



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

Mary Mosiman, CPA  
Auditor of State

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Des Moines, Iowa 50319-0004

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NEWS RELEASE

FOR RELEASE

June 9, 2016

Contact: Andy Nielsen  
515/281-5834

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

The City's receipts totaled \$1,829,812 for the year ended June 30, 2015. The receipts included \$60,705 in property tax, \$78,648 from charges for service, \$17,125 from operating grants, contributions and restricted interest, \$566,172 from capital grants, contributions and restricted interest, \$22,649 from local option sales tax, \$791 from unrestricted interest on investments and \$1,083,722 from note proceeds.

Disbursements for the year ended June 30, 2015 totaled \$1,793,793, and included \$39,547 for public works, \$30,128 for general government and \$24,695 for culture and recreation. Also, disbursements for business type activities totaled \$1,676,495.

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 <https://auditor.iowa.gov/reports/1522-0387-B00F>.

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**CITY OF WODEN**

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

**JUNE 30, 2015**

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**City of Woden**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kathy Brown	Mayor	Jan 2016
Donald Isebrand	Mayor Pro tem	(Deceased)
Larry Burma	Council Member	Jan 2016
Colin Fjetland	Council Member	Jan 2016
Bill Rout	Council Member	Jan 2018
Jeff Stucki	Council Member	Jan 2018
Debra Schimmelpfennig	City Clerk/Treasurer	Indefinite
Earl Hill	Attorney	Indefinite

**City of Woden**



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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 and each major fund of the City of Woden, Iowa, as of and for the year ended June 30, 2015, 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, 2014.

### 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, 2014, 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 and each major fund of the City of Woden as of June 30, 2015, 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 discussed 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.

### Emphasis of a Matter

As discussed in Note 3, the City of Woden adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. 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 Woden's basic financial statements. The supplementary information included in Schedules 1 and 2, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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, 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, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 24 through 31 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 May 25, 2016 on our consideration of the City of Woden'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 Woden's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 25, 2016

**City of Woden**

## **Basic Financial Statements**

City of Woden

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2015

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 22,328	345	-	-
Public works	39,547	20,437	22	-
Health and social services	600	-	-	-
Culture and recreation	24,695	7,412	17,103	-
General government	30,128	20,695	-	-
Total governmental activities	117,298	48,889	17,125	-
Business type activities:				
Water	21,257	22,889	-	-
Sewer	1,655,238	6,870	-	566,172
Total business type activities	1,676,495	29,759	-	566,172
Total	\$ 1,793,793	78,648	17,125	566,172
<b>General Receipts:</b>				
Property and other city tax levied for general purposes				
Local option sales tax				
Unrestricted interest on investments				
Note proceeds				
Total general receipts				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted:				
Expendable:				
Streets				
Employee benefits				
Unrestricted				
<b>Total cash basis net position</b>				

See notes to financial statements.

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

Governmental Activities	Business Type Activities	Total
(21,983)	-	(21,983)
(19,088)	-	(19,088)
(600)	-	(600)
(180)	-	(180)
(9,433)	-	(9,433)
(51,284)	-	(51,284)
-	1,632	1,632
-	(1,082,196)	(1,082,196)
-	(1,080,564)	(1,080,564)
(51,284)	(1,080,564)	(1,131,848)
60,705	-	60,705
22,649	-	22,649
562	229	791
-	1,083,722	1,083,722
83,916	1,083,951	1,167,867
32,632	3,387	36,019
294,581	57,118	351,699
\$ 327,213	60,505	387,718
\$ 156,380	-	156,380
1,820	-	1,820
169,013	60,505	229,518
\$ 327,213	60,505	387,718

City of Woden

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

As of and for the year ended June 30, 2015

	Special Revenue			Total
	General	Road Use Tax	Employee Benefits	
Receipts:				
Property tax	\$ 55,053	-	4,585	59,638
Other city tax	23,634	-	82	23,716
Licenses and permits	1,125	-	-	1,125
Use of money and property	8,294	260	-	8,554
Intergovernmental	12,836	18,520	-	31,356
Charges for service	20,118	-	-	20,118
Miscellaneous	5,423	-	-	5,423
Total receipts	126,483	18,780	4,667	149,930
Disbursements:				
Operating:				
Public safety	22,328	-	-	22,328
Public works	38,117	1,430	-	39,547
Health and social services	600	-	-	600
Culture and recreation	23,023	-	1,672	24,695
General government	28,953	-	1,175	30,128
Total disbursements	113,021	1,430	2,847	117,298
Change in cash balances	13,462	17,350	1,820	32,632
Cash balances beginning of year	155,551	139,030	-	294,581
Cash balances end of year	\$ 169,013	156,380	1,820	327,213
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Streets	\$ -	156,380	-	156,380
Employee benefits	-	-	1,820	1,820
Unassigned	169,013	-	-	169,013
Total cash basis fund balances	\$ 169,013	156,380	1,820	327,213

See notes to financial statements.

City of Woden

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

As of and for the year ended June 30, 2015

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 22,240	6,870	29,110
Miscellaneous	649	-	649
Total operating receipts	22,889	6,870	29,759
Operating disbursements:			
Business type activities	21,257	5,345	26,602
Excess of operating receipts over operating disbursements	1,632	1,525	3,157
Non-operating receipts (disbursements):			
Note proceeds	-	1,083,722	1,083,722
USDA grant	-	566,172	566,172
Interest on investments	214	15	229
Debt service	-	(40,883)	(40,883)
Capital projects	-	(1,609,010)	(1,609,010)
Net non-operating receipts (disbursements)	214	16	230
Change in cash balances	1,846	1,541	3,387
Cash balances beginning of year	38,333	18,785	57,118
Cash balances end of year	\$ 40,179	20,326	60,505
<b>Cash Basis Fund Balances</b>			
Unrestricted	\$ 40,179	20,326	60,505

See notes to financial statements.

City of Woden

Notes to Financial Statements

June 30, 2015

**(1) Summary of Significant Accounting Policies**

The City of Woden is a political subdivision of the State of Iowa located in Hancock County. It was first incorporated in 1904 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 and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Woden 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: Hancock County Assessor's Conference Board, Hancock County Emergency Management Commission and Hancock County Joint E-911 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:

Expendable 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 proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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 Employee Benefits Fund is used to account for the property tax levy and disbursements for employee benefits.

The City reports the following major proprietary funds:

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

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer 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 position 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.

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amount budgeted in the general government function.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2015 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 ensure there will be no loss of public funds.

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

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

### **(3) Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1%. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% for a total rate of 14.88%.

The City's contributions to IPERS for the year ended June 30, 2015 were \$2,693.

Collective Net Pension Liability, Collective Pension Expense, Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$16,133. The collective net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.000407%, which was an increase of 0.000020% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City's collective pension expense, collective deferred outflows of resources and collective deferred inflows of resources totaled \$1,208, \$887 and \$6,153, respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US equity	23%	6.31%
Non US equity	15	6.67
Private equity	13	11.34
Real estate	8	3.52
Core plus fixed income	28	2.06
Credit opportunities	5	3.67
TIPS	5	1.92
Other real assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 30,483	16,133	4,020

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**(4) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2015, primarily relating to the General Fund, was \$70. This liability has been computed based on rates of pay in effect at June 30, 2015.

**(5) Project Anticipation Note**

On May 5, 2011, the City entered into an agreement with First State Bank for a project anticipation note for up to \$1,400,000 with interest at 3.50% per annum. The note was issued as interim financing to pay construction costs of the municipal sanitary sewer system and will be repaid from the proceeds of a future revenue note. At June 30, 2015, the City had drawn \$1,400,000 of the authorized note amount. The note is due on or before December 1, 2015.

**(6) Risk Management**

The City is a member of 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 whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty 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 estimated for the fiscal 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 at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal 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 contributions to the Pool for the year ended June 30, 2015 were \$4,515.

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 \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and

automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The City does not disclose a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been disclosed in the City's financial statements. As of June 30, 2015, 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 casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of \$1,000,000. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(7) Commitments**

The City has entered into contracts for sewer treatment plant improvements and a sanitary sewer collection system totaling \$2,718,977, of which \$1,508,415 has been paid at June 30, 2015. The balance of \$1,210,562 will be paid as work on the projects progresses. These projects will be funded through federally awarded grants and loans.

**(8) Subsequent Events**

On August 20, 2015, the City entered into three U.S. Department of Agriculture – Rural Development taxable sewer revenue notes. The loans are for \$906,000, \$256,000 and \$238,000 with interest rates of 2.127%, 1.875% and 2.125% per annum, respectively. The notes were issued to redeem the outstanding project anticipation note issued to pay the construction costs of the municipal sanitary sewer system.

**City of Woden**



## **Other Information**

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

Other Information

Year ended June 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 59,638	-
Other city tax	23,716	-
Licenses and permits	1,125	-
Use of money and property	8,554	229
Intergovernmental	31,356	566,172
Charges for service	20,118	29,110
Miscellaneous	5,423	649
Total receipts	149,930	596,160
Disbursements:		
Public safety	22,328	-
Public works	39,547	-
Health and social services	600	-
Culture and recreation	24,695	-
General government	30,128	-
Business type activities	-	1,676,495
Total disbursements	117,298	1,676,495
Excess (deficiency) of receipts over (under) disbursements	32,632	(1,080,335)
Other financing sources, net	-	1,083,722
Excess of receipts and other financing sources over disbursements and other financing uses	32,632	3,387
Balances beginning of year	294,581	57,118
Balances end of year	\$ 327,213	60,505

See accompanying independent auditor's report.

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Total	Budgeted Amounts		Final to
	Original	Final	Total
			Variance
59,638	57,428	57,428	2,210
23,716	17,066	22,066	1,650
1,125	1,000	1,000	125
8,783	8,665	8,665	118
597,528	1,838,681	1,838,681	(1,241,153)
49,228	102,600	102,600	(53,372)
6,072	4,200	4,200	1,872
746,090	2,029,640	2,034,640	(1,288,550)
22,328	21,910	22,910	582
39,547	57,800	57,800	18,253
600	1,600	1,600	1,000
24,695	37,696	41,696	17,001
30,128	27,784	27,784	(2,344)
1,676,495	1,882,850	2,882,850	1,206,355
1,793,793	2,029,640	3,034,640	1,240,847
(1,047,703)	-	(1,000,000)	(47,703)
1,083,722	-	1,000,000	83,722
36,019	-	-	36,019
351,699	335,245	335,245	16,454
387,718	335,245	335,245	52,473

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City of Woden

Notes to Other Information – Budgetary Reporting

June 30, 2015

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 and the Enterprise Funds. 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, one budget amendment increased budgeted disbursements by \$1,005,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amount budgeted in the general government function.

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City of Woden

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
Last Fiscal Year\*

Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.000407%
City's proportionate share of the net pension liability	\$ 16,133
City's covered-employee payroll	\$ 26,619
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.61%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

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City of Woden

Schedule of City Contributions

Iowa Public Employees' Retirement System  
Last Seven Fiscal Years

Other Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 2,693	2,377	2,198	2,078
Contributions in relation to the statutorily required contribution	<u>(2,693)</u>	<u>(2,377)</u>	<u>(2,198)</u>	<u>(2,078)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 30,152	26,619	25,357	25,752
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

See accompanying independent auditor's report.

GASB Statement No. 68 requires ten years of information be presented in this table. However until a full 10-year trend is compiled, the City will present information for those for which information is available.

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<u>2011</u>	<u>2010</u>	<u>2009</u>
1,778	1,581	2,148
<u>(1,778)</u>	<u>(1,581)</u>	<u>(2,148)</u>
-	-	-
<hr/> <hr/> 25,581	<hr/> <hr/> 23,769	<hr/> <hr/> 30,705
6.95%	6.65%	7.00%

City of Woden

Notes to Other Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.



The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs, deputies and protection occupation members.

**City of Woden**

**Supplementary Information**

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City of Woden  
Schedule of Indebtedness  
Year ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Project anticipation note	May 5, 2011	3.50%	\$ 1,400,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
316,278	1,083,722	-	1,400,000	40,883

**Schedule 2**

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## City of Woden

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

Grantor/Program	CFDA Number	Program Expenditures
Direct:		
U.S. Department of Agriculture:		
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 138,171
Water and Waste Disposal Systems for Rural Communities - ARRA	10.781	<u>1,511,722</u>
Total		<u>\$ 1,649,893</u>

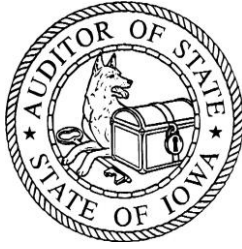
**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Woden and is presented on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

**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**

**City of Woden**





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

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Auditor of State

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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 and each major fund of the City of Woden, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 25, 2016. 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 balance at July 1, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Woden'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 Woden's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Woden'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 and Questioned Costs, 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 Woden's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-15 through II-D-15 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 Part II of the accompanying Schedule of Findings and Questioned Costs as items II-E-15 through II-H-15 to be significant deficiencies.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Woden'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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 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 Woden's Responses to the Findings


The City of Woden's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Woden'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 Woden 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

May 25, 2016

**Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133**

**City of Woden**



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

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Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Woden, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Woden's major federal program for the year ended June 30, 2015. The City of Woden's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Woden's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Woden's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Woden's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Woden complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

## Report on Internal Control Over Compliance

The management of the City of Woden is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Woden's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Woden's internal control over compliance.


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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-A-15 and III-B-15 to be material weaknesses.

The City of Woden's responses to the internal control over compliance findings identified in our audit are reported in the accompanying Schedule of Findings and Questioned Costs. The City of Woden's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 25, 2016

City of Woden

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Part I: Summary of the Independent Auditor's Results:**

- (a) Modified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Material weaknesses in internal control over the major program were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was:
  - Water and Waste Program Cluster
  - CFDA Number 10.760 – Water and Waste Disposal Systems for Rural Communities
  - CFDA Number 10.781 – Water and Waste Disposal Systems for Rural Communities - ARRA
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Woden did not qualify as a low-risk auditee.

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-15 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. One person has control over each of the following areas for the City:

- (1) Accounting system – performing all general accounting functions, including journal entries and controlling all data input and output.
- (2) Cash and investments – handling, reconciling and recording.
- (3) Long-term debt – recording and reconciling.
- (4) Receipts – opening mail, collecting, depositing, recording, posting and reconciling.
- (5) Utility receipts – billing, collecting, depositing, posting and entering rates.
- (6) Disbursements – purchasing, invoice processing, signing, mailing and recording.
- (7) Payroll - recordkeeping, preparing checks, distributing, entering pay rates and adding and removing employees from payroll.

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

Response – The City is reviewing procedures for internal control. An Assistant City Clerk position has recently been established and filled. After a training period, the duties will be segregated between the Clerk, Assistant Clerk and the Mayor.

Conclusion – Response accepted.

II-B-15 Financial Reporting – During the audit, we identified material amounts of receipts, disbursements and transfers coded incorrectly or recorded in incorrect accounts in the City’s general ledger and the City’s Annual Financial Report. Adjustments were subsequently made by the City to properly report the amounts in the City’s financial statements.

Recommendation – The City should implement procedures to ensure receipts, disbursements and transfers are properly recorded in the City’s financial statements and in the City’s Annual Financial Report.

Response – Procedures to address these issues will be implemented and added to the procedures manual.

Conclusion – Response accepted.



City of Woden

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

II-C-15 Bank Reconciliations – The cash and investment balances in the City’s general ledger were not reconciled to bank and investment account balances throughout the year. The “Bank Statement Reconciliation” reports generated from the City’s financial system include the City’s main checking account but exclude the savings and investment accounts. Also, there is no independent review of the bank reconciliation.

Recommendation – The City should establish procedures to ensure the general ledger is reconciled to the bank and investment account balances monthly. Consultation with the software provider is suggested, if needed, to understand how to generate the proper reconciling reports. Variances, if any, should be investigated and resolved timely.

Response – The City is talking to the software provider in order to rectify the discrepancy in the bank reconciliations. With the implementation of segregation of clerk duties the monthly reconciliations of account balances will be reviewed.

Conclusion – Response accepted.

II-D-15 Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year. In addition, a delinquent account listing is not maintained or reviewed.

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

Response – The Mayor is now reviewing and initialing the actual lists of billings, collections and delinquent accounts on a monthly basis. The City Council receives a report of the number of delinquent accounts and the total amount outstanding at the monthly meeting, without the individual account identifiers.

Conclusion – Response accepted.

II-E-15 Computer System – During our review of internal control activities, the existing control activities in the City’s computer system were evaluated. The following items were noted:

The City does not have written policies for:

- Requiring backups of system information and requiring these backups to be kept off site.
- Personal use of computer equipment and software.
- Usage of the internet.
- Requiring passwords to be changed.
- Requiring the maintenance of password privacy and confidentiality.

City of Woden

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

In addition, while the City has adopted a written disaster recovery plan, the plan does not contain the following elements:

- Steps for recovery of the system.
- Requirements for supplies and copies of policies and procedures to be kept offsite.
- Inventory of hardware and software.

Recommendation – The City should develop written policies regarding the computer system, including requirements for backups, personal use, usage of the internet and requiring passwords to be changed. In addition, the City should also modify the disaster recovery plan to include the items listed above.

Response – The Council will review current computer policies and the disaster recovery plan to address the above items. Backups are now being done monthly and stored off-site.

Conclusion – Response accepted.

II-F-15 Disbursements – For 1 of 16 disbursements tested, an invoice or other supporting documentation was not available and for 2 of 16 disbursements tested, the invoices were not cancelled to prevent reuse.

Recommendation - Supporting documentation should be maintained for all disbursements and invoices should be cancelled to prevent reuse.

Response – Disbursements will be reviewed to ensure proper documentation is maintained. All invoices will be cancelled to prevent reuse.

Conclusion – Response accepted.

II-G-15 Accounting Procedures Manual – The City does not have an accounting policies and procedures manual for all major operations of the City.

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

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.
- (4) Help preserve the key elements in the City's internal controls.
- (5) Increase the effectiveness and efficiency of City operations.

Response – The City is working on a written policy and procedures manual for accounting practices as well as developing an employee handbook.

Conclusion – Response accepted.

City of Woden

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

II-H-15 Uniform Chart of Accounts – The City has not fully implemented the Uniform Chart of Accounts for Iowa City Governments recommended by the City Finance Committee. As a result, receipts and disbursements were not properly classified in accordance with the Uniform Chart of Accounts. These issues were resolved for audit purposes.

Recommendation – To provide better financial information and control, the City should fully implement the Uniform Chart of Accounts for Iowa City Governments.

Response – The City has reviewed and has now fully implemented the Uniform Chart of Accounts for Iowa City Governments.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Woden

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCE OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

**Water and Waste Program Cluster:**

**CFDA Number 10.760: Water and Waste Disposal Systems for Rural Communities  
CFDA Number 10.781: Water and Waste Disposal Systems for Rural Communities  
- ARRA**

**Federal Award Year: 2015**

**U.S. Department of Agriculture**

III-A-15 (2015-001) Davis-Bacon – The City is not monitoring contractor compliance with the Davis-Bacon Act Requirements.

Recommendation – The City should develop procedures to receive and review contractor compliance with the Davis-Bacon Act Requirements.

Response and Corrective Action Planned – The City has requested and now receives timely reports from our contractors to ensure compliance with the Davis-Bacon Act.

Conclusion – Response accepted.

III-B-15 (2015-002) Segregation of Duties over Federal Receipts and Disbursements – The City did not properly segregate custody, record-keeping and reconciling functions for receipts and disbursements, including those related to federal programs. See item II-A-15.

City of Woden

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-15 Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amount budgeted in the general government function. 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 – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

IV-B-15 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.

IV-C-15 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-15 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>
Donald Isebrand, Mayor Pro Tem, Owner of Isebrand Hardware	Repairs and supplies	\$ 2,052
Larry Burma, City Council Member, Owner of Linden Welding	Maintenance, repairs, mowing and supplies	375

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the transactions with Donald Isebrand and Larry Burma do not appear to represent conflicts of interest since total transactions with each individual were less than \$2,500 during the fiscal year.

IV-E-15 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.

IV-F-15 City Council Minutes – Certain disbursements were not approved and other disbursements were not approved by the City Council prior to disbursement as required by Chapter 372.13(6) of the Code of Iowa. The City does not have a written disbursement approval policy allowing certain items to be paid prior to City Council approval.

City of Woden

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

The City did not publish minutes, including total disbursements from each fund and a summary of receipts, as required by Chapter 372.13(6) 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 City should publish minutes, including total disbursements from each fund and a summary of receipts.

Response – The City has passed a resolution allowing specific disbursements to be made prior to Council approval. All supporting documentation for the disbursements is provided for review at the next regular Council meeting following the disbursement. There is no local paper in the City of Woden. As there is no paper that is widely distributed in the community, minutes are posted per the City Code, at three locations in the community.

Conclusion – Response acknowledged. However, since the City’s population exceeded 200 at the last census, the City should publish minutes, including total disbursements from each fund and a summary of receipts, in accordance with Chapter 372.13(6) of the Code of Iowa.

IV-G-15 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

IV-H-15 Employee Benefits Levy – Pursuant to Chapter 384.6 of the Code of Iowa, the City levies property tax for payment of costs related to employee benefits. The levied tax should be accounted for in the Special Revenue, Employee Benefits Fund. The City has not established fund accounting to properly account for these receipts and the related allowable disbursements. Adjustments were subsequently made by the City to properly report the amounts in the City’s financial statements.

Recommendation – The City should establish procedures to properly account for the employee benefits tax receipts and allowable disbursements.

Response – A special revenue fund has been established as recommended.

Conclusion – Response accepted.

City of Woden

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

IV-I-15 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.

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

Response – The City has requested and now receives and retains images of both the front and back of each cancelled check.


Conclusion – Response accepted.

City of Woden

Staff

This audit was performed by:

Tammy A. Hollingsworth, CIA, Manager  
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Zachary J. Koziolk, Assistant Auditor  
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