



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE March 31, 2004

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released an audit report on the City of Red Oak, Iowa.

The City's receipts totaled \$6,339,365 for the year ended June 30, 2003, a two percent decrease from 2002. The receipts included \$2,010,066 in property tax, \$388,647 in tax increment financing collections, \$955,452 from other governments, \$384,997 in local option sales tax and \$125,898 in interest on investments.

Disbursements for the year totaled \$6,259,396, a seventeen percent decrease from the prior year, and included \$1,605,572 for public safety, \$1,317,697 for business type activities and \$907,959 for public works.

The significant decrease in disbursements is primarily due to greater debt redemptions and the completion of street and bridge projects in the prior year.

The report contains recommendations to the City Council and other City officials. For example, operating procedures should be reviewed to obtain the maximum internal control possible. The City responded favorably to the comments.

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

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CITY OF RED OAK
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2003

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City of Red Oak

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James A. Johnson	Mayor	Jan 2004
Roger Waggener	Council Member	Jan 2004
Ivan Craig	Council Member	Jan 2004
Chris Swanson	Council Member	Jan 2004
Terry Kammerer	Council Member	Jan 2006
Joddey Hicks	Council Member	Jan 2006
Brad Wright	Administrator	Indefinite
Mary Bolton	Clerk	Indefinite
Stephen Hays	Treasurer	Indefinite
Tom Stamets	Attorney	Indefinite

City of Red Oak



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

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.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the results of the cash transactions of the funds of the City of Red Oak as of and for the year ended June 30, 2003, and its indebtedness at June 30, 2003, on the basis of accounting described in note 1.

As discussed in note 17, the City of Red Oak intends to implement Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, for the year ending June 30, 2004. The effects of these statements are expected to significantly impact the presentation of the City's financial statements and related notes in the year of implementation. The revised requirements will include an analytical overview of the City's financial activities in the Management's Discussion and Analysis introduction to the financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated December 16, 2003 on our consideration of the City of Red Oak's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2002 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 16, 2003

Financial Statements

City of Red Oak
 Combined Statement of Cash Transactions
 All Fund Types
 Year ended June 30, 2003

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Receipts:			
Property tax	\$ 959,875	457,760	592,431
Tax increment financing collections	-	388,647	-
Other city tax	93,303	302,178	131,913
Licenses and permits	16,188	-	-
Use of money and property	94,150	238	-
Intergovernmental	183,356	504,517	-
Charges for service	407,150	-	-
Special assessments	-	44,611	-
Miscellaneous	171,102	38,582	-
Total receipts	<u>1,925,124</u>	<u>1,736,533</u>	<u>724,344</u>
Disbursements:			
Public safety	1,153,222	452,350	-
Public works	81,446	361,605	-
Health and social services	3,175	-	-
Culture and recreation	509,787	65,900	-
Community and economic development	47,077	248,043	-
General government	105,250	17,437	-
Debt service	-	-	678,723
Capital projects	-	-	-
Business type activities	-	-	-
Total disbursements	<u>1,899,957</u>	<u>1,145,335</u>	<u>678,723</u>
Excess (deficiency) of receipts over (under) disbursements	<u>25,167</u>	<u>591,198</u>	<u>45,621</u>
Other financing sources (uses):			
Sale of general fixed assets	4,041	-	-
Note proceeds (net of \$24,930 discount)	-	-	-
Payment to paying agent for current refunding	-	-	-
Operating transfers in	74,007	-	#REF!
Operating transfers out	(29,024)	(696,726)	-
Total other financing sources (uses)	<u>49,024</u>	<u>(696,726)</u>	<u>#REF!</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>74,191</u>	<u>(105,528)</u>	<u>#REF!</u>
Balance beginning of year, as restated (note 16)	<u>1,044,198</u>	<u>2,216,229</u>	<u>495,427</u>
Balance end of year	<u>\$ 1,118,389</u>	<u>2,110,701</u>	<u>#REF!</u>

See notes to financial statements.

Capital Projects	Proprietary Fund Type Enterprise	Fiduciary Fund Type Trust	Total (Memorandum Only)
-	-	-	2,010,066
-	-	-	388,647
-	-	-	527,394
-	-	-	16,188
-	32,717	4,793	131,898
267,579	-	-	955,452
-	1,449,426	-	1,856,576
-	-	-	44,611
70,883	122,930	5,036	408,533
338,462	1,605,073	9,829	6,339,365
-	-	-	1,605,572
464,908	-	-	907,959
-	-	-	3,175
-	-	8,655	584,342
-	-	-	295,120
-	-	-	122,687
-	-	-	678,723
744,121	-	-	744,121
-	#REF!	-	#REF!
1,209,029	#REF!	8,655	#REF!
(870,567)	#REF!	1,174	#REF!
-	-	-	4,041
813,400	481,670	-	1,295,070
-	(475,000)	-	(475,000)
1,090,581	306,298	-	#REF!
(979)	(860,874)	-	(1,587,603)
1,903,002	(547,906)	-	#REF!
1,032,435	#REF!	1,174	#REF!
(1,199,829)	1,942,252	338,905	4,837,182
(167,394)	#REF!	340,079	#REF!

City of Red Oak

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

Year ended June 30, 2003

	Actual	Less Funds Not Required to be Budgeted	Net
Receipts:			
Property tax	\$ 2,010,066	-	2,010,066
Tax increment financing collections	388,647	-	388,647
Other city tax	527,394	-	527,394
Licenses and permits	16,188	-	16,188
Use of money and property	131,898	238	131,660
Intergovernmental	955,452	-	955,452
Charges for service	1,856,576	-	1,856,576
Special assessments	44,611	-	44,611
Miscellaneous	408,533	33,545	374,988
Total receipts	6,339,365	33,783	6,305,582
Disbursements:			
Public safety	1,605,572	37,868	1,567,704
Public works	907,959	-	907,959
Health and social services	3,175	-	3,175
Culture and recreation	584,342	5,000	579,342
Community and economic development	295,120	-	295,120
General government	122,687	-	122,687
Debt service	678,723	-	678,723
Capital projects	744,121	-	744,121
Business type activities	#REF!	-	#REF!
Total disbursements	#REF!	42,868	#REF!
Excess (deficiency) of receipts over (under) disbursements	#REF!	(9,085)	#REF!
Other financing sources, net	#REF!	-	#REF!
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	#REF!	(9,085)	#REF!
Balance beginning of year	4,837,182	257,925	4,579,257
Balance end of year	#REF!	248,840	#REF!

See notes to financial statements.

Amended Budget	Variance Favorable (Unfavorable)	Net as % of Amended Budget
1,888,379	121,687	106%
355,000	33,647	109%
487,709	39,685	108%
3,825	12,363	423%
187,300	(55,640)	70%
1,008,510	(53,058)	95%
1,895,100	(38,524)	98%
42,000	2,611	106%
1,044,200	(669,212)	36%
<u>6,912,023</u>	<u>(606,441)</u>	<u>91%</u>
1,497,518	(70,186)	105%
818,393	(89,566)	111%
-	(3,175)	100%
523,005	(56,337)	111%
33,000	(262,120)	894%
130,529	7,842	94%
656,770	(21,953)	103%
2,748,537	2,004,416	27%
1,512,721	#REF!	#REF!
<u>7,920,473</u>	<u>#REF!</u>	<u>#REF!</u>
(1,008,450)		
<u>760,900</u>		
(247,550)		
<u>5,382,870</u>		
<u><u>5,135,320</u></u>		

City of Red Oak
Statement of Indebtedness
Year ended June 30, 2003

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Essential corporate purpose	Mar 1, 1995	6.60-7.00%	\$ 165,000
Essential corporate purpose	Oct 1, 1995	6.95-7.30	365,000
Essential and general corporate purpose	Aug 1, 1997	4.75-5.20	1,635,000
Essential corporate purpose	Apr 1, 1998	4.35-4.70	600,000
Essential corporate purpose	Jul 1, 1998	4.35-4.70	1,000,000
Essential corporate purpose	Jul 1, 2000	5.20-5.70	1,185,000
Essential corporate purpose	Nov 1, 2002	2.60-4.50	620,000
Essential corporate purpose	Nov 1, 2002	3.60-5.20	210,000
Total			
Revenue notes:			
Water	Nov 1, 1996	5.15-5.45%	\$ 1,370,000
Water refunding	May 1, 2003	1.65-2.40	490,000
Total			

See notes to financial statements.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
90,000	-	15,000	75,000	6,150
265,000	-	20,000	245,000	18,945
1,505,000	-	155,000	1,350,000	75,588
390,000	-	60,000	330,000	17,772
740,000	-	95,000	645,000	33,422
1,095,000	-	100,000	995,000	59,893
-	620,000	-	620,000	14,069
-	210,000	-	210,000	5,425
<u>\$ 4,085,000</u>	<u>830,000</u>	<u>445,000</u>	<u>4,470,000</u>	<u>231,264</u>
620,000	-	620,000	-	32,895
-	490,000	-	490,000	-
<u>\$ 620,000</u>	<u>490,000</u>	<u>620,000</u>	<u>490,000</u>	<u>32,895</u>

City of Red Oak

Notes to Financial Statements

June 30, 2003

(1) Summary of Significant Accounting Policies

The City of Red Oak is a political subdivision of the State of Iowa located in Montgomery County. It was first incorporated in 1901 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development, general government and business type activities.

A. Reporting Entity

For financial reporting purposes, the City of Red Oak 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.

Component Unit

The following component unit is an entity which is legally separate from the City, but is so intertwined with the City that it is, in substance, part of the City.

The Red Oak Volunteer Fire and Rescue Association, established pursuant to local ordinance and organized under its own articles of incorporation, collects donations which are used to purchase items which are not included in the City's budget. The financial transactions have been included in a Special Revenue Fund of the City.

Jointly Governed Organizations

The City participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following boards and commissions: Montgomery County Assessor's Conference Board and Southwest Iowa Planning Council (SWIPCO) Regional Planning Commission.

The City also participates in the Montgomery County Landfill Association, a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa.

Related Organization

The City is also responsible for appointing a majority of the voting members of the Low Rent Housing Board and the Montgomery County Public Safety Communications Commission, but the City's accountability for these organizations does not extend beyond making the appointments.

B. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements and balances. The various funds and their designated purposes are as follows:

Governmental Funds

General Fund - The General Fund is the general operating fund of the City. All general tax receipts and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid through other funds.

Special Revenue Funds - The Special Revenue Funds are utilized to account for receipts derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

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

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

Proprietary Funds

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

Fiduciary Funds

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

C. Basis of Accounting

The City of Red Oak 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 for the blended component unit and the Non-Expendable Trust Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions, not by fund. These functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities.

E. Total (Memorandum Only)

The total column on the combined statement of cash transactions is captioned "Memorandum Only" to indicate it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2003 were entirely covered by federal depository insurance or by 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.

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$47,656 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 and revenue notes are as follows:

Year Ending June 30,	General Obligation Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 540,000	223,503	160,000	10,725	700,000	234,228
2005	570,000	198,115	165,000	7,260	735,000	205,375
2006	595,000	170,618	165,000	3,960	760,000	174,578
2007	625,000	141,433	-	-	625,000	141,433
2008	650,000	110,130	-	-	650,000	110,130
2009	595,000	77,090	-	-	595,000	77,090
2010	500,000	46,823	-	-	500,000	46,823
2011	290,000	20,545	-	-	290,000	20,545
2012	105,000	4,725	-	-	105,000	4,725
Total	\$ 4,470,000	992,982	490,000	21,945	4,960,000	1,014,927

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

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a water revenue sinking account for the purpose of making the note principal and interest payments when due.
- (c) A water revenue reserve account shall be established with a specific established balance. This account is restricted for the purpose of paying for principal and interest when funds in the sinking account are inadequate.
- (d) Monthly transfers of \$1,000 shall be made to a water capital improvement account until \$100,000 has been accumulated. This account is restricted for the purpose of paying for any capital improvements and extensions to the system or for principal and interest payments which the sinking account might be unable to make.

In May, 2003, the City issued \$490,000 of water revenue refunding notes, with interest rates ranging from 1.65% to 2.40%, to refund \$475,000 of outstanding water revenue notes dated November 1, 1996, with interest rates ranging from 5.15% to 5.45%. The principal on these notes was called on May 1, 2003 and the notes were redeemed in their entirety by June 30, 2003.

The City refunded the notes to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$22,100.

(4) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll except for fire and police employees, in which case the percentages are 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2003, 2002, and 2001 were \$113,797, \$110,566, and \$104,356, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, compensatory time, and sick leave 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, compensatory time and sick leave hours payable to employees at June 30, 2003, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 73,000
Compensatory time	13,000
Sick leave	<u>305,000</u>
Total	<u>\$ 391,000</u>

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

(6) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2003, disbursements in the public safety, public works, health and social services, culture and recreation, community and economic development and debt service functions exceeded the amounts budgeted.

(7) Risk Management

The City of Red Oak is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 475 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, 2003 were \$94,718.

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, 2003, settled claims have not exceeded the risk pool or reinsurance 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.

(8) Industrial Development Revenue Bonds

The City has issued a total of \$1,050,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$835,000 is outstanding at June 30, 2003. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

(9) Treasurer's Debt Service Account

The City deposits into a Treasurer's Debt Service Account sufficient funds to redeem note indebtedness and interest when due. These deposits are recorded as disbursements at the time of payment and subsequent activity and resulting balances are not recorded by the City. At June 30, 2003, the Treasurer's Debt Service Account had a balance of \$5, representing debt payments overfunded.

(10) Library Bequests

The Library has received various restricted bequests. At June 30, 2003, the Library Bequest Account included a total of \$38,000 of memorials, as follows:

Name of Memorial	Amount	Purpose
Julia Lane	\$ 10,000	Interest to be used for the purchase of reference books.
Darwin Merritt	1,000	Interest to be used for the purchase of books and furniture.
Mary Windle	1,000	Interest to be used for the purchase of "standard authors" to be placed in a separate "Mary Windle Collection."
Herbert C. Lane	1,000	Interest to be used for the purchase of reference books for the "Lane Memorial Collection."
Virginia A. Petty	<u>25,000</u>	Interest to be used to purchase library materials.
Total	<u>\$ 38,000</u>	

(11) Komarek Trust

The City receives \$600 annually from the trustee of the Komarek Trust to be used for maintenance of cemetery chapel grounds and roadways and for placement of flowers on certain graves. During the year ended June 30, 2003, the City spent \$27 of these funds for flowers and statues. At June 30, 2003, the balance in the Komarek Trust Account totaled \$9,285.

(12) Contingent Liability

The City is subject to a potential liability of \$735,100 for financial security in connection with its former participation in the operation of the Red Oak Landfill. The probability of loss, if any, is indeterminable.

(13) Deficit Balances

At June 30, 2003, the City had deficit balances in the following accounts:

Fund	Balance June 30, 2003
General:	
Fire Sinking	\$ 252
Comprehensive Development Plan	45,525
Capital Projects:	
Red Oak Creek Study	4,531
Airport Master Plan	9,553
Broadway Project	47,869
Airport Land Acquisition	3,370
Airport RCO Facility	10,959
Airport Apron	63,625
Lighting Runway 17/35	15,398
2003 Street Improvements	61,809
Enterprise:	
Recycling	1,572

The deficit account balances in the General Fund will be eliminated through transfer of General Fund reserves.

The deficit balances in the Capital Projects Funds will be eliminated through anticipated reimbursement from grants and note proceeds. In addition, the deficit balance in the Capital Projects Fund, 2003 Street Improvements account will be eliminated through the transfer of currently available funds from the Special Revenue Fund, Road Use Tax account.

The deficit balance in the Enterprise Fund, Recycling Account will be eliminated through subsequent collections of recycling fees.

(14) Related Party Transactions

The City had business transactions totaling \$1,410 between the City and City officials during the year ended June 30, 2003.

(15) Commitments

Construction commitments for airport and street projects at June 30, 2003 totaled \$378,693. During the year, \$122,993 was paid under these construction commitments. The balance of \$255,700 will be paid as work on the projects progresses.

(16) Restatement

The Capital Projects Fund, Tax Increment Financing Account and the Capital Projects Fund, Downtown TIF Account were combined into one fund and reclassified as a Special Revenue Fund as of July 1, 2002. The effect was to reduce the Capital Projects Funds beginning fund balance by \$282,447 and increase the Special Revenue Funds beginning fund balance by \$282,447.

(17) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the year ending June 30, 2004. The effects are expected to significantly impact the presentation of the City's financial statements in the year of implementation. The revised minimum reporting requirements include Management's Discussion and Analysis to introduce the basic financial statements and to provide an analytical overview of the City's financial activities.

City of Red Oak

Supplemental Information

City of Red Oak
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	General	Seized Property	Drug Awareness Resistance Education	K-9
Receipts:				
Property tax	\$ 959,875	-	-	-
Other city tax:				
Utility tax replacement excise tax	57,441	-	-	-
Mobile home tax	3,817	-	-	-
Cable franchise fee	30,045	-	-	-
Payment in lieu of taxes	2,000	-	-	-
	<u>93,303</u>	<u>-</u>	<u>-</u>	<u>-</u>
Licenses and permits:				
Beer and liquor	8,472	-	-	-
Cigarette	3,244	-	-	-
Building	1,715	-	-	-
Miscellaneous	2,757	-	-	-
	<u>16,188</u>	<u>-</u>	<u>-</u>	<u>-</u>
Use of money and property:				
Interest on investments	83,087	-	-	-
Rent	-	-	-	-
	<u>83,087</u>	<u>-</u>	<u>-</u>	<u>-</u>
Intergovernmental:				
State and Community Highway Safety grant	-	-	-	-
Fire contracts	27,930	-	-	-
County library allocation	22,000	-	-	-
State allocation	99,118	-	-	-
Library open access	-	-	-	-
Enrich Iowa program	-	-	-	-
Bank franchise tax	28,770	-	-	-
	<u>177,818</u>	<u>-</u>	<u>-</u>	<u>-</u>
Charges for service:				
Police services	6,564	-	-	-
Cemetery openings	35,800	-	-	-
Ambulance services	284,021	-	-	-
Airport sales	33,239	-	-	-
Library charges	6,115	-	-	-
Park	1,870	-	-	-
Pool	19,955	-	-	-
Street	1,299	-	-	-
Miscellaneous	211	5,629	-	-
	<u>389,074</u>	<u>5,629</u>	<u>-</u>	<u>-</u>
Miscellaneous:				
Sale of property and merchandise	32,504	-	-	-
Donations and fund raisers	-	-	7,440	150
Refunds and reimbursements	66,293	-	-	-
Fines and fees	18,150	-	-	-
Miscellaneous	-	-	-	-
	<u>116,947</u>	<u>-</u>	<u>7,440</u>	<u>150</u>
Total receipts	<u>1,836,292</u>	<u>5,629</u>	<u>7,440</u>	<u>150</u>

City of Red Oak
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	Airport Sinking	Computer Sinking	Historical Preser- vation Sinking	Comprehensive Development Plan
Receipts:				
Property tax	-	-	-	-
Other city tax:				
Utility tax replacement excise tax	-	-	-	-
Mobile home tax	-	-	-	-
Cable franchise fee	-	-	-	-
Payment in lieu of taxes	-	-	-	-
Licenses and permits:				
Beer and liquor	-	-	-	-
Cigarette	-	-	-	-
Building	-	-	-	-
Miscellaneous	-	-	-	-
Use of money and property:				
Interest on investments	329	-	-	-
Rent	-	-	-	-
	329	-	-	-
Intergovernmental:				
State and Community Highway Safety grant	-	-	-	-
Fire contracts	-	-	-	-
County library allocation	-	-	-	-
State allocation	-	-	-	-
Library open access	-	-	-	-
Enrich Iowa program	-	-	-	-
Bank franchise tax	-	-	-	-
Charges for service:				
Police services	-	-	-	-
Cemetery openings	-	-	-	-
Ambulance services	-	-	-	-
Airport sales	-	-	-	-
Library charges	-	-	-	-
Park	-	-	-	-
Pool	-	-	-	-
Street	-	-	-	-
Miscellaneous	-	-	-	-
Miscellaneous:				
Sale of property and merchandise	-	-	-	-
Donations and fund raisers	2,794	-	-	-
Refunds and reimbursements	-	-	-	-
Fines and fees	-	-	-	-
Miscellaneous	-	-	-	-
	2,794	-	-	-
Total receipts	3,123	-	-	-

Planning and Zoning Sinking	209 Washington Sinking	Police Sinking	Property Lien Sinking	Total
-	-	-	-	959,875
-	-	-	-	57,441
-	-	-	-	3,817
-	-	-	-	30,045
-	-	-	-	2,000
-	-	-	-	93,303
-	-	-	-	8,472
-	-	-	-	3,244
-	-	-	-	1,715
-	-	-	-	2,757
-	-	-	-	16,188
-	-	-	-	88,150
-	6,000	-	-	6,000
-	6,000	-	-	94,150
-	-	1,686	-	1,686
-	-	-	-	27,930
-	-	-	-	22,000
-	-	-	-	99,118
-	-	-	-	34
-	-	-	-	3,818
-	-	-	-	28,770
-	-	1,686	-	183,356
-	-	-	-	6,564
-	-	-	-	35,800
-	-	-	-	284,021
-	-	-	-	33,239
-	-	-	-	6,115
-	-	-	-	1,870
-	-	-	-	19,955
-	-	-	-	1,299
-	-	12,447	-	18,287
-	-	12,447	-	407,150
-	-	-	-	37,170
-	-	-	-	48,068
-	-	-	-	66,679
-	-	-	-	18,850
-	-	-	-	335
-	-	-	-	171,102
-	6,000	14,133	-	1,925,124

City of Red Oak
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	General	Seized Property	Drug Awareness Resistance Education	K-9
Disbursements:				
Public safety:				
Police:				
Personal services	491,658	-	-	-
Services and commodities	81,751	7,704	3,474	257
	573,409	7,704	3,474	257
Joint communications:				
Services and commodities	80,581	-	-	-
Emergency management:				
Services and commodities	342	-	-	-
Flood control:				
Services and commodities	498	-	-	-
Fire:				
Personal services	363,885	-	-	-
Services and commodities	96,035	-	-	-
	459,920	-	-	-
Animal control:				
Services and commodities	6,765	-	-	-
	1,121,515	7,704	3,474	257
Public works:				
Roads, bridges, sidewalks:				
Services and commodities	-	-	-	-
Airport:				
Personal services	21,930	-	-	-
Services and commodities	57,026	-	-	-
	78,956	-	-	-
	78,956	-	-	-
Health and social services:				
Water, air, mosquito control:				
Services and commodities	2,631	-	-	-
Other health and social services:				
Services and commodities	544	-	-	-
	3,175	-	-	-
Culture and recreation:				
Library:				
Personal services	104,269	-	-	-
Services and commodities	49,667	-	-	-
	153,936	-	-	-
Parks:				
Personal services	56,371	-	-	-
Services and commodities	85,504	-	-	-
	141,875	-	-	-
Pool:				
Personal services	28,566	-	-	-
Services and commodities	48,117	-	-	-
	76,683	-	-	-

Reserve Officers	Library Sinking	Cemetery Sinking	Park Sinking	Fire Sinking	Street Sinking
-	-	-	-	-	-
1,078	-	-	-	-	-
1,078	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	14,999	-
-	-	-	-	14,999	-
-	-	-	-	-	-
1,078	-	-	-	14,999	-
-	-	-	-	-	795
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	795
-	-	-	-	-	-
-	-	-	-	-	-
-	15,086	-	-	-	-
-	15,086	-	-	-	-
-	-	-	-	-	-
-	-	-	5,972	-	-
-	-	-	5,972	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-

City of Red Oak
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	Airport Sinking	Computer Sinking	Historical Preser- vation Sinking	Comprehensive Development Plan
Disbursements:				
Public safety:				
Police:				
Personal services	-	-	-	-
Services and commodities	-	-	-	-
	-	-	-	-
Joint communications:				
Services and commodities	-	-	-	-
Emergency management:				
Services and commodities	-	-	-	-
Flood control:				
Services and commodities	-	-	-	-
Fire:				
Personal services	-	-	-	-
Services and commodities	-	-	-	-
	-	-	-	-
Animal control:				
Services and commodities	-	-	-	-
	-	-	-	-
Public works:				
Roads, bridges, sidewalks:				
Services and commodities	-	-	-	-
Airport:				
Personal services	-	-	-	-
Services and commodities	1,695	-	-	-
	1,695	-	-	-
	1,695	-	-	-
Health and social services:				
Water, air, mosquito control:				
Services and commodities	-	-	-	-
Other health and social services:				
Services and commodities	-	-	-	-
	-	-	-	-
Culture and recreation:				
Library:				
Personal services	-	-	-	-
Services and commodities	-	-	-	-
	-	-	-	-
Parks:				
Personal services	-	-	-	-
Services and commodities	-	-	-	-
	-	-	-	-
Pool:				
Personal services	-	-	-	-
Services and commodities	-	-	-	-
	-	-	-	-

Planning and Zoning Sinking	209 Washington Sinking	Police Sinking	Property Lien Sinking	Total
-	-	-	-	491,658
-	-	4,195	-	98,459
-	-	4,195	-	590,117
-	-	-	-	80,581
-	-	-	-	342
-	-	-	-	498
-	-	-	-	363,885
-	-	-	-	111,034
-	-	-	-	474,919
-	-	-	-	6,765
-	-	4,195	-	1,153,222
-	-	-	-	795
-	-	-	-	21,930
-	-	-	-	58,721
-	-	-	-	80,651
-	-	-	-	81,446
-	-	-	-	2,631
-	-	-	-	544
-	-	-	-	3,175
-	-	-	-	104,269
-	-	-	-	64,753
-	-	-	-	169,022
-	-	-	-	56,371
-	-	-	-	91,476
-	-	-	-	147,847
-	-	-	-	28,566
-	-	-	-	48,117
-	-	-	-	76,683

City of Red Oak
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	General	Seized Property	Drug Awareness Resistance Education	K-9
Disbursements (continued):				
Culture and recreation:				
Cemetery:				
Personal services	66,763	-	-	-
Services and commodities	25,242	-	-	-
Capital outlay	-	-	-	-
	92,005	-	-	-
Other culture and recreation:				
Services and commodities	4,800	-	-	-
	469,299	-	-	-
Community and economic development:				
Comprehensive development plan:				
Services and commodities	-	-	-	-
General government:				
Mayor and council:				
Personal services	10,211	-	-	-
Services and commodities	322	-	-	-
	10,533	-	-	-
Clerk and treasurer:				
Personal services	14,092	-	-	-
Services and commodities	52,864	-	-	-
	66,956	-	-	-
Finance:				
Personal services	5,400	-	-	-
Legal services and city attorney:				
Personal services	13,725	-	-	-
Services and commodities	932	-	-	-
	14,657	-	-	-
City hall and general buildings:				
Services and commodities	-	-	-	-
Other general government:				
Services and commodities	6,598	-	-	-
	104,144	-	-	-
Total disbursements	1,777,089	7,704	3,474	257
Excess (deficiency) of receipts over (under) disbursements	59,203	(2,075)	3,966	(107)
Other financing sources (uses):				
Sale of general fixed assets				
Operating transfers in (out):	4,041	-	-	-
General:				
General	-	1,639	-	-
Seized Property	(1,639)	-	-	-
Drug Awareness Resistance Education	-	-	-	542
K-9	-	-	(542)	-
Reserve Officers	-	-	(542)	-
Park Sinking	(19,495)	-	-	-

City of Red Oak
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	Airport Sinking	Computer Sinking	Historical Preser- vation Sinking	Comprehensive Development Plan
Disbursements (continued):				
Culture and recreation:				
Cemetery:				
Personal services	-	-	-	-
Services and commodities	-	-	-	-
Capital outlay	-	-	-	-
	-	-	-	-
Other culture and recreation:				
Services and commodities	-	-	882	-
	-	-	882	-
Community and economic development:				
Comprehensive development plan:				
Services and commodities	-	-	-	47,077
General government:				
Mayor and council:				
Personal services	-	-	-	-
Services and commodities	-	-	-	-
	-	-	-	-
Clerk and treasurer:				
Personal services	-	-	-	-
Services and commodities	-	-	-	-
	-	-	-	-
Finance:				
Personal services	-	-	-	-
Legal services and city attorney:				
Personal services	-	-	-	-
Services and commodities	-	-	-	-
	-	-	-	-
City hall and general buildings:				
Services and commodities	-	-	-	-
Other general government:				
Services and commodities	-	-	-	-
	-	-	-	-
Total disbursements	1,695	-	882	47,077
Excess (deficiency) of receipts over (under) disbursements	1,428	-	(882)	(47,077)
Other financing sources (uses):				
Sale of general fixed assets				
Operating transfers in (out):				
General:				
General	-	-	1,000	-
Seized Property	-	-	-	-
Drug Awareness Resistance Education	-	-	-	-
K-9	-	-	-	-
Reserve Officers	-	-	-	-
Park Sinking	-	-	-	-

Planning and Zoning Sinking	209 Washington Sinking	Police Sinking	Property Lien Sinking	Total
-	-	-	-	66,763
-	-	-	-	41,490
-	-	-	-	2,300
-	-	-	-	110,553
-	-	-	-	5,682
-	-	-	-	509,787
-	-	-	-	47,077
-	-	-	-	10,211
-	-	-	-	322
-	-	-	-	10,533
-	-	-	-	14,092
-	-	-	-	52,864
-	-	-	-	66,956
-	-	-	-	5,400
-	-	-	-	13,725
-	-	-	-	932
-	-	-	-	14,657
-	1,106	-	-	1,106
-	-	-	-	6,598
-	1,106	-	-	105,250
-	1,106	4,195	-	1,899,957
-	4,894	9,938	-	25,167
-	-	-	-	4,041
-	-	-	-	22,134
-	-	(4,254)	-	(5,893)
-	-	-	-	1,084
-	-	-	-	(542)
-	-	-	-	(542)
-	-	-	-	(19,495)

City of Red Oak
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	General	Seized Property	Drug Awareness Resistance Education	K-9
Disbursements (continued):				
Operating transfers in (out):				
General:				
Historical Preservation Sinking	(1,000)	-	-	-
Comprehensive Development Plan	-	-	-	-
Planning and Zoning Sinking	-	-	-	-
Police Sinking	-	4,254	-	-
Special Revenue:				
Emergency	44,004	-	-	-
Capital Projects:				
Airport Fuel System	979	-	-	-
Total other financing sources (uses)	<u>26,890</u>	<u>5,893</u>	<u>(1,084)</u>	<u>542</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	86,093	3,818	2,882	435
Balance beginning of year	<u>819,854</u>	<u>2,199</u>	<u>1,418</u>	<u>383</u>
Balance end of year	<u>\$ 905,947</u>	<u>6,017</u>	<u>4,300</u>	<u>818</u>

Reserve Officers	Library Sinking	Cemetery Sinking	Park Sinking	Fire Sinking	Street Sinking
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
542	-	-	19,495	-	-
(384)	3,618	(16,667)	40,563	(13,043)	1,829
438	1,779	113,105	5,723	12,791	29,623
54	5,397	96,438	46,286	(252)	31,452

City of Red Oak
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	Airport Sinking	Computer Sinking	Historical Preser- vation Sinking	Comprehensive Development Plan
Disbursements (continued):				
Operating transfers in (out):				
General:				
Historical Preservation Sinking	-	-	-	-
Comprehensive Development Plan	-	-	-	-
Planning and Zoning Sinking	-	-	-	1,552
Police Sinking	-	-	-	-
Special Revenue:				
Emergency	-	-	-	-
Capital Projects:				
Airport Fuel System	-	-	-	-
Total other financing sources (uses)	-	-	1,000	1,552
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,428	-	118	(45,525)
Balance beginning of year	3,246	6,613	2,059	-
Balance end of year	4,674	6,613	2,177	(45,525)

See accompanying independent auditor's report.

Planning and Zoning Sinking	209 Washington Sinking	Police Sinking	Property Lien Sinking	Total
-	-	-	-	(1,000)
(1,552)	-	-	-	(1,552)
-	-	-	-	1,552
-	-	-	-	4,254
-	-	-	-	44,004
-	-	-	-	979
(1,552)	209	(4,254)	-	49,024
(1,552)	5,103	5,684	-	74,191
1,552	17,089	26,139	187	1,044,198
-	22,192	31,823	187	1,118,389

City of Red Oak
Combining Schedule of Cash Transactions
Special Revenue Funds
Year ended June 30, 2003

	Road Use Tax	Special Assessments	Emergency
Receipts:			
Property tax	\$ -	-	30,574
Tax increment financing collections	-	-	-
Other city tax:			
Local option sales tax	-	-	-
Utility tax replacement excise tax	-	-	13,430
	-	-	13,430
Use of money and property:			
Interest on investments	-	-	-
Intergovernmental:			
Road use tax allocation	504,517	-	-
Special assessments	-	44,611	-
Miscellaneous:			
Donations and fund raisers	-	-	-
Reimbursements	-	-	-
	-	-	-
Total receipts	504,517	44,611	44,004
Disbursements:			
Public safety:			
Other public safety:			
Personal services	-	-	-
Services and commodities	-	-	-
Capital outlay	-	-	-
	-	-	-
Public works:			
Roads, bridges, sidewalks:			
Personal services	136,620	-	-
Services and commodities	52,164	-	-
	188,784	-	-
Street lighting:			
Services and commodities	64,985	-	-
Traffic control & safety:			
Services and commodities	8,245	-	-
Snow removal:			
Services and commodities	8,941	-	-

Volunteer Fire and Rescue Association	Local Option Sales Tax	Employee Benefits	Tax Increment Financing	Total
-	-	427,186	-	457,760
-	-	-	388,647	388,647
-	288,748	-	-	288,748
-	-	-	-	13,430
-	288,748	-	-	302,178
238	-	-	-	238
-	-	-	-	504,517
-	-	-	-	44,611
29,432	-	-	-	29,432
-	-	9,150	-	9,150
29,432	-	9,150	-	38,582
29,670	288,748	436,336	388,647	1,736,533
-	-	354,832	-	354,832
37,868	3,628	-	-	41,496
-	56,022	-	-	56,022
37,868	59,650	354,832	-	452,350
-	-	-	-	136,620
-	-	-	-	52,164
-	-	-	-	188,784
-	-	-	-	64,985
-	-	-	-	8,245
-	-	-	-	8,941

City of Red Oak
Combining Schedule of Cash Transactions
Special Revenue Funds
Year ended June 30, 2003

	Road Use Tax	Special Assessments	Emergency
Disbursements (continued):			
Public works:			
Other public works:			
Personal services	-	-	-
	<u>270,955</u>	-	-
Culture and recreation:			
Other culture and recreation:			
Personal services	-	-	-
Community and economic development:			
General TIF:			
Services and commodities	-	-	-
Downtown TIF:			
Services and commodities	-	-	-
Other economic development:			
Services and commodities	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
General government:			
Other general government:			
Personal services	-	-	-
Total disbursements	<u>270,955</u>	-	-
Excess (deficiency) of receipts over (under) disbursements	<u>233,562</u>	<u>44,611</u>	<u>44,004</u>
Other financing uses:			
Operating transfers out:			
General:			
General	-	-	(44,004)
Debt Service:			
General Obligation-General	-	-	-
Capital Projects:			
Coolbaugh Bridge	(32,252)	-	-
2001 Street Improvements	(253,823)	-	-
Nuckols Street Bridge	(140,697)	-	-
2000 Street Improvements	(3,781)	-	-
2000 Senate Avenue Extension	-	(105,452)	-
Total other financing uses	<u>(430,553)</u>	<u>(105,452)</u>	<u>(44,004)</u>
Excess (deficiency) of receipts over (under) disbursements and other financing uses	(196,991)	(60,841)	-
Balance beginning of year, as restated (note 16)	<u>1,003,926</u>	<u>111,498</u>	-
Balance end of year	<u>\$ 806,935</u>	<u>50,657</u>	-

See accompanying independent auditor's report.

Volunteer Fire and Rescue Association	Local Option Sales Tax	Employee Benefits	Tax Increment Financing	Total
-	-	90,650	-	90,650
-	-	90,650	-	361,605
-	-	65,900	-	65,900
-	-	-	218,365	218,365
-	-	-	27,412	27,412
-	-	-	2,266	2,266
-	-	-	248,043	248,043
-	-	17,437	-	17,437
37,868	59,650	528,819	248,043	1,145,335
(8,198)	229,098	(92,483)	140,604	591,198
-	-	-	-	(44,004)
-	-	-	(116,717)	(116,717)
-	-	-	-	(32,252)
-	-	-	-	(253,823)
-	-	-	-	(140,697)
-	-	-	-	(3,781)
-	-	-	-	(105,452)
-	-	-	(116,717)	(696,726)
(8,198)	229,098	(92,483)	23,887	(105,528)
35,871	97,526	684,961	282,447	2,216,229
27,673	326,624	592,478	306,334	2,110,701

City of Red Oak

City of Red Oak
 Schedule of Cash Transactions
 Debt Service Fund
 Year ended June 30, 2003

	General Obligation General
Receipts:	
Property tax	\$ 592,431
Other city tax:	
Local option sales tax	96,249
Utility tax replacement excise tax	33,530
Mobile home tax	2,134
	131,913
Total receipts	724,344
Disbursements:	
Debt service:	
Payments to Treasurer's Debt Service Account:	
Principal	445,000
Interest	231,264
Registration fees	2,459
	678,723
Excess of receipts over disbursements	45,621
Other financing sources:	
Operating transfers in:	
Special Revenue:	
Tax Increment Financing	116,717
Excess of receipts and other financing sources over disbursements	162,338
Balance beginning of year	495,427
Balance end of year	\$ 657,765

See accompanying independent auditor's report.

City of Red Oak
Combining Schedule of Cash Transactions
Capital Projects Funds
Year ended June 30, 2003

	Coolbaugh Bridge	Red Oak Creek Study	Airport Master Plan	2001 Street Improvements
Receipts:				
Intergovernmental:				
Federal Aviation Administration grant	\$ -	-	-	-
Transportation Enhancement Program grant	-	-	-	-
Highway Planning and Construction	-	-	-	-
Economic Development grant	-	-	-	-
General Aviation Vertical Infrastructure Program grant	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Miscellaneous:				
Sales tax refund	-	-	-	5,585
Reimbursements	5	-	-	-
Accrued interest on sale of general obligation notes	-	-	-	129
	<u>5</u>	<u>-</u>	<u>-</u>	<u>5,714</u>
Total receipts	<u>5</u>	<u>-</u>	<u>-</u>	<u>5,714</u>
Disbursements:				
Public works:				
Services and commodities	-	-	1,838	-
Capital outlay	-	-	-	-
	<u>-</u>	<u>-</u>	<u>1,838</u>	<u>-</u>
Capital projects:				
Services and commodities	120	3,374	-	9,668
Capital outlay	101,941	-	-	41,057
	<u>102,061</u>	<u>3,374</u>	<u>-</u>	<u>50,725</u>
Total disbursements	<u>102,061</u>	<u>3,374</u>	<u>1,838</u>	<u>50,725</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(102,056)</u>	<u>(3,374)</u>	<u>(1,838)</u>	<u>(45,011)</u>
Other financing sources (uses):				
General obligation note proceeds (net of \$16,600 discount)	-	-	-	205,800
Operating transfers in (out):				
General:				
General	-	-	-	-
Special Revenue:				
Road Use Tax	32,252	-	-	253,823
Special Assessments	-	-	-	-
Enterprise:				
Water	71,350	-	-	-
Sewer	-	-	-	-
Total other financing sources (uses)	<u>103,602</u>	<u>-</u>	<u>-</u>	<u>459,623</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,546	(3,374)	(1,838)	414,612
Balance beginning of year, as restated (note 16)	<u>(1,546)</u>	<u>(1,157)</u>	<u>(7,715)</u>	<u>(414,612)</u>
Balance end of year	<u>\$ -</u>	<u>(4,531)</u>	<u>(9,553)</u>	<u>-</u>

Broadway Project	Airport Land Acquisition	Airport Hangar	Nuckols Street Bridge	Building Improvements	Airport RCO Facility	Depot Interior Project Engineering
-	31,414	-	-	-	-	-
-	-	-	-	-	-	64,244
-	-	-	7,776	-	-	-
-	-	-	-	-	-	-
-	-	50,000	-	-	-	-
-	31,414	50,000	7,776	-	-	64,244
-	-	-	6,697	-	-	-
4,350	8	-	-	-	-	35,104
-	-	80	-	-	-	-
4,350	8	80	6,697	-	-	35,104
4,350	31,422	50,080	14,473	-	-	99,348
-	27,248	15,752	-	-	2,107	-
-	270,000	102,032	-	-	5,039	-
-	297,248	117,784	-	-	7,146	-
19,179	-	-	9,741	2,320	-	4,196
21,850	-	-	9,720	-	-	48,747
41,029	-	-	19,461	2,320	-	52,943
41,029	297,248	117,784	19,461	2,320	7,146	52,943
(36,679)	(265,826)	(67,704)	(4,988)	(2,320)	(7,146)	46,405
-	303,800	74,325	-	-	-	-
-	-	-	-	-	-	-
-	-	-	140,697	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	303,800	74,325	140,697	-	-	-
(36,679)	37,974	6,621	135,709	(2,320)	(7,146)	46,405
(11,190)	(41,344)	(475)	(135,709)	31,271	(3,813)	(36,098)
(47,869)	(3,370)	6,146	-	28,951	(10,959)	10,307

City of Red Oak
Combining Schedule of Cash Transactions
Capital Projects Funds
Year ended June 30, 2003

	2000 Street Improvements	Supervisory Controls and Data Acquisition	Airport Apron	Airport Fuel System
Receipts:				
Intergovernmental:				
Federal Aviation Administration grant	-	-	110,395	-
Transportation Enhancement Program grant	-	-	-	-
Highway Planning and Construction	-	-	-	-
Economic Development grant	-	-	-	-
General Aviation Vertical Infrastructure Program grant	-	-	-	-
	-	-	110,395	-
Miscellaneous:				
Sales tax refund	3,354	-	5,434	-
Reimbursements	-	-	-	-
Accrued interest on sale of general obligation notes	-	-	-	-
	3,354	-	5,434	-
Total receipts	3,354	-	115,829	-
Disbursements:				
Public works:				
Services and commodities	-	-	3,187	782
Capital outlay	-	-	17,775	-
	-	-	20,962	782
Capital projects:				
Services and commodities	-	3,636	-	-
Capital outlay	-	182,091	-	-
	-	185,727	-	-
Total disbursements	-	185,727	20,962	782
Excess (deficiency) of receipts over (under) disbursements	3,354	(185,727)	94,867	(782)
Other financing sources (uses):				
General obligation note proceeds (net of \$16,600 discount)	-	-	-	-
Operating transfers in (out):				
General:				
General	-	-	-	(979)
Special Revenue:				
Road Use Tax	3,781	-	-	-
Special Assessments	-	-	-	-
Enterprise:				
Water	-	-	-	-
Sewer	-	197,413	-	-
Total other financing sources (uses)	3,781	197,413	-	(979)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	7,135	11,686	94,867	(1,761)
Balance beginning of year, as restated (note 16)	(7,135)	(11,686)	(158,492)	1,761
Balance end of year	-	-	(63,625)	-

See accompanying independent auditor's report.

South Well Reservoir Improvements	2002 Street Improvements	Nicholstone	2000 Senate Avenue Extension	Lighting Runway 17/35	2003 Street Improvements	Pilot Communications	Total
-	-	-	-	-	-	-	141,809
-	-	-	-	-	-	-	64,244
-	-	-	-	-	-	-	7,776
-	-	-	-	-	-	3,750	3,750
-	-	-	-	-	-	-	50,000
-	-	-	-	-	-	3,750	267,579
6,957	2,925	-	-	-	-	-	30,952
-	-	-	-	-	-	-	39,467
-	255	-	-	-	-	-	464
6,957	3,180	-	-	-	-	-	70,883
6,957	3,180	-	-	-	-	3,750	338,462
-	-	-	-	15,398	-	-	66,312
-	-	-	-	-	-	3,750	398,596
-	-	-	-	15,398	-	3,750	464,908
1,936	20,132	5,000	-	-	40,848	-	120,150
4,335	193,269	-	-	-	20,961	-	623,971
6,271	213,401	5,000	-	-	61,809	-	744,121
6,271	213,401	5,000	-	15,398	61,809	3,750	1,209,029
686	(210,221)	(5,000)	-	(15,398)	(61,809)	-	(870,567)
-	229,475	-	-	-	-	-	813,400
-	-	-	-	-	-	-	(979)
-	-	-	-	-	-	-	430,553
-	-	-	105,452	-	-	-	105,452
285,813	-	-	-	-	-	-	357,163
-	-	-	-	-	-	-	197,413
285,813	229,475	-	105,452	-	-	-	1,903,002
286,499	19,254	(5,000)	105,452	(15,398)	(61,809)	-	1,032,435
(286,499)	(14,938)	5,000	(105,452)	-	-	-	(1,199,829)
-	4,316	-	-	(15,398)	(61,809)	-	(167,394)

City of Red Oak
Combining Schedule of Cash Transactions
Enterprise Funds
Year ended June 30, 2003

	Water	Water Revenue Sinking	Water Revenue Reserve
Receipts:			
Use of money and property:			
Interest on investments	\$ 16,967	-	-
Charges for service:			
Metered water sales	761,616	-	-
Unmetered water sales	290	-	-
Customer installation fees	14,084	-	-
Fines and penalties	11,829	-	-
Landfill/garbage fees	-	-	-
Recycling fees	-	-	-
Sewer rental fees	-	-	-
	<u>787,819</u>	-	-
Miscellaneous:			
Customer deposits	14,100	-	-
Refunds and reimbursements	46,021	-	-
Sales tax collected	53,602	-	-
Miscellaneous	2,972	357	-
	<u>116,695</u>	357	-
Total receipts	<u>921,481</u>	357	-
Disbursements:			
Business type activities:			
Personal services	267,635	-	-
Services and commodities	292,773	5,278	-
Capital outlay	70,796	-	-
Debt service:			
Principal	-	145,000	-
Interest	-	32,895	-
Total disbursements	<u>631,204</u>	<u>183,173</u>	-

Water Capital Improvement	Sewer	Sewer Replace- ment	Recycling	Superfund	Total
-	15,750	-	-	-	32,717
-	-	-	-	-	761,616
-	-	-	-	-	290
-	-	-	-	-	14,084
-	12,069	-	-	-	23,898
-	-	-	-	32,562	32,562
-	-	-	32,562	-	32,562
-	584,414	-	-	-	584,414
-	596,483	-	32,562	32,562	1,449,426
-	-	-	-	-	14,100
-	294	-	-	-	46,315
-	-	-	-	-	53,602
-	5,584	-	-	-	8,913
-	5,878	-	-	-	122,930
-	618,111	-	32,562	32,562	1,605,073
-	249,205	-	-	-	516,840
-	125,715	-	30,250	1,769	455,785
-	96,381	-	-	-	167,177
-	-	-	-	-	145,000
-	-	-	-	-	32,895
-	471,301	-	30,250	1,769	1,317,697

City of Red Oak
Combining Schedule of Cash Transactions
Enterprise Funds
Year ended June 30, 2003

	Water	Water Revenue Sinking	Water Revenue Reserve
Excess (deficiency) of receipts over (under) disbursements	290,277	(182,816)	-
Other financing sources (uses):			
Revenue refunding note proceeds (net of \$8,330 discount)	1,749	479,921	-
Payment to paying agent for current refunding	-	(475,000)	-
Operating transfers in (out):			
Capital Projects:			
Coolbaugh Bridge	(71,350)	-	-
Supervisory Controls and Data Acquisition	-	-	-
South Well Reservoir Improvements	(285,813)	-	-
Enterprise:			
Water	-	177,298	(129,000)
Water Revenue Sinking	(177,298)	-	-
Water Revenue Reserve	129,000	-	-
Total other financing sources (uses)	(403,712)	182,219	(129,000)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(113,435)	(597)	(129,000)
Balance beginning of year	345,563	14,825	178,000
Balance end of year	\$ 232,128	14,228	49,000

See accompanying independent auditor's report.

Water Capital Improvement	Sewer	Sewer Replace- ment	Recycling	Superfund	Total
-	146,810	-	2,312	30,793	287,376
-	-	-	-	-	481,670
-	-	-	-	-	(475,000)
-	-	-	-	-	(71,350)
-	(197,413)	-	-	-	(197,413)
-	-	-	-	-	(285,813)
-	-	-	-	-	48,298
-	-	-	-	-	(177,298)
-	-	-	-	-	129,000
-	(197,413)	-	-	-	(547,906)
-	(50,603)	-	2,312	30,793	(260,530)
100,000	1,016,120	270,000	(3,884)	21,628	1,942,252
100,000	965,517	270,000	(1,572)	52,421	1,681,722

City of Red Oak

City of Red Oak
Combining Schedule of Cash Transactions

Trust Funds

Year ended June 30, 2003

	Non-Expendable Trust	Expendable Trusts			Total
	Cemetery Perpetual Care	Komarek Trust	Library Bequest (Note 10)	Library People's Art Project	
Receipts:					
Use of money and property:					
Interest on investments	\$ -	-	4,638	155	4,793
Miscellaneous:					
Perpetual care payments	4,113	-	-	-	4,113
Donations and memorials	-	600	99	-	699
Miscellaneous	-	-	174	50	224
	<u>4,113</u>	<u>600</u>	<u>273</u>	<u>50</u>	<u>5,036</u>
Total receipts	4,113	600	4,911	205	9,829
Disbursements:					
Culture and recreation:					
Flowers and statues	-	27	-	-	27
Books and materials	-	-	341	-	341
Architect fees	-	-	7,995	-	7,995
Miscellaneous	-	-	92	200	292
Total disbursements	<u>-</u>	<u>27</u>	<u>8,428</u>	<u>200</u>	<u>8,655</u>
Excess (deficiency) of receipts over (under) disbursements	4,113	573	(3,517)	5	1,174
Balance beginning of year	<u>179,054</u>	<u>8,712</u>	<u>146,375</u>	<u>4,764</u>	<u>338,905</u>
Balance end of year	<u>\$ 183,167</u>	<u>9,285</u>	<u>142,858</u>	<u>4,769</u>	<u>340,079</u>

See accompanying independent auditor's report.

Schedule 7

City of Red Oak

Note Maturities

Year ended June 30, 2003

Year Ending June 30,	Essential Corporate Purpose Issued Mar 1, 1995		Essential Corporate Purpose Issued Oct 1, 1995		Essential and General Corporate Purpose Issued Aug 1, 1997		General Essential Corporate Purpose Issued Apr 1, 1998	
	Interest		Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount
2004	6.70%	\$ 15,000	7.00%	\$ 25,000	4.85%	\$ 165,000	4.45%	\$ 60,000
2005	6.80	15,000	7.05	25,000	4.95	175,000	4.55	65,000
2006	6.90	15,000	7.10	25,000	5.00	185,000	4.60	65,000
2007	7.00	15,000	7.15	30,000	5.05	190,000	4.65	70,000
2008	7.00	15,000	7.15	30,000	5.10	200,000	4.70	70,000
2009		-	7.20	35,000	5.15	210,000		-
2010		-	7.25	35,000	5.20	225,000		-
2011		-	7.30	40,000		-		-
2012		-		-		-		-
Total		<u>\$ 75,000</u>		<u>\$ 245,000</u>		<u>\$ 1,350,000</u>		<u>\$ 330,000</u>

Year Ending June 30,	Revenue Notes Water Refunding Issued May 1, 2003	
	Interest	
	Rates	Amount
2004	1.65%	\$ 160,000
2005	2.00	165,000
2006	2.40	<u>165,000</u>
Total		<u>\$ 490,000</u>

See accompanying independent auditor's report.

Obligation Notes									
Essential Corporate Purpose Issued Jul 1, 1998		Essential Corporate Purpose Issued Jul 1, 2000		Essential Corporate Purpose Issued Nov 1, 2002		Essential Corporate Purpose Issued Nov 1, 2002			
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total	
4.40%	\$ 95,000	5.30%	\$ 100,000	2.60%	\$ 40,000	3.60%	\$ 40,000	540,000	
4.45	100,000	5.35	110,000	2.90	40,000	4.00	40,000	570,000	
4.50	105,000	5.40	115,000	3.20	45,000	4.40	40,000	595,000	
4.55	110,000	5.45	120,000	3.45	45,000	4.80	45,000	625,000	
4.60	115,000	5.50	125,000	3.70	50,000	5.20	45,000	650,000	
4.70	120,000	5.55	135,000	4.00	95,000		-	595,000	
	-	5.60	140,000	4.20	100,000		-	500,000	
	-	5.70	150,000	4.35	100,000		-	290,000	
	-		-	4.50	105,000		-	105,000	
	<u>\$ 645,000</u>		<u>\$ 995,000</u>		<u>\$ 620,000</u>		<u>\$ 210,000</u>	<u>4,470,000</u>	

Schedule 8

City of Red Oak

Comparison of Taxes and Intergovernmental Receipts

	Years ended June 30,			
	2003	2002	2001	2000
Property tax	\$ 2,010,066	1,840,351	2,033,311	2,150,375
Tax increment financing collections	388,647	502,888	279,032	354,010
Other city tax:				
Local option sales tax	384,997	450,141	368,787	381,800
Utility tax replacement excise tax	104,401	101,183	99,307	-
Mobile home tax	5,951	6,781	6,456	6,248
Cable franchise fee	30,045	20,082	19,094	18,993
In-lieu of taxes	2,000	2,000	2,000	-
	527,394	580,187	495,644	407,041
Intergovernmental:				
Road use tax	504,517	496,365	501,564	508,184
Grants	273,083	405,459	385,005	604,631
Fire contracts	27,930	-	-	-
County library allocation	22,000	-	-	-
State allocation	99,118	104,822	112,898	113,229
Library open access	34	2,864	2,103	830
Bank franchise tax	28,770	25,262	25,702	20,929
	955,452	1,034,772	1,027,272	1,247,803
Total	\$ 3,881,559	3,958,198	3,835,259	4,159,229

See accompanying independent auditor's report.



**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 Red Oak, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated December 16, 2003. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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 Red Oak's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items (8) and (10).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Red Oak'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 Red Oak'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 considered to be material weaknesses. However, of the reportable conditions described above, we believe item (A) is a material weakness. Prior year reportable conditions have been resolved except for items (A), (B), (C) and (D).

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 Red Oak and other parties to whom the City of Red Oak 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 Red Oak during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 16, 2003

City of Red Oak
Schedule of Findings
Year ended June 30, 2003

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from performing duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. One of three individuals has control over utility receipts, including billing, collecting, recording and reconciling.

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

Response – The Utility reconciliation will be reviewed by the City Clerk on a periodic basis (probably monthly).

Conclusion – Response accepted.

- (B) Accounting Procedures Manual – We encourage the development of an office procedures and standardized accounting manual for the City. This manual should provide the following benefits:

- (1) Help achieve uniformity in accounting and in the application of policies and procedures.
- (2) Save supervisory time by recording decisions so that they will not have to be made each time the same or similar situation arises.
- (3) Aid in training additional or replacement personnel.

Recommendation – An office procedures and standardized accounting manual should be prepared.

Response – We agree with this recommendation and a few steps have been taken toward this procedure. This will be a recommendation that will definitely take some time.

Conclusion – Response accepted.

City of Red Oak

Schedule of Findings

Year ended June 30, 2003

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

- Passwords are not periodically changed. The City's software does not require the user to periodically change log-ins/passwords.

The City does not have written policies for:

- Password privacy and confidentiality.
- Logging off unattended computers.
- Ensuring only software licensed to the City is installed on computers.
- Usage of the Internet.
- A disaster recovery plan.

Recommendation – The City should take steps to implement procedures to require periodic changes in passwords. The City should develop written policies addressing the above items in order to improve the City's control over computer-based systems.

Response – The City will consider written policies for these comments. We will talk with the software company about an easy solution for logging in and out often.

Conclusion – Response accepted.

(D) Separately Maintained Records – Cash on hand at the Library was not properly safeguarded.

Recommendation – The Library should implement procedures to properly safeguard cash on hand.

Response – The Library will place a lock on its money drawer.

Conclusion – Response accepted.

(E) Deposits – Cash collections were not always deposited timely.

Recommendation – The City should implement procedures to ensure timely deposits of cash collections.

Response – A memo has been sent to city hall staff, library and police to make sure collections are deposited timely.

Conclusion – Response accepted.

City of Red Oak

Schedule of Findings

Year ended June 30, 2003

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories - A resolution naming official depositories has been adopted by the Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2003.
- (2) Certified Budget - Disbursements during the year ended June 30, 2003 exceeded the amounts budgeted in the public safety, public works, health and social services, culture and recreation, community and economic development and debt service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - Through the budget process and changing of accounts, this slipped through. The City will amend future budgets as needed.

Conclusion - Response accepted.

- (3) Questionable Disbursements - No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (4) Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (5) Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Terry Kammerer, councilperson, owner All Make Parts & Service, Inc.	Parts and labor	\$ 1,260
Alan Johnson, employee, spouse owns Red Oak Printing	Printing and supplies	150

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the City employees do not appear to represent conflicts of interest since the total transactions with each individual were less than \$1,500 during the fiscal year.

- (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 insure the coverage is adequate for current operations.

City of Red Oak

Schedule of Findings

Year ended June 30, 2003

(7) Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

(8) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted, except as follows:

Interest on investments made from the Debt Service Fund were not recorded in this fund. In accordance with Chapter 12C.9 of the Code of Iowa, interest earned on note proceeds and funds being accumulated for the payment of principal and interest should be used to pay the principal and interest as it comes due or be credited to the project fund for which the indebtedness was issued.

Recommendation - The City should record interest earned on investments from the Debt Service Fund in the Debt Service Fund as required by Chapter 12C.9 of the Code of Iowa.

Response - The Debt Service account will begin to receive interest earnings.

Conclusion - Response accepted.

(9) Water Revenue Notes - The City has complied with the water revenue note provisions.

(10) Annual Financial Report - The City did not complete or file the Annual Financial Report with the Auditor of State by December 1 for the fiscal years ended June 30, 2002 and 2003 as required by Chapter 384.22 of the Code of Iowa.

Recommendation - The City should complete and file the Annual Financial Reports as required by Chapter 384.22 of the Code of Iowa.

Response - City balances and auditor balances were not matching. After talking with the Auditor, it was due to money transfers a couple of years ago. We will now get this report finished.

Conclusion - Response accepted.

(11) Accrued Interest on the Sale of General Obligation Notes - The bond resolutions authorizing and providing for the issuance of the general obligation notes require any accrued interest on the sale of bonds be recorded in the Debt Service Fund. The accrued interest was recorded in the Capital Projects Fund, 2001 Street Improvements, Airport Hangar and 2002 Street Improvements Accounts.

Recommendation - The City should transfer \$129 from the Capital Projects Fund, 2001 Street Improvements Account, \$80 from the Airport Hangar Account and \$255 from the 2002 Street Improvements Account to the Debt Service Fund to comply with the bond resolutions.

Response - We will make the correction through a journal entry.

Conclusion - Response accepted.

City of Red Oak

Schedule of Findings

Year ended June 30, 2003

(12) Other Information Required by Water Revenue Notes Resolution

Statistical Information Description	Amount
Number of water customers	2,822
Water rate schedule:	
Basic charge	\$4.50
0-4,000 cubic feet inclusive	1.65 per 100 cubic feet
Over 4,000 cubic feet	1.22 per 100 cubic feet
Bulk sales	.25 per 100 gallons

Insurance - The following insurance policies were in force at June 30, 2003:

Insurer	Description	Amount	Expiration Date
Iowa Communities Assurance Pool	Comprehensive general liability: Bodily injury and personal injury Property damage and PSN injury	\$ 2,000,000	Sep 1, 2003
Iowa Communities Assurance Pool	Blanket property on buildings Blanket personal property	8,389,384 3,216,724	Sep 1, 2003 Sep 1, 2003
Iowa Communities Assurance Pool	Airport property	418,873	Sep 1, 2003
Iowa Communities Assurance Pool	Automobile coverage: Liability insurance: Each occurrence Uninsured motorists: Each accident Each member Municipal automobile: Physical damage	2,000,000 40,000 40,000 Amount of loss	Sep 1, 2003 Sep 1, 2003 Sep 1, 2003 Sep 1, 2003

City of Red Oak
Schedule of Findings
Year ended June 30, 2003

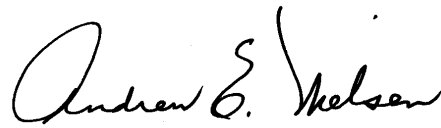
Insurer	Description	Amount	Expiration Date
Ace Property and Casualty Insurance Company	Products – completed operations Personal injury Malpractice aggregate limit Fire damage limit one fire Medical expense Hangarkeepers limit per occurrence Hangarkeepers limit one aircraft	1,000,000	May 12, 2004
		1,000,000	May 12, 2004
		1,000,000	May 12, 2004
		50,000	May 12, 2004
		1,000	May 12, 2004
		1,000,000	May 12, 2004
		200,000	May 12, 2004
Iowa Communities Assurance Pool	Boiler and machinery	10,861,428	Sep 1, 2003
Iowa Communities Assurance Pool	Inland marine: Contractors' equipment Computer equipment Fine arts	1,270,844	Sep 1, 2003
		273,899	Sep 1, 2003
		60,010	Sep 1, 2003
Iowa Communities Assurance Pool	Public officials liability: Each occurrence and aggregate	2,000,000	Sep 1, 2003
Nationwide Mutual Insurance Company	Public employees' blanket bond: Faithful performance blanket bond: Position bond Treasurer	20,000	Jan 1, 2004
		80,000	Jan 1, 2004
Iowa Municipalities Workers' Compensation Association	Compensation limit Iowa Statute Part B	1,000,000	Jul 1, 2003
Iowa Communities Assurance Pool	Professional liability: Law enforcement officer: Each occurrence	2,000,000	Sep 1, 2003

City of Red Oak

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager
Kimberly M. Knight, CPA, Senior Auditor
M. Crystal A. Berg, CPA, Staff Auditor
Jeff L. Lenhart, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State