

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

June 4, 2015

Contact: Andy Nielsen
515-281-5834

Auditor of State Mary Mosiman today released an audit report on the City of Goodell, Iowa.

The City's receipts totaled \$104,893 for the year ended June 30, 2014. The receipts included \$18,331 in property tax, \$10,746 from local option sales tax, \$31,566 from charges for service, \$44,055 from operating grants, contributions and restricted interest, \$17 from unrestricted interest on investments and \$178 from other general receipts.

Disbursements for the year ended June 30, 2014 totaled \$108,318, and included \$34,934 for public safety, \$26,665 for public works and \$12,817 for general government. Disbursements for business type activities totaled \$27,246.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1422-0384-B00F.pdf>.

###

CITY OF GODELL

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2014

Table of Contents

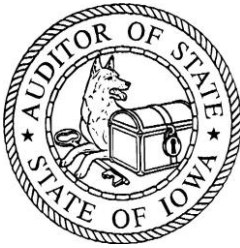
		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	8-9
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	10-11
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	13
Notes to Financial Statements		14-19
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Fund		22-23
Notes to Other Information – Budgetary Reporting		24
Supplementary Information:	<u>Schedule</u>	
Schedule of Indebtedness	1	26-27
Loan Maturities	2	28
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		29-30
Schedule of Findings		31-39
Staff		40

City of Goodell

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
Ryan Halfpop	Mayor	Jan 2014
Tom Bonjour	Council Member	Jan 2014
Angela Kern	Council Member	Jan 2014
Mark Stille	Council Member	Jan 2014
Alan Pralle	Council Member	Jan 2016
Terry Zeigler	Council Member	Jan 2016
Dixie Revland	City Clerk/Treasurer	Indefinite
Gary Berkland	Attorney	Indefinite
(After January 2014)		
Pat Sweeney	Mayor	Jan 2016
Alan Pralle	Council Member	Jan 2016
Terry Zeigler	Council Member	Jan 2016
Tom Bonjour	Council Member	Jan 2018
Christopher Nolte	Council Member	Jan 2018
Mark Stille	Council Member	Jan 2018
Dixie Revland	City Clerk/Treasurer	Indefinite
Gary Berkland	Attorney	Indefinite

City of Goodell



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Goodell, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Modified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2013.

Modified Opinions

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2013, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Goodell as of June 30, 2014, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Goodell's basic financial statements. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

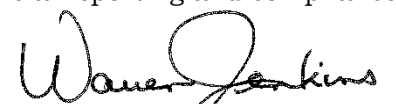
The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2013, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the budgetary comparison information on pages 22 through 24, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 6, 2015 on our consideration of the City of Goodell's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Goodell's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 6, 2015

Basic Financial Statements

City of Goodell

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2014

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 34,934	-	26,981
Public works	26,665	11,090	10,119
Health and social services	900	-	-
Culture and recreation	5,756	-	6,955
General government	12,817	38	-
Total governmental activities	81,072	11,128	44,055
Business type activities:			
Water	27,246	20,438	-
Total	\$ 108,318	31,566	44,055

General Receipts and Transfers:

Property and other city tax levied for general purposes

Local option sales tax

Unrestricted interest on investments

Miscellaneous

Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

Restricted for:

Capital projects

Streets

Fire department

Unrestricted

Total cash basis net position

See notes to financial statements.

Net (Disbursements) Receipts and
Changes in Cash Basis Net Position

Governmental Activities	Business Type Activities	Total
(7,953)	-	(7,953)
(5,456)	-	(5,456)
(900)	-	(900)
1,199	-	1,199
(12,779)	-	(12,779)
(25,889)	-	(25,889)
-	(6,808)	(6,808)
(25,889)	(6,808)	(32,697)
18,331	-	18,331
10,746	-	10,746
17	-	17
178	-	178
(5,000)	5,000	-
24,272	5,000	29,272
(1,617)	(1,808)	(3,425)
64,248	524	64,772
\$ 62,631	(1,284)	61,347
\$ 482	-	482
8,210	-	8,210
27,798	-	27,798
26,141	(1,284)	24,857
\$ 62,631	(1,284)	61,347

City of Goodell

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2014

	Special Revenue		
	General	Road Use Tax	Volunteer Fire Department
Receipts:			
Property tax	\$ 18,331	-	-
Other city tax	10,746	-	-
Licenses and permits	38	-	-
Use of money and property	12	-	5
Intergovernmental	-	10,119	-
Charges for service	11,090	-	-
Miscellaneous	7,133	-	26,981
Total receipts	47,350	10,119	26,986
Disbursements:			
Operating:			
Public safety	15,747	-	19,187
Public works	9,969	16,696	-
Health and social services	900	-	-
Culture and recreation	5,756	-	-
General government	12,817	-	-
Total disbursements	45,189	16,696	19,187
Excess (deficiency) of receipts over (under) disbursements	2,161	(6,577)	7,799
Other financing uses:			
Transfers out	(5,000)	-	-
Change in cash balances	(2,839)	(6,577)	7,799
Cash balances beginning of year	28,980	14,787	19,999
Cash balances end of year	\$ 26,141	8,210	27,798
Cash Basis Fund Balances			
Restricted for:			
Capital projects	\$ -	-	-
Streets	-	8,210	-
Fire department	-	-	27,798
Assigned for community betterment	10,358	-	-
Unassigned	15,783	-	-
Total cash basis fund balances	\$ 26,141	8,210	27,798

See notes to financial statements.

Nonmajor Capital Projects	Total
-	18,331
-	10,746
-	38
-	17
-	10,119
-	11,090
-	34,114
-	84,455
-	34,934
-	26,665
-	900
-	5,756
-	12,817
-	81,072
-	3,383
-	(5,000)
-	(1,617)
482	64,248
482	62,631
482	482
-	8,210
-	27,798
-	10,358
-	15,783
482	62,631

City of Goodell

City of Goodell

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2014

	<u>Enterprise</u>
	<u>Water</u>
Operating receipts:	
Charges for service	\$ 20,438
Operating disbursements:	
Business type activities	<u>24,796</u>
Deficiency of operating receipts under operating disbursements	(4,358)
Non-operating disbursements:	
Debt service	<u>(2,450)</u>
Deficiency of receipts under disbursements	(6,808)
Transfers in	<u>5,000</u>
Change in cash balance	(1,808)
Cash balance beginning of year	<u>524</u>
Cash balance end of year	<u>\$ (1,284)</u>
Cash Basis Fund Balance	
Unrestricted	<u>\$ (1,284)</u>

See notes to financial statements.

City of Goodell

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

The City of Goodell is a political subdivision of the State of Iowa located in Hancock County. It was first incorporated in 1884 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, health and social services, culture and recreation, and general government services. The City also provides water utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Goodell 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 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: Wright County Area Landfill Authority, Hancock County Assessor's Conference Board, Hancock County Emergency Management Commission and Hancock County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and the proprietary fund. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts 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 not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Volunteer Fire Department Fund is used to account for donations and other receipts earmarked for the Fire Department. The receipts are used for the operation of the City's Fire Department.

The City reports the following major proprietary fund:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

C. Measurement Focus and Basis of Accounting

The City 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.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net positions available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the public safety, culture and recreation and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2014 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.

At June 30, 2014, the City's Volunteer Fire Department had the following investments:

Investment	Carrying Amount	Fair Value
Mutual Funds	\$ 4,050	5,741

The City's Volunteer Fire Department investment in mutual funds does not appear to be an allowable investment in accordance with Chapter 12B.10 of the Code of Iowa.

(3) Loans and Notes Payable

Annual debt service requirements to maturity for bank loans are as follows:

Year Ending June 30,	Fire Station Improvement		Water System Improvement		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 4,114	172	2,233	217	6,347	389
2016	-	-	2,325	110	2,325	110
Total	\$ 4,114	172	4,558	327	8,672	499

Fire Station Improvement Loan

On November 19, 2002, the City obtained a bank loan for \$35,000 for improvements to the City's fire station. The loan is to be repaid in 14 annual payments of \$3,250, including interest at 4.25% per annum, beginning November 19, 2003. During the year ended June 30, 2014, the City paid principal of \$2,951 and interest of \$299 on the loan.

Water System Improvement Loan

On July 11, 2006, the City obtained a bank loan for \$16,000 for the purchase of iron strippers and a chlorinator pump. The loan is to be repaid in 24 annual payments of \$2,450, including interest at 4.75% per annum, beginning July 11, 2007. During the year ended June 30, 2014, the City paid principal of \$2,133 and interest of \$317 on the loan.

Project Anticipation Note

On June 24, 2009, the City entered into a State Revolving Fund loan and disbursement agreement with the Iowa Finance Authority for up to \$161,000 for the purpose of paying the costs of planning, designing and constructing improvements and extensions to the sanitary sewer system. As of June 30, 2014, the City had drawn \$85,311 on the note. The note bears no interest and was to mature on June 24, 2013. The sanitary sewer system project has been delayed and the City has received approval from the Iowa Finance Authority to extend the maturity date to June 24, 2015.

The note was issued pursuant to Chapters 76.13 and 384.24A of the Code of Iowa in anticipation of the receipt of and is payable from the proceeds of an authorized loan and grants. Since the sanitary sewer system construction was not complete as of June 30, 2014, the City has not established an Enterprise, Sewer Fund and has not begun collecting sewer receipts which will be pledged to repay the anticipated loan.

(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.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City’s contribution to IPERS for the year ended June 30, 2014 were \$1,159, equal to the required contributions for the year.

(5) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Enterprise: Water	General	<u>\$ 5,000</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(6) Related Party Transactions

The City had business transactions between the City and City officials totaling \$4,008 during the year ended June 30, 2014.

(7) Risk Management

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

(8) Deficit Balance

The Enterprise, Water Fund had a deficit balance of \$1,284 at June 30, 2014. The deficit balance was a result of repair costs incurred prior to availability of funds. An added charge has been approved for each customer. The deficit will be eliminated upon receipt of charges for service.

(9) Wright County Area Landfill Authority Agreement

On July 4, 1974, the City entered into an agreement with the Wright County Area Landfill Authority to provide collection and disposal of solid waste. The City pays a quarterly fee of \$869 pursuant to the agreement. The total paid under the agreement for the year ended June 30, 2014 was \$3,476.

(10) Bell Sanitation and Recycling

On January 30, 2008, the City entered into an agreement with Bell Sanitation and Recycling as the exclusive collector of solid waste within the City. During the year ended June 30, 2014, the City paid \$6,494 pursuant to the agreement.

City of Goodell

Other Information

City of Goodell
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances –
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Fund

Other Information

Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Fund Actual	Total
Receipts:			
Property tax	\$ 18,331	-	18,331
Other city tax	10,746	-	10,746
Licenses and permits	38	-	38
Use of money and property	17	-	17
Intergovernmental	10,119	-	10,119
Charges for service	11,090	20,438	31,528
Miscellaneous	34,114	-	34,114
Total receipts	<u>84,455</u>	<u>20,438</u>	<u>104,893</u>
Disbursements:			
Public safety	34,934	-	34,934
Public works	26,665	-	26,665
Health and social services	900	-	900
Culture and recreation	5,756	-	5,756
General government	12,817	-	12,817
Business type activities	-	27,246	27,246
Total disbursements	<u>81,072</u>	<u>27,246</u>	<u>108,318</u>
Excess (deficiency) of receipts over (under) disbursements	3,383	(6,808)	(3,425)
Other financing sources, net	<u>(5,000)</u>	5,000	-
Deficiency of receipts and other financing sources under disbursements and other financing uses	(1,617)	(1,808)	(3,425)
Balances beginning of year	<u>64,248</u>	524	<u>64,772</u>
Balances end of year	<u>\$ 62,631</u>	<u>(1,284)</u>	<u>61,347</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u> Original and Final	<u>Final to Total Variance</u>
16,994	1,337
12,039	(1,293)
12	26
25	(8)
9,500	619
34,000	(2,472)
500	33,614
<u>73,070</u>	<u>31,823</u>
15,750	(19,184)
32,300	5,635
1,000	100
1,700	(4,056)
16,300	3,483
18,000	(9,246)
<u>85,050</u>	<u>(23,268)</u>
(11,980)	8,555
<u>5,000</u>	<u>(5,000)</u>
(6,980)	3,555
<u>28,763</u>	<u>36,009</u>
<u>21,783</u>	<u>39,564</u>

City of Goodell

Notes to Other Information – Budgetary Reporting

June 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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 nine 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. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Capital Projects Fund, and the Enterprise Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, there were no budget amendments.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the public safety, culture and recreation and business type activities functions.

Supplementary Information

City of Goodell
Schedule of Indebtedness
Year ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Bank loans:			
Fire station improvement	Nov 19, 2002	4.25%	\$ 35,000
Water system improvement	Jul 11, 2006	4.75	16,000
Total			
Revenue note:			
Sewer	Jun 24, 2009	0.00%	\$ 85,311

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
7,065	-	2,951	4,114	299
6,691	-	2,133	4,558	317
<u>\$ 13,756</u>	<u>-</u>	<u>5,084</u>	<u>8,672</u>	<u>616</u>
<u>85,311</u>	<u>-</u>	<u>-</u>	<u>85,311</u>	<u>-</u>

Schedule 2

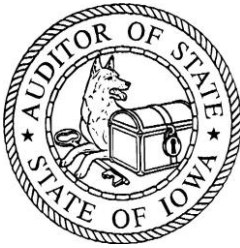
City of Goodell

Loan Maturities

June 30, 2014

Year Ending June 30,	Bank Loans				
	Fire Station Improvement		Water System Improvement		Total
	Issued Nov 19, 2002		Issued July 11, 2006		
	Interest		Interest		
Rates	Amount	Rates	Amount		
2015	4.25%	\$ 4,114	4.75%	\$ 2,233	6,347
2016		-	4.75	2,325	2,325
Total		<u>\$ 4,114</u>		<u>\$ 4,558</u>	<u>8,672</u>

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Goodell, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 6, 2015. Our report expressed modified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles, since we were unable to satisfy ourselves as to the distribution by fund of the total fund balances at July 1, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Goodell's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Goodell's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Goodell's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Goodell's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of findings as items (A) through (C) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (D) through (J) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Goodell's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which 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, 2014 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.

The City of Goodell's Responses to the Findings


The City of Goodell's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Goodell's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Goodell 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.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 6, 2015

City of Goodell

Schedule of Findings

Year ended June 30, 2014

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted one individual has control over the following areas with no independent review:

- (1) Receipts – collecting, recording, depositing, journalizing, posting and reconciling.
- (2) Disbursements – preparing, check writing, mailing, recording and reconciling.
- (3) Payroll – recordkeeping, preparing, posting and distributing.
- (4) Utilities – billing, collecting, depositing and posting.
- (5) Financial reports – preparing and reconciling.
- (6) Bank reconciliation – preparing and maintaining accounting records.

For the Goodell Volunteer Fire Department and the Goodell Betterment Board, one individual has control over each of the following areas with no independent review:

- (1) Cash - handling, reconciling and recording.
- (2) Receipts – collecting, recording, depositing and reconciling.
- (3) Disbursements – preparing, signing, recording and reconciling.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City, the Volunteer Fire Department and the Betterment Board should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Reconciliations should be reviewed by an independent person and the review should be documented by the initials or signature of the reviewer and the date of the review.

Response – The City will implement steps to review its operational procedures for the above mentioned duties. The Volunteer Fire Department and the Betterment Board will review their respective parts of the above mentioned duties.

Conclusion – Response accepted.

City of Goodell

Schedule of Findings

Year ended June 30, 2014

- (B) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled monthly.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts each month. The City Council or a Council-designated independent person should review the reconciliations and monitor delinquent accounts each month. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

Response – Steps have been taken to correct the reconciliation of utility billings, collections and delinquent accounts. The review of the reconciliations will be documented by the signature or initials of the designated reviewer and the date.

Conclusion – Response accepted.

- (C) Goodell Volunteer Fire Department – The following were noted regarding the Goodell Volunteer Fire Department:

- A check register and book balance is not maintained.
- Monthly reconciliations of book to bank balances, including investments, were not prepared.
- Invoices and other supporting documentation were not always retained to support disbursements.

Recommendation – To improve financial accountability and control, a check register and book balance should be maintained and should be reconciled monthly to the bank balance. Any variances should be investigated and resolved timely. Reconciliations should be reviewed by an independent person and the review should be documented by the signature or initials of the reviewer and the date of the review. In addition, invoices and other supporting documentation should be retained to support disbursements.

Response – A check register will be maintained by the Fire Department. All reconciliations will be brought to the monthly business meeting for review by the Fire Department. All investments are in the process of being closed. A file will be maintained of all Fire Department invoices and other supporting documentation.

Conclusion – Response accepted.

City of Goodell

Schedule of Findings

Year ended June 30, 2014

- (D) Charge Card – The City has a charge card available for use by Volunteer Firefighters while on City business. The City has not adopted a formal policy to regulate the use of the charge card and to establish procedures for the proper accounting of charge account activity.

Recommendation – The City should adopt a formal written policy regulating the use of the City’s charge card. The policy, at a minimum, should address who controls the charge card, who is authorized to use the charge card and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – The Fire Department can only use this charge card for fuel. One card is kept at Kum & Go in Belmond for 24/7 access to fuel and the other card is kept by the Fire Chief.

The City pays one-third of the bill while Avery Township and Twin Lakes Township pay the remaining two-thirds of the bill. The City Clerk receives the bill and the township payments and sends three checks to pay the bill.

Conclusion – Response acknowledged. The City should adopt a formal written policy regulating the use of the City’s charge card.

- (E) Disbursements – Certain invoices and other supporting documentation were not available to support disbursements. Certain invoices were not properly marked paid to prevent possible duplicate payment.

Recommendation – Invoices or other supporting documentation should be retained to support all disbursements. All paid invoices should be marked or stamped paid with the date of payment to aid in preventing possible duplicate payment of invoices.

Response – All invoices or other supporting documentation will be made available to the City Council at each meeting and will be retained by the City Clerk. In addition, each invoice or other supporting documentation will be marked paid to prevent duplicate payments.

Conclusion – Response accepted.

- (F) Authorized Check Signers – The signature card held by the bank for the sewer construction checking account does not accurately reflect the current approved check signers.

Recommendation – Signature cards held by the bank should be updated to reflect the current approved check signers.

Response – The signature card for the sewer construction checking account has been updated to show the current and correct signatures.

Conclusion – Response accepted.

City of Goodell

Schedule of Findings

Year ended June 30, 2014

- (G) Travel Policy – Mileage reimbursements paid by the City were not adequately supported by documentation of the number of miles driven or the rate per mile. The City has not adopted a formal policy establishing travel reimbursement rates and requiring adequate documentation be submitted with travel reimbursement requests.

Recommendation – The City should adopt a formal policy establishing travel reimbursement rates and requiring adequate documentation to support reimbursement requests.

Response – A resolution will be presented to the City Council establishing the mileage reimbursement rate and requiring adequate documentation.

Conclusion – Response accepted.

- (H) Payroll – Time cards were not always prepared by all City employees and hours worked were not supported or included in the payroll journal. Time cards prepared are not approved by an independent person.

Recommendation – Time cards should be completed and submitted by all City employees to support hours worked. Time cards should be approved by an independent official who is not involved with payroll processing. The payroll journal should include the hours worked for each employee.

Response – City employees will present their monthly hours worked before they can be paid. The payroll journal will be presented to the City Council every month and will include hours worked and the rate of pay for each employee.

Conclusion – Response acknowledged. Time cards should be completed and submitted by all City employees to support hours worked. Time cards should be approved by an independent official who is not involved with payroll processing.

- (I) Disaster Recovery Plan – The City does not have a written disaster recovery plan.

Recommendation – The City should develop a written disaster recovery plan which should be approved by the City Council. The disaster recovery plan should include identification of critical applications, staff responsibilities, steps for recovery of the system, computer equipment needed for temporary processing, business location(s) which could be used to process critical applications in the event of an emergency, a requirement a copy of the plan be kept off site, a requirement to keep system backups current and off site, an inventory of all hardware and components, an inventory of all software applications, a requirement copies of all user documentation and policy and procedures manuals be located off site, a requirement extra stocks of paper supplies, such as checks, warrants, purchase orders, etc. be located off site and requirements outlining the frequency and guidelines for testing the disaster recovery plan to identify issues and document the results of testing.

Response – The City Council has been considering this plan for some time. The City Council will develop a disaster recovery plan when a new City Clerk has been hired and a new City Clerk's office has been established.

Conclusion – Response accepted.

City of Goodell

Schedule of Findings

Year ended June 30, 2014

- (J) Customer Meter Deposits – Although the City maintains a list of utility deposits received, the City does not maintain a separate Utility Deposit fund.

Recommendation – To properly identify amounts due to customers for deposits, the City should separate this activity from the Enterprise, Water Fund and establish a separate customer deposit account. The balance in this account should be periodically reconciled with the City's detailed listing of meter deposits on hand.

Response – The City Clerk will establish a separate customer meter deposit fund.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Goodell

Schedule of Findings

Year ended June 30, 2014

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public safety, culture and recreation and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – In the future, the City will amend the budget as needed in accordance with Chapter 384.18 of the Code of Iowa.

Conclusion – Response accepted.

- (2) 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.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) 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>
Steve Stille, City Council Member’s brother	Mowing service	\$ 685
Ryan Halfpop, Mayor	City tractor repair	550

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the transactions with the City Council Member’s brother and the Mayor do not appear to represent conflicts of interest since total transactions with each individual were less than \$2,500 during the fiscal year.

In addition to the transactions noted above, a Council Member served as the City Water Superintendent during the year ended June 30, 2014 and was paid a total of \$2,773 for these duties. These duties appear to be incompatible in accordance with Chapter 372.13(8) of the Code of Iowa, which states, in part, “Except as provided in Section 362.5, an elected city officer is not entitled to receive any other compensation for any other city office or city employment during that officer’s tenure in office.”

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

City of Goodell

Schedule of Findings

Year ended June 30, 2014

Response – Small towns such as Goodell do not have many willing and able people on hand to hold the Water Superintendent position. The Council Member only gets paid \$10 per hour and only works as needed. The Spring of 2014 called for extra work because of three major water leaks.

Conclusion – Response acknowledged. The City should consult legal counsel to determine the disposition of this matter.

- (5) Bond Coverage – Surety bond coverage for City officials was not maintained for the year ended June 30, 2014 as required by Chapter 64 of the Code of Iowa.

Recommendation – The City should comply with Chapter 64 of the Code of Iowa and periodically review its coverage for adequacy.

Response – The City Council will review purchasing the necessary surety bond coverage after a new City Clerk is hired.

Conclusion – Response accepted.

- (6) City Council Minutes – Certain disbursements were not approved by the City Council prior to payment. The City does not have a written disbursement approval policy allowing certain items to be paid prior to City Council approval.

Minutes of the meetings of the City Council were not signed in accordance with Chapter 380.7 of the Code of Iowa.

Recommendation – The City should adopt a written disbursement policy to allow payment of certain bills prior to City Council approval. All City disbursements should be approved by the City Council prior to disbursement with the exception of those specifically allowed by a policy. For those disbursements paid prior to City Council approval, a listing should be provided to the City Council at the next City Council meeting for review and approval. The minutes of the meetings of the City Council should be signed to authenticate the action taken.

Response – A resolution will be composed to give the City Clerk the authority to pay certain bills prior to being approved by the City Council.

The Mayor and City Clerk will attest to the City Council minutes every month. As soon as the minutes are approved from the previous meeting, the Mayor and City Clerk will sign them.

Conclusion – Response accepted.

City of Goodell

Schedule of Findings

Year ended June 30, 2014

- (7) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

The Goodell Volunteer Fire Department has investments in mutual funds which do not appear to be investments permitted by Chapter 12B.10(5) of the Code of Iowa.

Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. The City should consult legal counsel to determine the disposition of the unallowable investments.

Response – A policy for future investments will be implemented and will follow the guidelines established by the State for the investment of funds. The Fire Department is in the process of closing the mutual fund.

Conclusion – Response accepted.

- (8) Financial Condition – The Enterprise, Water Fund had a deficit balance of \$1,284 at June 30, 2014.

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

Response – As of August 1, 2014, the City has implemented a surcharge on monthly water bills to eliminate the water fund deficit.

Conclusion – Response accepted.

- (9) Separately Maintained Records – The Goodell Fire Department and the Goodell Betterment Board maintain bank accounts for activity separate from the City Clerk’s accounting records. The transactions and the resulting balances were not included in the City’s accounting records and were not included in the City’s annual budget, monthly financial reports and Annual Financial Report. However, the transactions and resulting balances are included in these financial statements.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose.” For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City’s accounting records, the annual budget, the monthly financial reports provided to the City Council and the City’s Annual Financial Report.

Response – The City will work with the Fire Department and Betterment Board to obtain information each month regarding their monthly activity and balances. This information will be included with the monthly financial reports provided to the City Council, the City’s Annual Financial Report and the City’s budget.

Conclusion – Response accepted.

City of Goodell

Schedule of Findings

Year ended June 30, 2014

- (10) Annual Financial Report – The City prepared and submitted the Annual Financial Report for the year ended June 30, 2014, as required by Chapter 384.22 of the Code of Iowa. However, the Capital Projects Fund was not included in the report.

Recommendation – The Annual Financial Report should be completed and filed as required by Chapter 384.22 of the Code of Iowa.

Response – The Capital Projects Fund will be included in all future Annual Financial Reports.

Conclusion – Response accepted.

- (11) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City retains electronic images of the front of cancelled checks, but not the back of cancelled checks. In addition, the Goodell Volunteer Fire Department and the Goodell Betterment Board do not retain electronic images of cancelled checks.

Recommendation – The City, the Goodell Volunteer Fire Department and the Goodell Betterment Board should retain images of both the front and back of each cancelled check as required.

Response – Since the Goodell audit in December, I have contacted our financial institution. I still receive my monthly statement on line and do not get the images at that time. The bank sends me the images of the checks, both front and back. These images are retained with the monthly statement. The Betterment Board and the Fire Department will be requested and required to do the same.

Conclusion – Response accepted.


- (12) Petition for Audit – Except as noted, all items included in the petition for audit have been resolved.

City of Goodell

Staff

This audit was performed by:

Tammy A. Hollingsworth, CIA, Manager
Janet K. Mortvedt, CPA, Senior Auditor II
Luke H. Holman, Assistant Auditor


Andrew E. Nielsen, CPA
Deputy Auditor of State