personnel. Due to the volume of collections and resources most cities our size do nothing more than current practice. They have a program, but it is mainly used by County Treasurers and large utility companies due to the volume.

Conclusion – Response acknowledged. The City should consider the use of prenumbered receipts to help ensure additional accountability over City collections.

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

The City does not have written policies for:

- Requiring password changes every 60 to 90 days or to maintain password privacy and confidentiality.
- Requiring a time out and/or log off function or a screen saver password to protect a terminal if left unattended.
- The storage of backup tapes/disks off site.
- Requiring the use of an anti-virus program.
- Alternative power sources.
- Ensuring that only software licensed to the City is installed on City computers.
- A disaster recovery plan.

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

City of Gilbertville

Schedule of Findings

Year ended June 30, 2002

Response - The Clerk implemented a 10-day back-up rotation schedule. Tapes are removed and kept offsite. The City is working with Black Hawk County Emergency Management on preparing a disaster recovery plan. At present, the City does not have written policies on the other aspects of computer usage.

The City will review its computer security systems and implement written policies on these programs.

Conclusion - Response accepted.

City of Gilbertville

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. However, the resolution has not been updated to include the accurate bank names for the City's depositories.

Recommendation - A new depository resolution should be approved to include the accurate bank names of the City's depositories.

Response - The City has not updated its depository resolution since 1995. The City will adopt an amended depository resolution.

Conclusion - Response accepted.

- (2) Certified Budget - Disbursements during the year ended June 30, 2002, did not exceed the amounts budgeted.
- (3) Questionable Disbursements - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (4) Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (5) Business Transactions - No business transactions between the City and City officials or employees were noted.
- (6) Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- (7) Council Minutes - Except as noted above, no transactions were found that we believe should have been approved in the Council minutes but were not.
- (8) Deposits and Investments - Except as noted above, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (9) Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City retains cancelled checks through electronic image, but did not obtain an image of the back of the checks for the year ended June 30, 2002 as required.

Recommendation - The City should obtain and retain an image of both the front and back of each cancelled check as required.

City of Gilbertville

Schedule of Findings

Year ended June 30, 2002

Response - At present the City receives an image of the front only of the cancelled check from our local depository. The City will request via a written letter to the depository an image of both the front and back of the cancelled checks.

Conclusion - Response accepted.

- (10) Garbage Rates - The City's garbage rates were approved by City Council resolution. Chapter 384.84 of the Code of Iowa requires that utility rates be established by ordinance of the City Council.

Recommendation - The City should establish garbage rates by City ordinance as required.

Response - The City did approve the garbage rates via a resolution. The City is working with Iowa Codification to update their Ordinances and will notify them to establish rates via an Ordinance.

Conclusion - Response accepted.

- (11) City Code of Ordinances - The City has not compiled the City ordinances since 1995.

Recommendation - Chapter 380.8 of the Code of Iowa states that, "At least once every five years, a city shall compile a code of ordinances containing all of the city ordinances in effect," The City should compile the city ordinances as required.

Response - In 2000, the City authorized the City Attorney to amend and review the City Ordinances. Other legal matters took precedence over this project making completion difficult. Due to time constraints, complexity, outdated ordinances and language the City authorized Iowa Codification in 2002 to draft the City's Ordinances. They are presently working on the draft.

Conclusion - Response accepted.

City of Gilbertville

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager
John G. Vanis, CGFM, Senior Auditor
Tammy L. Mason, CPA, Staff Auditor

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Deputy Auditor of State