



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

Mary Mosiman, CPA  
Auditor of State

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**NEWS RELEASE**

FOR RELEASE

June 10, 2016

Contact: Andy Nielsen  
515/281-5834

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

The City's receipts totaled \$57,494 for the year ended June 30, 2015. The receipts included \$37,863 in property tax, \$6,431 from charges for service, \$5,000 from operating grants, contributions and restricted interest, \$2,432 from local option sales tax, \$213 from unrestricted interest on investments, \$1,849 from commercial/industrial tax replacement and \$3,706 from other general receipts.

Disbursements for the year ended June 30, 2015 totaled \$50,801, and included \$20,233 for general government, \$11,969 for culture and recreation and \$5,498 for public works. Also, disbursements for business type activities totaled \$9,776.

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/1522-0113-B00F>.

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**CITY OF YETTER**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2015**

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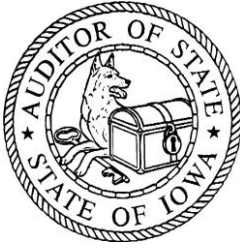
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**City of Yetter**

**Officials**

| <u>Name</u>     | <u>Title</u>   | <u>Term Expires</u> |
|-----------------|----------------|---------------------|
| Cathy Lietz     | Mayor          | Jan 2016            |
| Norman Roller   | Mayor Pro-tem  | Jan 2016            |
| Rodney Hart     | Council Member | Jan 2016            |
| Mark Lietz      | Council Member | Jan 2016            |
| Charlotte Hart  | City Clerk     | Indefinite          |
| David S. Bruner | Attorney       | Indefinite          |

**City of Yetter**



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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 Yetter, 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 Qualified 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 balances at July 1, 2014.

### Qualified 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 balances 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 Yetter 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 Yetter 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


#### *Other Information*


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Yetter's basic financial statements.

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 22 through 28, 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 27, 2016 on our consideration of the City of Yetter'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 Yetter's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 27, 2016



## **Basic Financial Statements**

City of Yetter

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 |
| <b>Functions/Programs:</b>                              |               |                     |   |
| Governmental activities:                                |               |                     |   |
| Public safety   | \$ 1,250      | -                   | -   |
| Public works  | 5,498         | -                   | 3,524   |
| Health and social services                              | 825           | 574                 | -   |
| Culture and recreation                                  | 11,969        | -                   | -   |
| Community and economic development                      | 1,250         | -                   | -   |
| General government                                      | 20,233        | -                   | 1,476   |
| Total governmental activities                           | 41,025        | 574                 | 5,000   |
| Business type activities:                               |               |                     |   |
| Water   | 9,776         | 5,857               | -   |
| Total   | \$ 50,801     | 6,431               | 5,000   |
| <b>General Receipts and Transfers:</b>                  |               |                     |   |
| Property and other city tax levied for general purposes |               |                     |   |
| Local option sales tax                                  |               |                     |   |
| Unrestricted interest on investments                    |               |                     |   |
| Commercial/industrial tax replacement                   |               |                     |   |
| Miscellaneous   |               |                     |   |
| 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 for streets                                  |               |                     |   |
| Unrestricted  |               |                     |   |
| <b>Total cash basis net position</b>                    |               |                     |   |

See notes to financial statements.

| Net (Disbursements) Receipts and<br>Changes in Cash Basis Net Position |                             |          |
|--|-----------------------------|----------|
| Governmental<br>Activities   | Business Type<br>Activities | Total    |
| (1,250)  | -                           | (1,250)  |
| (1,974)  | -                           | (1,974)  |
| (251)  | -                           | (251)    |
| (11,969)   | -                           | (11,969) |
| (1,250)  | -                           | (1,250)  |
| (18,757)   | -                           | (18,757) |
| (35,451)   | -                           | (35,451) |
| -  | (3,919)                     | (3,919)  |
| (35,451)   | (3,919)                     | (39,370) |
| 37,863   | -                           | 37,863   |
| 2,432  | -                           | 2,432    |
| 213  | -                           | 213      |
| 1,849  | -                           | 1,849    |
| 3,706  | -                           | 3,706    |
| 46,063   | -                           | 46,063   |
| 10,612   | (3,919)                     | 6,693    |
| 61,540   | -                           | 61,540   |
| \$ 72,152  | (3,919)                     | 68,233   |
| \$ 3,373   | -                           | 3,373    |
| 68,779   | (3,919)                     | 64,860   |
| \$ 72,152  | (3,919)                     | 68,233   |

**Exhibit B**

## City of Yetter

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<br>Use<br>Tax |        |
| Receipts:                          |                 |                    |        |
| Property tax                       | \$ 37,703       | -                  | 37,703 |
| Other city tax                     | 2,592           | -                  | 2,592  |
| Use of money and property          | 1,689           | -                  | 1,689  |
| Intergovernmental                  | 1,849           | 3,524              | 5,373  |
| Charges for service                | 574             | -                  | 574    |
| Miscellaneous                      | 3,706           | -                  | 3,706  |
| Total receipts                     | 48,113          | 3,524              | 51,637 |
| Disbursements:                     |                 |                    |        |
| Operating:                         |                 |                    |        |
| Public safety                      | 1,250           | -                  | 1,250  |
| Public works                       | 3,135           | 2,363              | 5,498  |
| Health and social services         | 825             | -                  | 825    |
| Culture and recreation             | 11,969          | -                  | 11,969 |
| Community and economic development | 1,250           | -                  | 1,250  |
| General government                 | 20,233          | -                  | 20,233 |
| Total disbursements                | 38,662          | 2,363              | 41,025 |
| Change in cash balances            | 9,451           | 1,161              | 10,612 |
| Cash balances beginning of year    | 59,328          | 2,212              | 61,540 |
| Cash balances end of year          | \$ 68,779       | 3,373              | 72,152 |
| <b>Cash Basis Fund Balances</b>    |                 |                    |        |
| Restricted for streets             | \$ -            | 3,373              | 3,373  |
| Unassigned                         | 68,779          | -                  | 68,779 |
| Total cash basis fund balances     | \$ 68,779       | 3,373              | 72,152 |

See notes to financial statements.

City of Yetter

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

As of and for the year ended June 30, 2015

|                                | <u>Enterprise</u> |
|--------------------------------|-------------------|
|                                | <u>Water</u>      |
| Operating receipts:            |                   |
| Charges for service            | \$ 5,857          |
| Operating disbursements:       |                   |
| Business type activities       | 9,776             |
| Change in cash balance         | <u>(3,919)</u>    |
| Cash balance beginning of year | <u>-</u>          |
| Cash balance end of year       | <u>\$ (3,919)</u> |
| <b>Cash Basis Fund Balance</b> |                   |
| Unrestricted                   | <u>\$ (3,919)</u> |

See notes to financial statements.

**City of Yetter**

City of Yetter

Notes to Financial Statements

June 30, 2015

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

The City of Yetter is a political subdivision of the State of Iowa located in Calhoun County. It was first incorporated in 1899 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, community and economic development and general government services. The City also provides water utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Yetter 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: Calhoun County Assessor's Conference Board, Calhoun County Emergency Management Commission and Calhoun 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 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.

The Special Revenue, 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 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 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 amounts budgeted in the culture and recreation and business type activities functions.

**(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, anytime 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 \$1,091.

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 \$7,201. 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 the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City’s proportion was 0.000182%, which was an increase of 0.000015% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City’s recognized pension expense, deferred outflows of resources and deferred inflows of resources totaled \$539, \$396, and \$2,746, 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<br>(effective June 30, 2014)                   | 3.00% per annum.  |
| Rates of salary increase<br>(effective June 30, 2010)            | 4.00 to 17.00% average, including inflation.<br>Rates vary by membership group. |
| Long-term investment rate of return<br>(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               | 6.76                                   |
| 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%<br>Decrease<br>(6.50%) | Discount<br>Rate<br>(7.50%) | 1%<br>Increase<br>(8.50%) |
|---|---------------------------|-----------------------------|---------------------------|
| City's proportionate share of<br>the net pension liability: | \$ 13,606                 | 7,201                       | 1,794                     |

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) 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 expenditures 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 \$3,387.

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 report 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 recorded 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. 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.

**(5) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$15,258 during the year ended June 30, 2015.

**(6) Deficit Balance**

The Enterprise, Water Fund had a deficit balance of \$3,919 at June 30, 2015. The deficit balance was a result of disbursements exceeding the charges for service to provide water to utility customers. The City is looking at options to eliminate the deficit, including raising customer rates.

**City of Yetter**

## **Other Information**

City of Yetter  
 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<br>Funds<br>Actual | Proprietary<br>Funds<br>Actual |
|---|---------------------------------|--------------------------------|
| Receipts:   |                                 |                                |
| Property tax  | \$ 37,703                       | -                              |
| Other city tax  | 2,592                           | -                              |
| Use of money and property                                     | 1,689                           | -                              |
| Intergovernmental   | 5,373                           | -                              |
| Charges for service   | 574                             | 5,857                          |
| Miscellaneous   | 3,706                           | -                              |
| Total receipts  | <u>51,637</u>                   | <u>5,857</u>                   |
| Disbursements:  |                                 |                                |
| Public safety   | 1,250                           | -                              |
| Public works  | 5,498                           | -                              |
| Health and social services                                    | 825                             | -                              |
| Culture and recreation  | 11,969                          | -                              |
| Community and economic development                            | 1,250                           | -                              |
| General government  | 20,233                          | -                              |
| Business type activities                                      | -                               | 9,776                          |
| Total disbursements   | <u>41,025</u>                   | <u>9,776</u>                   |
| Excess (deficiency) of receipts<br>over (under) disbursements | 10,612                          | (3,919)                        |
| Balances beginning of year                                    | 61,540                          | -                              |
| Balances end of year  | <u>\$ 72,152</u>                | <u>(3,919)</u>                 |

See accompanying independent auditor's report.



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| Total  | Budgeted       | Final to |
|--------|----------------|----------|
|        | Amounts        | Total    |
|        | Original/Final | Variance |
| 37,703 | 37,841         | (138)    |
| 2,592  | 159            | 2,433    |
| 1,689  | -              | 1,689    |
| 5,373  | 2,245          | 3,128    |
| 6,431  | 3,900          | 2,531    |
| 3,706  | -              | 3,706    |
| 57,494 | 44,145         | 13,349   |
| 1,250  | 1,500          | 250      |
| 5,498  | 14,075         | 8,577    |
| 825    | 825            | -        |
| 11,969 | 6,000          | (5,969)  |
| 1,250  | 2,500          | 1,250    |
| 20,233 | 24,100         | 3,867    |
| 9,776  | -              | (9,776)  |
| 50,801 | 49,000         | (1,801)  |
| 6,693  | (4,855)        | 11,548   |
| 61,540 | 61,840         | (300)    |
| 68,233 | 56,985         | 11,248   |

City of Yetter

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 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, 2015, disbursements exceeded the amounts budgeted in the culture and recreation and business type activities functions.

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City of Yetter

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  | 0.000182%   |
| City's proportionate share of the net pension liability   | \$ 7,201    |
| City's covered-employee payroll   | \$ 11,880   |
| 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 Yetter

Schedule of City Contributions

Iowa Public Employees' Retirement System  
Last Three Fiscal Years

Other Information

|   | <u>2015</u>    | <u>2014</u>    | <u>2013</u>  |
|---|----------------|----------------|--------------|
| Statutorily required contribution                                     | \$ 1,091       | 1,061          | 949          |
| Contributions in relation to the<br>statutorily required contribution | <u>(1,091)</u> | <u>(1,061)</u> | <u>(949)</u> |
| Contribution deficiency (excess)                                      | <u>\$ -</u>    | <u>-</u>       | <u>-</u>     |
| County's covered-employee payroll                                     | \$ 12,220      | 11,880         | 10,940       |
| Contributions as a percentage of<br>covered-employee payroll          | 8.93%          | 8.93%          | 8.67%        |

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 years for which information is available.

See accompanying independent auditor's report.

City of Yetter

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.

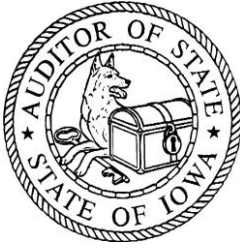
The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- 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.



**OFFICE OF AUDITOR OF STATE**  
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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 Yetter, 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 27, 2016. Our report expressed qualified 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, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Yetter'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 Yetter's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Yetter'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 Yetter'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) and (B) 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 (C) through (J) to be significant deficiencies.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Yetter'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, 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 Yetter's Responses to the Findings


The City of Yetter's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Yetter'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 Yetter 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 27, 2016



City of Yetter

Schedule of Findings

Year ended June 30, 2015

**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. When duties are properly segregated, the activities of one employee act as a check on those of another. Generally, one individual has control over each of the following areas for the City:
- (1) Cash – handling, reconciling and recording.
  - (2) Investments – recordkeeping, investing and reconciling earnings.
  - (3) Receipts – opening mail, collecting, posting and reconciling.
  - (4) Utility receipts – billing, collecting, depositing, posting and reconciling.
  - (5) Payroll – recordkeeping, preparing and distributing.
  - (6) Disbursements - preparing, recording and reconciling.
  - (7) Financial reporting – preparing, reconciling and distributing
  - (8) Bank reconciliations - preparing and maintaining accounting records. Although prepared monthly, the bank reconciliations were not reviewed by an independent person.

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. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

Response – The City Council is investigating options on how to divide some of these duties with City Clerk.

Conclusion – Response accepted.

- (B) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City’s Annual Financial Report contain a “summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures...” The City’s Annual Financial Report reported receipts, disbursements and fund balances which do not agree with the City’s records. In addition, the City reported material amounts of water utility disbursements in the governmental funds of the Annual Financial Report rather than the business type activities. This was corrected for financial reporting purposes.

Recommendation – The City should ensure future Annual Financial Reports agree with the City’s records. Also, water utility disbursements should be reported as business type activities disbursements.

City of Yetter

Schedule of Findings

Year ended June 30, 2015

Response – The City Clerk is implementing a new spreadsheet for reporting and to report all water utility disbursements in the Enterprise, Water Fund.

Conclusion – Response accepted.

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

Recommendation – The City should adopt a formal written disaster recovery plan approved by the City Council. The disaster recovery plan should include identification of staff responsibilities, steps for recovery of information, computer equipment needed for temporary processing, identification of business location(s) which could be used to process critical information in the event of an emergency, require a copy of the plan be kept off site, require back-ups be kept current and off site, require copies of all policy and procedures manuals be located off site and require extra stocks of paper supplies, such as checks, warrants, purchase orders, etc., be located off site.

Response – The City Council and City Clerk are working on this. There is a copy of ordinances off site and all computer programs are on a flash drive off site. The City Clerk is going to make a book explaining reports and their access to be kept off site.

Conclusion – Response accepted.

- (D) Accounting Policies and Procedures Manual – The City does not have an accounting policies and procedures manual.

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

- (1) Aid in training additional or replacement personnel.
- (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.

Response – The City Clerk is working to develop a policy and procedure manual. The City Council is seeking someone locally to be available if needed as a back up and the City Clerk will provide knowledge of where different items are located.

Conclusion – Response accepted.

- (E) Chart of Accounts – The City has not fully implemented the recommended Uniform Chart of Accounts for Iowa City Governments approved by the City Finance Committee on September 25, 2002.

Recommendation – To provide better financial information and control, a chart of accounts, such as the one approved by the City Finance Committee, should be followed.

Response – The City Clerk will work to implement the use of the chart of accounts in this fiscal year.

City of Yetter

Schedule of Findings

Year ended June 30, 2015

Conclusion – Response accepted.

- (F) Disbursements - Certain disbursements were not supported by proper documentation or the invoices or other supporting documentation could not be located for review.

Recommendation – All disbursements should be supported by original invoices or other supporting documentation.

Response – The City will require invoices be specific on hours, dates and work done.

Conclusion – Response acknowledged. All supporting documentation should be retained.

- (G) Travel Policy – The City does not have a travel reimbursement policy. In addition, a reimbursement rate for mileage has not been approved by the City Council.

Recommendation – The City should adopt a comprehensive travel reimbursement policy, including a mileage rate.

Response – At the last City Council meeting, the City Council approved a mileage rate of 38 cents per mile and the rate will be reviewed every year with fluctuating gas prices.

Conclusion – Response acknowledged. The City Council should also adopt a comprehensive travel reimbursement policy in addition to the mileage rate.

- (H) Officials Compensation – Chapter 5 of the City Ordinances set compensation for the Mayor at \$1,050 annually and for the City Council members at \$30 for each meeting. On June 3, 2013, the City Council passed Resolution 13-02 setting the Mayor’s pay at \$1,100 per year. Chapter 372.13(8) states, in part, “By ordinance, the council shall prescribe the compensation of the mayor, council members and other elected city officers...” Because the Mayor’s pay was set by resolution and not by ordinance, the resolution setting the Mayor’s pay at \$1,100 per year is not valid. During the year, the Mayor received \$1,100 of compensation and each City Council member received \$360, or \$30 for twelve meetings. However, only eight meetings were held during the year. Compensation paid to the Mayor and City Council members was not in accordance with the City’s ordinance.

In addition, per a resolution dated January 28, 2013, the City Clerk is to be paid \$550 bi-weekly. During the year, the City Clerk received \$550 monthly. A prior ordinance was based on monthly amounts and the City Clerk has been paid on a monthly basis.

Recommendation – The City should consult legal counsel to resolve the additional pay to the Mayor and City Council members. All salary increases for elected city officials should be established by ordinance as required by Chapter 372.13(8) of the Code of Iowa. Also, the resolution establishing the City Clerk’s salary should be corrected.

City of Yetter

Schedule of Findings

Year ended June 30, 2015

Response – The Ordinance on the Mayor’s wage was corrected. The City Council voted to pay members for twelve meetings a year, but the Council member has to attend. The City Clerk’s wage will be corrected to monthly with a resolution.

Conclusion – Response acknowledged. The City Council should consult legal counsel to resolve the additional pay to the Mayor and City Council members.

- (I) Refuse Collection Rates – Per City Ordinance, the mandatory rate for each resident with alley or curb pick-up is \$10.50 per month for two garbage or rubbish collections each week. However, the City bills residents \$6 per month. The billed rate is not in accordance with the City’s ordinance. Also, not all residents are billed the mandatory monthly rate.

Recommendation – All residents should be billed the mandatory refuse collection rate. In addition, the City should update the City Ordinance or bill according to the approved ordinance.

Response – The City Council decided to turn garbage removal over to each resident. The City Clerk contacted them and, starting May 1, 2016, the City will not be paying for refuse pickup. The residents will. The City will have the ordinance removed.

Conclusion – Response accepted.

- (J) City Street Report – The fiscal year 2015 City Street Report receipts, disbursements and ending balance do not agree with the City’s records.

Recommendation – The City should review the fiscal year 2015 City Street Report and contact the Iowa Department of Transportation (DOT) to resolve discrepancies. The City should ensure amounts reported agree in future years.

Response – The City Clerk has contacted the DOT on how to rectify this.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Yetter

Schedule of Findings

Year ended June 30, 2015

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the 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 – The City Clerk is working on a spreadsheet to keep track of budget and amend when needed.

Conclusion – Response accepted.

- (2) Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

| Paid to       | Purpose   | Amount |
|---------------|---|--------|
| Bomgaars      | Candy, including sales tax  | \$ 3   |
| HyVee         | Ice, pop and alcoholic beverages,<br>including sales tax for town celebration | 181    |
| Yetter Locker | Catered meals, including sales tax<br>for town celebration                    | 626    |

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between proper and an improper purpose is very thin.

Recommendation – The City should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including requirements for proper documentation.

Response – The City Council knows not to purchase anything which is not allowable and retain receipts.

Conclusion – Response acknowledged. The City should determine and document the public purpose served by these disbursements before authorizing any further payments.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Yetter

Schedule of Findings

Year ended June 30, 2015

- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

| Name, Title and<br>Business Connection                                      | Transaction<br>Description           | Amount    |
|---|--------------------------------------|-----------|
| Mark Lietz, Council Member  | Mowing, spraying and<br>snow removal | \$ 13,280 |
| Rodney Hart, Council Member and<br>husband of Charlotte Hart,<br>City Clerk | Clean up and repair                  | 795       |
| Norman Roller, Council Member and<br>City utility employee                  | Snow removal                         | 1,133     |
| Cathy Lietz, Mayor  | Painting labor                       | 50        |

In accordance with Chapter 362.5(k) of the Code of Iowa, the transactions with Rodney Hart, Norman Roller and Cathy Lietz, do not appear to represent conflicts of interest since total transactions with each did not exceed \$2,500 during the year.

The transactions with Council Member Mark Lietz may represent a conflict of interest since the transactions exceeded \$2,500 during the fiscal year and were not entered into through competitive bidding.

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

Response – For fiscal year 2016, bids are being taken and the new mowing contract will be awarded to the best bid.

Conclusion – Response accepted.

- (5) 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.

- (6) City Council Minutes – Except as noted, no transactions were found that we believe should have been approved in the City Council minutes but were not. The City does not have a written disbursement approval policy allowing certain items to be paid prior to City Council approval. In addition, the meeting minutes were not signed by the City Clerk.

Also, although minutes of City Council proceedings were posted at two established locations, they were not posted at a third location as required by Chapter 372.13(6) of the Code of Iowa. Posted minutes did not include total disbursements from each fund, a list of all claims allowed, including the purpose of the claim, or a summary of all receipts as required by Chapter 372.13(6) of the Code of Iowa. Also, the City did not post annual gross salaries in accordance with an Attorney General’s opinion dated April 12, 1978.

City of Yetter

Schedule of Findings

Year ended June 30, 2015

Recommendation – The City should adopt a written disbursement policy to allow payment of certain bills prior to City Council approval. 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. Also, the minutes should be signed to authenticate the record.

Within 15 days after each meeting, the City should post in 3 established locations the total disbursements from each fund, a listing of all claims allowed, including the purpose of the claim, and a summary of all receipts as required. Also, the City should post the annual individual salaries as required.

Response – The City Council will look at developing a policy to allow payment of certain claims prior to City Council approval. The City Clerk is working on minutes to include disbursements, receipts, annual salaries and signing minutes. The City Clerk is posting minutes in the window of City Hall along with the locker and COOP.

Conclusion – Response accepted.

- (7) Deposits and Investments – The City has not adopted a written investment policy in accordance with the provisions of Chapter 12B and 12C of the Code of Iowa. Also, a resolution naming official depositories has not been adopted by the City Council.

Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12B and 12C of the Code of Iowa. Additionally, a resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the City Council.

Response – The City Council is seeking advisement on an investment plan. This resolution was done. The City will do yearly.

Conclusion – Response accepted.

- (8) Compensation of City Employees and Officials – Beginning in December 2014, the City Clerk began receiving \$350 monthly to perform certain utility related work. There was no formal action taken by the City Council to approve the City Clerk's additional duties and compensation. The City Clerk and other City officials represented to us the services are performed jointly by the City Clerk, her husband, Mr. Hart, who is also a City Council member, and Mr. Roller, another City Council member. Records to determine the hours worked individually were not available.

Also, City Council member Roller was paid \$90 every six months during the year as the City water meter reader and \$75 per month for utility system duties for a total of \$1,080. Section 372.13(8) of the Code of Iowa 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, but may be reimbursed for actual expenses incurred." Accordingly, City Council member Roller was not entitled to receive compensation as the City's water meter reader or for other duties he performed as an employee of the City.

City of Yetter

Schedule of Findings

Year ended June 30, 2015

Mr. Roller could have been compensated for the services he performed while a City Council member if he had resigned as a City employee and then been selected through a competitive bid process to perform the services as an independent contractor in accordance with section 362.5 of the Code of Iowa. However, this did not occur.

Recommendation – The City Council should take formal action to approve additional duties and compensation of City employees. The City should pay an employee only for work actually performed. The City should consult legal counsel regarding any corrective action related to this issue.

Response – The City Clerk is working with an attorney on this and discussing with the City Council. The City Council is considering putting all water utility duties together.

Conclusion – Response accepted.

- (9) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not retain electronic images of 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 backs of checks are being printed.

Conclusion – Response accepted.

- (10) Financial Condition – The Enterprise, Water Fund had a deficit balance of \$3,919 at June 30, 2015.

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

Response – The City Council is looking into different options on how to raise water rates.

Conclusion – Response accepted.

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




City of Yetter

Staff

This audit was performed by:

Ernest H. Ruben, Jr. CPA, Manager  
Karen L. Brustkern, CPA, Senior Auditor II  
Melinda D. Lawrence, Assistant Auditor



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Deputy Auditor of State