

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

David A. Vaudt, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE _____ May 12, 2004 _____

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

The City's receipts totaled \$1,466,797 for the year ended June 30, 2003. The receipts included \$211,667 in property tax, \$119,699 from tax increment financing collections, \$46,521 in local option sales tax, \$293,027 from other governments and \$5,952 in interest on investments. The City also received \$140,000 in note proceeds that are reported as other financing sources.

Disbursements for the year totaled \$1,811,567, and included \$698,572 for business type activities, \$313,123 for capital projects and \$200,915 for culture and recreation.

The report contains recommendations to the City Council and other City officials. For example, the City should review its control activities to obtain the maximum internal control possible and reconcile monthly reports with receipt and disbursement journals and to bank accounts. Also the City should amend the budget in sufficient amounts in accordance with Chapter 348.18 of the Code of Iowa before disbursements are allowed to exceed the budget. The City has responded favorably to the comments.

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

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

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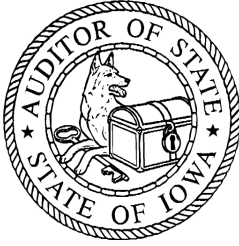
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City of Dike

Officials

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

City of Dike



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the City of Dike, Iowa, as of and for the year ended June 30, 2003. These financial statements are the responsibility of the City of Dike's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 Dike 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.

In accordance with Government Auditing Standards, we have also issued our report dated March 2, 2004 on our consideration of the City of Dike's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the aforementioned financial statements taken as a whole.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 2, 2004

City of Dike

Financial Statements

City of Dike
 Combined Statement of Cash Transactions

All Fund Types

Year ended June 30, 2003

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Receipts:			
Property tax	\$ 154,525	-	57,142
Tax increment financing collections	-	119,699	-
Other city tax	14,310	15,699	587
Licenses and permits	8,687	-	-
Use of money and property	7,891	-	-
Intergovernmental	60,460	76,854	-
Charges for service	32,724	-	-
Special assessments	-	-	-
Miscellaneous	17,042	15,393	-
Total receipts	<u>295,639</u>	<u>227,645</u>	<u>57,729</u>
Disbursements:			
Public safety	94,887	23,159	-
Public works	40,494	133,775	-
Health and social services	8,450	-	-
Culture and recreation	198,064	-	-
Community and economic development	500	119,699	-
General government	102,175	-	-
Debt service	-	-	75,818
Capital projects	-	-	-
Business type activities	-	-	-
Total disbursements	<u>444,570</u>	<u>276,633</u>	<u>75,818</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(148,931)</u>	<u>(48,988)</u>	<u>(18,089)</u>
Other financing sources (uses):			
General obligation notes sold	-	-	-
Operating transfers in	7,521	-	-
Operating transfers out	(5,792)	-	-
Total other financing sources (uses)	<u>1,729</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(147,202)	(48,988)	(18,089)
Balance beginning of year	<u>(135,186)</u>	<u>120,714</u>	<u>27,055</u>
Balance end of year	<u>\$ (282,388)</u>	<u>71,726</u>	<u>8,966</u>

See notes to financial statements.

Capital Projects	Proprietary Fund Type Enterprise	Fiduciary Fund Type Expendable Trust	Total (Memorandum Only)
-	-	-	211,667
-	-	-	119,699
18,493	-	-	49,089
-	-	-	8,687
228	1,158	210	9,487
155,713	-	-	293,027
-	687,735	-	720,459
8,588	-	-	8,588
-	7,207	6,452	46,094
183,022	696,100	6,662	1,466,797
-	-	-	118,046
-	-	-	174,269
-	-	-	8,450
-	-	2,851	200,915
-	-	-	120,199
-	-	-	102,175
-	-	-	75,818
313,123	-	-	313,123
-	698,572	-	698,572
313,123	698,572	2,851	1,811,567
(130,101)	(2,472)	3,811	(344,770)
-	140,000	-	140,000
-	22,750	189	30,460
-	(22,750)	(1,918)	(30,460)
-	140,000	(1,729)	140,000
(130,101)	137,528	2,082	(204,770)
152,947	635,025	22,946	823,501
22,846	772,553	25,028	618,731

Exhibit B

City of Dike

Comparison of Receipts, Disbursements and Changes in Balances -

Actual to Budget

Year ended June 30, 2003

	Actual	Amended Budget	Variance Favorable (Unfavorable)	Actual as % of Amended Budget
Receipts:				
Property tax	\$ 211,667	210,139	1,528	101%
Tax increment financing collections	119,699	115,500	4,199	104%
Other city tax	49,089	32,568	16,521	151%
Licenses and permits	8,687	5,425	3,262	160%
Use of money and property	9,487	9,892	(405)	96%
Intergovernmental	293,027	649,748	(356,721)	45%
Charges for service	720,459	700,275	20,184	103%
Special assessments	8,588	-	8,588	
Miscellaneous	46,094	3,700	42,394	1246%
Total receipts	<u>1,466,797</u>	<u>1,727,247</u>	<u>(260,450)</u>	<u>85%</u>
Disbursements:				
Public safety	118,046	114,593	(3,453)	103%
Public works	174,269	112,398	(61,871)	155%
Health and social services	8,450	1,550	(6,900)	545%
Culture and recreation	200,915	188,541	(12,374)	107%
Community and economic development	120,199	-	(120,199)	
General government	102,175	111,988	9,813	91%
Debt service	75,818	62,840	(12,978)	121%
Capital projects	313,123	629,050	315,927	50%
Business type activities	698,572	502,623	(195,949)	139%
Total disbursements	<u>1,811,567</u>	<u>1,723,583</u>	<u>(87,984)</u>	<u>105%</u>
Excess (deficiency) of receipts over (under) disbursements	(344,770)	3,664		
Other financing sources, net	<u>140,000</u>	-		
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(204,770)	3,664		
Balance beginning of year	<u>823,501</u>	<u>396,264</u>		
Balance end of year	<u>\$ 618,731</u>	<u>399,928</u>		

See notes to financial statements.

City of Dike

City of Dike
Statement of Indebtedness
Year ended June 30, 2003

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
7th street drainage	Aug 1, 1996	5.00-5.40%	\$ 100,000
Waterline extension	Apr 1, 1998	4.75-5.25	90,000
Street improvements	Aug 1, 2000	5.00-5.55	260,000
2nd street storm sewer	May 15, 2002	4.625	300,000
Sewer improvements	Mar 15, 2003	3.75	140,000
Total			
Loan:			
Fire equipment	Jan 5, 1994	5.50%	\$ 98,000
Lease purchase agreement:			
Street equipment	Jan 17, 2001	5.75%	\$ 108,900
Construction contract:			
Iowa Department of Transportation road construction	Aug 12, 2002	-	\$ 53,247

See notes to financial statements.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
50,000	-	10,000	40,000	2,600
54,000	-	9,000	45,000	2,738
130,000	-	30,000	100,000	6,988
300,000	-	-	300,000	14,492
-	140,000	-	140,000	-
<u>\$ 534,000</u>	<u>140,000</u>	<u>49,000</u>	<u>625,000</u>	<u>26,818</u>
<u>23,902</u>	<u>-</u>	<u>11,631</u>	<u>12,271</u>	<u>1,315</u>
<u>90,790</u>	<u>-</u>	<u>12,596</u>	<u>78,194</u>	<u>4,892</u>
<u>-</u>	<u>53,247</u>	<u>17,749</u>	<u>35,498</u>	<u>-</u>

City of Dike

Notes to Financial Statements

June 30, 2003

(1) Summary of Significant Accounting Policies

The City of Dike is a political subdivision of the State of Iowa located in Grundy County. It was first incorporated in 1900 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development, general government and business type activities.

A. Reporting Entity

For financial reporting purposes, the City of Dike has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Dike has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Grundy County Assessor's Conference Board, Grundy County Emergency Management Commission and Grundy County Joint E911 Service Board.

B. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements and 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 the Enterprise Funds.

Proprietary Funds

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

Fiduciary Funds

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

C. Basis of Accounting

The City of Dike maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

D. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon 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 the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$153,905 at June 30, 2003 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

(3) Notes Payable

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

Year Ending June 30,	7th Street Drainage			Waterline Extension			Street Improvements		
	Issued Aug 1, 1996			Issued Apr 1, 1998			Issued Aug 1, 2000		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2004	5.10%	\$ 10,000	2,100	4.950%	\$ 9,000	2,302	5.45%	\$ 30,000	5,450
2005	5.20	10,000	1,590	5.050	9,000	1,856	5.50	35,000	3,850
2006	5.30	10,000	1,070	5.125	9,000	1,402	5.55	35,000	1,942
2007	5.40	10,000	540	5.200	9,000	941			
2008		-	-	5.250	9,000	472			
2009		-	-		-	-			
2010		-	-		-	-			
2011		-	-		-	-			
2012		-	-		-	-			
2013		-	-		-	-			
Total		<u>\$40,000</u>	<u>5,300</u>		<u>\$ 45,000</u>	<u>6,973</u>		<u>\$ 100,000</u>	<u>11,242</u>

Year Ending June 30,	2nd Street Storm Sewer			Sewer Improvements			Total	
	Issued May 15, 2002			Issued Mar 15, 2003				
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2004	4.625%	\$ 25,000	13,875	3.75%	\$ 14,000	6,358	\$ 88,000	30,085
2005	4.625	25,000	12,719	3.75	14,000	4,725	93,000	24,740
2006	4.625	25,000	11,563	3.75	14,000	4,200	93,000	20,177
2007	4.625	25,000	10,406	3.75	14,000	3,675	58,000	15,562
2008	4.625	30,000	9,250	3.75	14,000	3,150	53,000	12,872
2009	4.625	30,000	7,863	3.75	14,000	2,625	44,000	10,488
2010	4.625	30,000	6,475	3.75	14,000	2,100	44,000	8,575
2011	4.625	35,000	5,088	3.75	14,000	1,575	49,000	6,663
2012	4.625	35,000	3,469	3.75	14,000	1,050	49,000	4,519
2013	4.625	40,000	1,850	3.75	14,000	525	54,000	2,375
Total		<u>\$300,000</u>	<u>82,558</u>		<u>\$140,000</u>	<u>29,983</u>	<u>\$625,000</u>	<u>136,056</u>

During the year ended June 30, 2003, the City issued \$140,000 in notes and retired \$49,000 of notes.

(4) Bank Loan Payable

On January 5, 1994, the City entered into a loan agreement with a local bank for \$98,000 to purchase fire equipment. Ten annual installments of \$12,946, including interest at 5.50% per annum, are required, beginning December 5, 1994. The unpaid principal amount at June 30, 2003 was \$12,271.

(5) Lease Purchase Agreement

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

Year Ending June 30,	Amount
2004	\$ 17,488
2005	17,488
2006	<u>52,305</u>
Total minimum lease payments	87,281
Less amount representing interest	<u>(9,087)</u>
Present value of net minimum lease payments	<u>\$ 78,194</u>

Payments under this lease purchase agreement for the year ended June 30, 2003 totaled \$17,488.

(6) Construction Contract

During the year ended June 30, 2003, the City entered into an agreement with the Iowa Department of Transportation for \$53,247 for road construction. Three annual payments of \$17,749 are required, beginning September 2002. At June 30, 2003, \$35,498 remains unpaid.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2003 was \$8,030, equal to the required contribution for the year.

(8) Risk Management

The City 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 and 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 \$24,801.

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 the 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 claim 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 and employee blanket bond. 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.

(9) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the function 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, debt service and business type activities functions exceeded the amounts budgeted.

(10) Development and Rebate Agreement

The City has entered into a development and rebate agreement to assist in an urban renewal project. The City agreed to rebate incremental taxes paid by the developer in exchange for infrastructure improvements constructed by the developer as set forth in the urban renewal plan and the individual development and rebate agreement. The incremental taxes to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated over a fifteen year period, beginning with the tax year in which the property taxes on the completed value of the improvements are first paid. The total amount that will be rebated under the development and rebate agreement is not to exceed \$2,500,000. As of June 30, 2003, the developer has submitted improvement costs totaling \$430,510.

During the year ended June 30, 2003, the City rebated \$119,699 of incremental taxes to the developer. Cumulative rebates since inception total \$235,964, leaving an outstanding balance under the agreement at June 30, 2003 of \$194,546.

No bonds or notes were issued for these construction projects. To the extent there are insufficient tax increment revenues available on any payment date to make the required scheduled payment, the unpaid amount shall be carried over to the next payment date without accruing any interest.

This agreement is not a general obligation of the City. However, the debt payment in the succeeding year is subject to the constitutional debt limitation of the City.

(11) Construction Commitment

During the year ended June 30, 2002, the City entered into a construction contract for storm sewer improvements totaling \$397,731. At June 30, 2003, \$28,390 remains unpaid and will be paid as work on the project progresses.

(12) Deficit Balances

Deficit balances at June 30, 2003 were as follows:

<u>Fund/Account</u>	<u>Amount</u>
General:	
General	\$ (295,374)
Special Revenue:	
Road Use Tax	(69,214)
TIF - Fox Ridge	(974)
Capital Projects:	
Highway 20 Engineering	(24,049)
Main Street Curb and Gutter	(130,805)
2 nd Street Drainage	(134,923)
Enterprise:	
Sales Tax	(3,192)

The deficit in the General Fund, General Account will be eliminated through the use of available funds and appropriate available tax levies, if necessary.

The deficit in the Special Revenue Fund, Road Use Tax Account will be eliminated through collection of future road use tax funds and review of program needs. The deficit in the Special Revenue Fund, TIF – Fox Ridge Account will be eliminated through future tax increment financing collections.

The deficit in the Capital Projects Fund, Highway 20 Engineering Account will be eliminated through the transfer of available funds and review of program needs. The deficit in the Capital Projects Fund, Main Street Curb and Gutter Account will be eliminated through transfers from the Capital Projects Fund, Main Street Project Account and future collections of special assessments. The deficit in the Capital Projects Fund, 2nd Street Drainage Account will be eliminated through grant funding.

The deficit in the Enterprise Fund, Sales Tax Account will be eliminated through future adjustments to sales tax collections and payments after review with the Iowa Department of Revenue.

Supplemental Information

Schedule 1

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

	General	Fire	Ambulance	Total
Receipts:				
Property tax	\$ 154,525	-	-	154,525
Other city tax:				
Local option sales tax	12,329	-	-	12,329
Utility tax replacement excise tax	1,981	-	-	1,981
	<u>14,310</u>	<u>-</u>	<u>-</u>	<u>14,310</u>
Licenses and permits:				
Liquor	1,055	-	-	1,055
Cigarette	75	-	-	75
Building	7,426	-	-	7,426
Dog and cat	131	-	-	131
	<u>8,687</u>	<u>-</u>	<u>-</u>	<u>8,687</u>
Use of money and property:				
Interest on investments	4,302	7	47	4,356
Rent	3,535	-	-	3,535
	<u>7,837</u>	<u>7</u>	<u>47</u>	<u>7,891</u>
Intergovernmental:				
State allocation	11,879	-	-	11,879
Bank franchise tax	3,708	-	-	3,708
Enrich Iowa grant	2,416	-	-	2,416
County library allocation	17,272	-	-	17,272
County ambulance allocation	2,792	-	-	2,792
Township fire protection	22,393	-	-	22,393
	<u>60,460</u>	<u>-</u>	<u>-</u>	<u>60,460</u>
Charges for service:				
Ambulance fees	12,368	-	-	12,368
Park, pool and recreation	17,522	-	-	17,522
Cemetery	2,834	-	-	2,834
	<u>32,724</u>	<u>-</u>	<u>-</u>	<u>32,724</u>
Miscellaneous:				
Court fines	626	-	-	626
Cable franchise fee	2,848	-	-	2,848
Insurance reimbursement	3,596	-	-	3,596
Miscellaneous	9,972	-	-	9,972
	<u>17,042</u>	<u>-</u>	<u>-</u>	<u>17,042</u>
Total receipts	<u>295,585</u>	<u>7</u>	<u>47</u>	<u>295,639</u>

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

	General	Fire	Ambulance	Total
Disbursements:				
Public safety:				
Police:				
Services and commodities	44,000	-	-	44,000
Fire:				
Personal services	6,039	-	-	6,039
Services and commodities	15,019	-	-	15,019
Capital outlay	5,791	-	-	5,791
Fire equipment loan:				
Principal redeemed	11,631	-	-	11,631
Interest paid	1,315	-	-	1,315
	<u>39,795</u>	-	-	<u>39,795</u>
Ambulance:				
Personal services	3,442	-	-	3,442
Services and commodities	3,270	-	-	3,270
	<u>6,712</u>	-	-	<u>6,712</u>
Building inspection:				
Services and commodities	4,380	-	-	4,380
	<u>94,887</u>	-	-	<u>94,887</u>
Public works:				
Streets:				
Personal services	11,143	-	-	11,143
Services and commodities	26,186	-	-	26,186
Capital outlay	3,165	-	-	3,165
	<u>40,494</u>	-	-	<u>40,494</u>
Health and social services:				
Mosquito control:				
Services and commodities	7,400	-	-	7,400
Alcoholism:				
Services and commodities	1,050	-	-	1,050
	<u>8,450</u>	-	-	<u>8,450</u>

Schedule 1

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

	<u>General</u>	<u>Fire</u>	<u>Ambulance</u>	<u>Total</u>
Disbursements (continued):				
Culture and recreation:				
Library:				
Personal services	28,192	-	-	28,192
Services and commodities	10,382	-	-	10,382
Capital outlay	20,896	-	-	20,896
	<u>59,470</u>	-	-	<u>59,470</u>
Parks:				
Personal services	9,959	-	-	9,959
Services and commodities	17,682	-	-	17,682
Capital outlay	749	-	-	749
	<u>28,390</u>	-	-	<u>28,390</u>
Summer recreation:				
Personal services	2,902	-	-	2,902
Services and commodities	777	-	-	777
Capital outlay	1,256	-	-	1,256
	<u>4,935</u>	-	-	<u>4,935</u>
Cemetery:				
Personal services	9,960	-	-	9,960
Services and commodities	2,147	-	-	2,147
Capital outlay	6,972	-	-	6,972
	<u>19,079</u>	-	-	<u>19,079</u>
Community hall:				
Personal services	5,061	-	-	5,061
Services and commodities	6,231	-	-	6,231
Capital outlay	27,708	-	-	27,708
	<u>39,000</u>	-	-	<u>39,000</u>
Swimming pool:				
Personal services	28,990	-	-	28,990
Services and commodities	16,348	-	-	16,348
Capital outlay	1,852	-	-	1,852
	<u>47,190</u>	-	-	<u>47,190</u>
	<u>198,064</u>	-	-	<u>198,064</u>

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

	General	Fire	Ambulance	Total
Disbursements (continued):				
Community and economic development				
Operation threshold:				
Services and commodities	500	-	-	500
General government:				
Mayor and Council:				
Personal services	5,763	-	-	5,763
Policy and administration:				
Personal services	32,446	-	-	32,446
Services and commodities	61,731	-	-	61,731
Capital outlay	2,235	-	-	2,235
	96,412	-	-	96,412
	102,175	-	-	102,175
Total disbursements	444,570	-	-	444,570
Excess (deficiency) of receipts over (under) disbursements	(148,985)	7	47	(148,931)
Other financing sources (uses):				
Operating transfers in (out):				
General:				
General	-	3,000	2,792	5,792
Fire	(3,000)	-	-	(3,000)
Ambulance	(2,792)	-	-	(2,792)
Expendable Trust:				
Library Furnishings	1,329	-	-	1,329
Library Property Improvement	400	-	-	400
Total other financing sources (uses)	(4,063)	3,000	2,792	1,729
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(153,048)	3,007	2,839	(147,202)
Balance beginning of year	(142,326)	683	6,457	(135,186)
Balance end of year	\$ (295,374)	3,690	9,296	(282,388)

See accompanying independent auditor's report.

Schedule 2

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

	Road Use Tax	Local Option Sales Tax	Tax Increment Financing - Fox Ridge	Volunteer Fire Department	Total
Receipts:					
Tax increment financing collections	\$ -	-	119,699	-	119,699
Other city tax:					
Local option sales tax	-	15,699	-	-	15,699
Intergovernmental:					
Road use tax allocation	76,854	-	-	-	76,854
Miscellaneous:					
Fundraisers, contributions and donations	-	-	-	15,393	15,393
Total receipts	<u>76,854</u>	<u>15,699</u>	<u>119,699</u>	<u>15,393</u>	<u>227,645</u>
Disbursements:					
Public safety:					
Fire:					
Services and commodities	-	-	-	23,159	23,159
Public works:					
Street maintenance:					
Personal services	37,830	-	-	-	37,830
Services and commodities	41,652	-	-	-	41,652
Capital outlay	36,805	-	-	-	36,805
Lease purchase agreement:					
Principal redeemed	12,596	-	-	-	12,596
Interest paid	4,892	-	-	-	4,892
	<u>133,775</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>133,775</u>
Community and economic development:					
TIF Fox Ridge development:					
Capital outlay	-	-	119,699	-	119,699
Total disbursements	<u>133,775</u>	<u>-</u>	<u>119,699</u>	<u>23,159</u>	<u>276,633</u>
Excess (deficiency) of receipts over (under) disbursements	(56,921)	15,699	-	(7,766)	(48,988)
Balance beginning of year	<u>(12,293)</u>	<u>110,602</u>	<u>(974)</u>	<u>23,379</u>	<u>120,714</u>
Balance end of year	<u>\$ (69,214)</u>	<u>126,301</u>	<u>(974)</u>	<u>15,613</u>	<u>71,726</u>

See accompanying independent auditor's report.

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

Receipts:	
Property tax	\$ 57,142
Other city tax:	
Utility tax replacement excise tax	<u>587</u>
Total receipts	<u>57,729</u>
Disbursements:	
Debt service:	
Principal redeemed	49,000
Interest paid	<u>26,818</u>
Total disbursements	<u>75,818</u>
Deficiency of receipts under disbursements	(18,089)
Balance beginning of year	<u>27,055</u>
Balance end of year	<u><u>\$ 8,966</u></u>

See accompanying independent auditor's report.

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

	Highway 20 Engineering	Fox Ridge- Water Line	Main Street Curb and Gutter	2nd Street Drainage
Receipts:				
Other city tax:				
Local option sales tax	\$ -	-	-	-
Use of money and property:				
Interest on investments	-	-	-	-
Intergovernmental:				
Community development block grant	-	-	-	-
Special assessments	-	-	-	-
Total receipts	-	-	-	-
Disbursements:				
Capital projects:				
Capital outlay	24,049	-	-	289,074
Excess (deficiency) of receipts over (under) disbursements	(24,049)	-	-	(289,074)
Balance beginning of year	-	-	(130,805)	154,151
Balance end of year	\$ (24,049)	-	(130,805)	(134,923)

See accompanying independent auditor's report.

Local Option Sales Tax - Curb and Gutter	Main Street Project	Block Grant Storm Sewer Project	Total
18,493	-	-	18,493
228	-	-	228
-	-	155,713	155,713
-	8,588	-	8,588
18,721	8,588	155,713	183,022
-	-	-	313,123
18,721	8,588	155,713	(130,101)
22,615	63,896	43,090	152,947
41,336	72,484	198,803	22,846

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

	Water	Water Improvement	Sewer Rental	Sewer Improvement
Receipts:				
Use of money and property:				
Interest on investments	\$ -	438	-	679
Charges for service:				
Sale of water	64,012	-	-	-
Sale of electricity	-	-	-	-
Sales tax collected	-	-	-	-
Refuse collection	-	-	-	-
Sewer rental fees	-	-	92,535	-
	64,012	-	92,535	-
Miscellaneous:				
Deposits and fees	-	-	-	-
Miscellaneous	2,206	-	756	-
	2,206	-	756	-
Total receipts	66,218	438	93,291	679
Disbursements:				
Business type activities:				
Personal services	19,954	-	23,085	-
Services and commodities	15,935	-	27,602	-
Capital outlay	32,181	-	153,922	-
Total disbursements	68,070	-	204,609	-
Excess (deficiency) of receipts over (under) disbursements	(1,852)	438	(111,318)	679
Other financing sources (uses):				
General obligation note proceeds	-	-	140,000	-
Operating transfers in (out):				
Enterprise:				
Water	-	7,200	-	-
Water Improvement	(7,200)	-	(600)	-
Sewer Rental	-	600	-	6,600
Sewer Improvement	-	-	(6,600)	-
Electric	-	-	(8,350)	-
Total other financing sources (uses)	(7,200)	7,800	124,450	6,600
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(9,052)	8,238	13,132	7,279
Balance beginning of year	17,424	38,212	215,613	62,198
Balance end of year	\$ 8,372	46,450	228,745	69,477

See accompanying independent auditor's report.

Electric	Electric Project Share	Garbage	Water Treatment Plant	Customer Deposits	Sales Tax	Total
15	1	-	25	-	-	1,158
-	-	-	-	-	-	64,012
456,794	-	-	-	-	-	456,794
-	-	-	-	-	24,251	24,251
-	-	50,143	-	-	-	50,143
-	-	-	-	-	-	92,535
456,794	-	50,143	-	-	24,251	687,735
-	-	-	-	2,545	-	2,545
1,700	-	-	-	-	-	4,662
1,700	-	-	-	2,545	-	7,207
458,509	1	50,143	25	2,545	24,251	696,100
38,975	-	-	-	-	-	82,014
271,140	-	-	-	1,190	28,468	344,335
42,209	-	43,911	-	-	-	272,223
352,324	-	43,911	-	1,190	28,468	698,572
106,185	1	6,232	25	1,355	(4,217)	(2,472)
-	-	-	-	-	-	140,000
-	-	-	-	-	-	7,200
-	-	-	-	-	-	(7,800)
8,350	-	-	-	-	-	15,550
-	-	-	-	-	-	(6,600)
-	-	-	-	-	-	(8,350)
8,350	-	-	-	-	-	140,000
114,535	1	6,232	25	1,355	(4,217)	137,528
272,190	344	20,232	2,504	5,283	1,025	635,025
386,725	345	26,464	2,529	6,638	(3,192)	772,553

Schedule 6

City of Dike

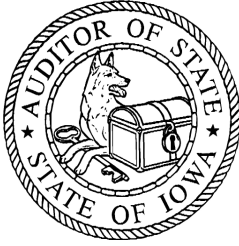
Combining Schedule of Cash Transactions

Expendable Trust Funds

Year ended June 30, 2003

	Fire Department Memorial Trust	Library Furnishings	Library Property Improvement	Total
Receipts:				
Use of money and property:				
Interest on investments	\$ 13	36	161	210
Miscellaneous:				
Donations	-	4,726	-	4,726
Library fines	-	-	1,726	1,726
Total receipts	13	4,762	1,887	6,662
Disbursements:				
Culture and recreation:				
Library:				
Services and commodities	-	2,451	400	2,851
Excess of receipts over disbursements	13	2,311	1,487	3,811
Other financing sources (uses):				
Operating transfers in (out):				
General:				
General	-	(1,329)	(400)	(1,729)
Expendable Trust:				
Library Furnishings	-	-	189	189
Library Property Improvement	-	(189)	-	(189)
Total other financing sources (uses)	-	(1,518)	(211)	(1,729)
Excess of receipts and other financing sources over disbursements and other financing uses	13	793	1,276	2,082
Balance beginning of year	1,265	8,074	13,607	22,946
Balance end of year	<u>\$ 1,278</u>	<u>8,867</u>	<u>14,883</u>	<u>25,028</u>

See accompanying independent auditor's report.



**OFFICE OF AUDITOR OF STATE
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Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Dike, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated March 2, 2004. 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 Dike's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City of Dike's operations for the year ended June 30, 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 (2), (7), (8) and (9).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Dike's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Dike's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings.

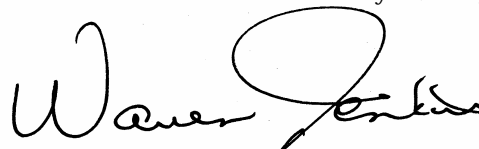
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items (A) and (B) are material weaknesses. Prior year reportable conditions have been resolved except for items (A), (B), (C), (D), (E) and (F).

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Dike and other parties to whom the City of Dike may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Dike during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 2, 2004

City of Dike
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 – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the City's financial statements. One person had control over each of the following areas for which no compensating controls exist:

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

For the Fire Department, one of two individuals has control over each of the following areas:

- (1) Receipts – collecting, depositing, posting and reconciling.
- (2) Disbursements – preparing, recording and reconciling.

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

Response – We will review our control procedures and implement any possible changes utilizing existing City officials and staff.

Conclusion – Response accepted.

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

City of Dike

Schedule of Findings

Year ended June 30, 2003

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

Chapter 384.20 of the Code of Iowa states in part that "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any City purpose." All funds of the City should be included in the Clerk's report and the report should include all investments as part of the fund balances to comply with Chapter 384.20 of the Code of Iowa.

Response – We are currently working with our computer specialists to rectify the reconciliation problems.

Conclusion – Response accepted.

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

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

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

In addition to accounting policies, the City should consider written policies on employee job descriptions, requiring confidentiality agreements for employees with access to confidential information and employee use of City vehicles and/or equipment.

Response – The City is currently working on manuals.

Conclusion – Response accepted.

City of Dike

Schedule of Findings

Year ended June 30, 2003

(D) Information Systems - The City does not have written policies for:

- Requiring the maintenance of password privacy and confidentiality.
- Requiring a complete system back up (both transactions and programs) at least monthly and at fiscal year end.
- Requiring back up tapes be stored off-site daily.
- Requiring a computer log to determine who recorded a transaction.

Also, the City does not have a disaster recovery plan.

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

Response - We will develop written policies to address the above recommendations.

Conclusion - Response accepted.

(E) Disbursements - Invoices or other supporting documentation did not contain evidence of proper authorization. Also, invoices and other supporting documentation were not always marked paid or cancelled to prevent possible duplicate payment.

Recommendation - All invoices or other supporting documentation should include evidence of the Council's authorization and be included in a listing, including check numbers, approved and signed by the Council. Additionally, all invoices and supporting documentation should be canceled to prevent possible duplicate payments.

Response - The City Clerk has purchased an ink stamp to mark invoices paid with check number and date paid. A list of bills, including check numbers, is given to the Council for approval and the Mayor indicates his review and approval with his initials.

Conclusion - Response accepted.

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

Recommendation - All Fund/Account transfers should be approved by the City Council, with its approval documented in the minutes record. A procedure should be developed to require adequate explanations and documentation for each transfer.

Response - The City will follow the above recommendation.

Conclusion - Response accepted.

City of Dike

Schedule of Findings

Year ended June 30, 2003

- (G) Fire Department Activities - Prenumbered receipts were not issued for collections. Invoices or other supporting documents were not always attached to the vouchers and were not marked paid to help prevent duplicate payment. Also, invoices were not approved by the Fire Board prior to payment.

Recommendation - Prenumbered receipts should be issued for all collections and supporting documentation should be maintained. All vouchers should be supported by an original invoice or other supporting documentation which should be properly canceled to help prevent duplicate payment. All disbursements should be approved by the Fire Board prior to payment.

Response - The City will create a policy of procedures with the Fire Department for the above recommendation.

Conclusion - Response accepted.

City of Dike
Schedule of Findings
Year ended June 30, 2003

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, 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, debt service and business type activities 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 be amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

Response - We will try to amend in sufficient amounts in accordance with the Code of Iowa.

Conclusion - Response accepted.

- (3) Questionable Disbursements - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (4) Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (5) Business Transactions - 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 the coverage is adequate for current operations.
- (7) Council Minutes - Except as previously noted and as noted below, no transactions were found that we believe should have been approved in the Council minutes but were not.

Summaries of receipts and summaries of disbursements by fund required by Chapter 372.13(6) of the Code of Iowa were not found in any of the minutes reviewed.

Recommendation - The City should publish the summaries in the minutes as required.

Response - The City will publish the minutes per Code of Iowa requirements.

Conclusion - Response accepted.

City of Dike

Schedule of Findings

Year ended June 30, 2003

- (8) Deposits and Investments – For the year ended June 30, 2003, the City’s investment policy referred to Chapter 452 of the Code of Iowa instead of Chapter 12B.

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

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

Conclusion – Response accepted.

- (9) Financial Condition – At June 30, 2003, the City had deficit balances in certain accounts as follows:

<u>Fund/Account</u>	<u>Amount</u>
General:	
General	\$ (295,374)
Special Revenue:	
Road Use Tax	(69,214)
TIF – Fox Ridge	(974)
Capital Projects:	
Highway 29 Engineering	(24,049)
Main Street Curb and Gutter	(130,805)
2 nd Street Drainage	(134,923)
Enterprise:	
Sales Tax	(3,192)

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

Response – The deficit in the General Fund, General Account will be eliminated through the use of available funds and appropriate available tax levies, if necessary.

The deficit in the Special Revenue Fund, Road Use Tax Account will be eliminated through collection of future road use tax funds and review of program needs. The deficit in the Special Revenue Fund, TIF – Fox Ridge Account will be eliminated through future tax increment financing collections.

The deficit in the Capital Projects Fund, Highway 20 Engineering Account will be eliminated through the transfer of available funds and review of program needs. The deficit in the Capital Projects Fund, Main Street Curb and Gutter Account will be eliminated through transfers from the Capital Projects Fund, Main Street Project Account and future collections of special assessments. The deficit in the Capital Projects Fund, 2nd Street Drainage Account will be eliminated through grant funding.

City of Dike

Schedule of Findings

Year ended June 30, 2003

The deficit in the Enterprise Fund, Sales Tax Account will be eliminated through future adjustments to sales tax collections and payments after review with the Iowa Department of Revenue.

Conclusion - Response accepted.

- (10) Local Option Sales Tax - Local option sales tax collections were recorded directly to the General Fund, General Account, the Special Revenue Fund, Local Option Sales Tax Account, and the Capital Projects Fund, Local Option Sales Tax - Curb and Gutter Account. Also, the City does not maintain documentation to demonstrate the tax receipts were spent in accordance with the provisions of the referendum that authorized the collection of the tax.

Recommendation - The City should credit all local option sales tax collections to the Special Revenue Fund, Local Option Sales Tax Account and then transfer the collections to the appropriate fund(s) approved by the voters. Also, the City should maintain documentation to demonstrate local option sales tax collections are disbursed in compliance with the provisions of the referendum.

Response - The City will record local option sales tax collections to the Special Revenue Fund, Local Option Sales Tax Account and transfer to the appropriate funds approved by the voters. Also, the City will maintain documentation to demonstrate that collections are disbursed in compliance with the referendum.

Conclusion - Response accepted.

- (11) Fire Department Activities - The Dike Volunteer Fire Department maintains a separate checking account for donations and fund raising activities. Certain expenditures from this account may not meet the requirements of public purpose.

Recommendation - The City and the Volunteer Fire Department should determine and document the public purpose served by these expenditures before authorizing further payments and should consider initiating steps to legally segregate the donation and fund raising activities of the Association separate from the City.

Response - The City Attorney and the Fire Department are working to initiate steps to segregate the donation and fund raising activities by establishing a legally separate fire association.

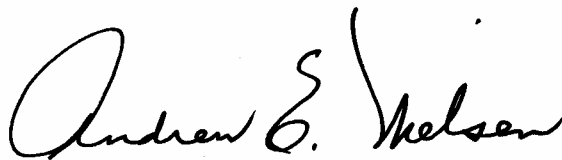
Conclusion - Response accepted.

City of Dike

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager
Katherine L. Rupp, CPA, Senior Auditor II
Kevin P. Riley, CPA, Staff Auditor
Trevor L. Theulen, 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 "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State