



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

November 1, 2016

Contact: Andy Nielsen  
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Auditor of State Mary Mosiman today released an audit report on City of Little Sioux, Iowa.

The City's receipts totaled \$164,589 for the year ended June 30, 2014, a 4.5% decrease from the prior year. The receipts included \$25,222 in property tax, \$111,730 from charges for service, \$14,253 from operating grants, contributions and restricted interest, \$10,110 from local option sales tax, \$147 from unrestricted interest on investments, \$2,000 from insurance recoveries and \$1,127 from other general receipts.

Disbursements for the year ended June 30, 2014 totaled \$165,236, a 2.8% decrease from the prior year, and included \$32,055 for general government, \$21,179 for public works and \$8,964 for public safety. Also, disbursements for business type activities totaled \$98,012.

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/1422-0401-B00F>.

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**CITY OF LITTLE SIOUX**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
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**JUNE 30, 2014**

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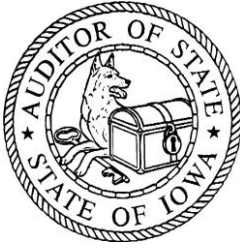
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**City of Little Sioux**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2014)</b>		
Garry Klein	Mayor	Jan 2016
Daniel Carritt	Council Member	Jan 2014
Anne Earleywine	Council Member	Resigned Aug 2013
Dawn Grimes (Appointed and elected)	Council Member	Jan 2016
Christine Hussing (Appointed)	Council Member	Nov 2013
John Carritt (Appointed)	Council Member	Resigned Aug 2013
Priscilla Martinek (Appointed)	Council Member	Nov 2015
Gardena Wallis	Council Member	Jan 2016
Kristie Ruffcorn	Clerk/Treasurer	Indefinite
Todd Argotsinger	Attorney	Indefinite
<b>(After January 2014)</b>		
Garry Klein	Mayor	Jan 2016
Priscilla Martinek (Appointed)	Council Member	Nov 2015
Dawn Grimes	Council Member	Jan 2016
Gardena Wallis	Council Member	Jan 2016
Rachel Cox	Council Member	Jan 2018
Ammie Hrabik	Council Member	Jan 2018
Kristie Ruffcorn	Clerk/Treasurer	Resigned Jan 2014
Todd Argotsinger	Attorney	Indefinite

**City of Little Sioux**



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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, each major fund and the aggregate remaining fund information of the City of Little Sioux, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Little Sioux as of June 30, 2014, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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


Other Matters

*Other Information*

The other information, the budgetary comparison information on pages 20 through 22, 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 October 17, 2016 on our consideration of the City of Little Sioux'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 Little Sioux's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

October 17, 2016



## **Basic Financial Statements**

City of Little Sioux

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2014

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 8,964	5,928	-
Public works	21,179	16,638	14,253
Culture and recreation	4,660	-	-
Community and economic development	366	-	-
General government	32,055	-	-
Total governmental activities	67,224	22,566	14,253
Business type activities:			
Water	33,185	30,040	-
Sewer	64,827	59,124	-
Total business type activities	98,012	89,164	-
Total	\$ 165,236	111,730	14,253
<b>General Receipts:</b>			
Property and other city tax levied for general purposes			
Local option sales tax			
Unrestricted interest on investments			
Insurance recoveries			
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:			
Streets			
Fire department			
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
(3,036)	-	(3,036)
9,712	-	9,712
(4,660)	-	(4,660)
(366)	-	(366)
(32,055)	-	(32,055)
(30,405)	-	(30,405)
-	(3,145)	(3,145)
-	(5,703)	(5,703)
-	(8,848)	(8,848)
(30,405)	(8,848)	(39,253)
25,222	-	25,222
10,110	-	10,110
147	-	147
2,000	-	2,000
1,127	-	1,127
38,606	-	38,606
8,201	(8,848)	(647)
64,313	53,879	118,192
\$ 72,514	45,031	117,545
\$ 33,301	-	33,301
2,833	-	2,833
36,380	45,031	81,411
\$ 72,514	45,031	117,545

**Exhibit B**

## City of Little Sioux

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

As of and for the year ended June 30, 2014

	Special Revenue			
	General	Nonmajor		Total
		Road Use Tax	Volunteer Fire Department	
Receipts:				
Property tax	\$ 22,667	-	-	22,667
Other city tax	12,665	-	-	12,665
Licenses and permits	125	-	-	125
Use of money and property	797	-	-	797
Intergovernmental	6,473	14,253	-	20,726
Charges for service	15,496	-	-	15,496
Special assessments	571	-	-	571
Miscellaneous	923	-	1,455	2,378
Total receipts	59,717	14,253	1,455	75,425
Disbursements:				
Operating:				
Public safety	7,855	-	1,109	8,964
Public works	13,664	7,515	-	21,179
Culture and recreation	4,660	-	-	4,660
Community and economic development	366	-	-	366
General government	32,055	-	-	32,055
Total disbursements	58,600	7,515	1,109	67,224
Change in cash balances	1,117	6,738	346	8,201
Cash balances beginning of year	35,263	26,563	2,487	64,313
Cash balances end of year	\$ 36,380	33,301	2,833	72,514
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Streets	\$ -	33,301	-	33,301
Fire department	-	-	2,833	2,833
Unassigned	36,380	-	-	36,380
Total cash basis fund balances	\$ 36,380	33,301	2,833	72,514

See notes to financial statements.

City of Little Sioux

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

As of and for the year ended June 30, 2014

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 29,393	50,565	79,958
Special assessments	647	8,195	8,842
Miscellaneous	-	364	364
Total operating receipts	30,040	59,124	89,164
Operating disbursements:			
Business type activities	33,185	14,427	47,612
Excess (deficiency) of operating receipts over (under) operating disbursements	(3,145)	44,697	41,552
Non-operating disbursements:			
Payments to County for debt service	-	(50,400)	(50,400)
Change in cash balances	(3,145)	(5,703)	(8,848)
Cash balances beginning of year	63,453	(9,574)	53,879
Cash balances end of year	\$ 60,308	(15,277)	45,031
<b>Cash Basis Fund Balances</b>			
Unrestricted	\$ 60,308	(15,277)	45,031

See notes to financial statements.

**City of Little Sioux**

City of Little Sioux

Notes to Financial Statements

June 30, 2014

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

The City of Little Sioux is a political subdivision of the State of Iowa located in Harrison County. It was first incorporated in 1883 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 and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, Little Sioux 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: Harrison County Assessor's Conference Board, Harrison County Emergency Management Commission, Harrison County Landfill Commission and Harrison 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:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or 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 categories. Unrestricted net position often have constraints on cash balances 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. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

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

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 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 is 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 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, 2014, disbursements did not exceed the amounts budgeted.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to 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.

**(3) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2014 and June 30, 2013 were \$1,408 and \$1,604, respectively, equal to the required contributions for each year.

**(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 700 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 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 or comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, 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, 2014 were \$7,483.

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 \$150,000 each occurrence, each location. Property risks exceeding \$150,000 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 reinsurance 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. As of June 30, 2014, 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.

**(5) Deficit Balance**

The Enterprise, Sewer Fund had a deficit balance of \$15,277 at June 30, 2014. The deficit balance was a result of disbursements in excess of sewer receipts.

**(6) Service Contract**

In May 2008, the City entered into a service contract agreement with Harrison County for the City's sanitary sewer improvement project. Under the agreement, the City will manage the sanitary sewer collection system and collect a service fee from each customer. The City will remit \$25 of each monthly service fee to the County for payment of the debt issued by the County for the project. During the year ended June 30, 2014, the City paid \$50,400 to the County.

**(7) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

**City of Little Sioux**

**Other Information**

City of Little Sioux  
 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, 2014

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 22,667	-
Other city tax	12,665	-
Licenses and permits	125	-
Use of money and property	797	-
Intergovernmental	20,726	-
Charges for service	15,496	79,958
Special assessments	571	8,842
Miscellaneous	2,378	364
Total receipts	75,425	89,164
Disbursements:		
Public safety	8,964	-
Public works	21,179	-
Health and social services	-	-
Culture and recreation	4,660	-
Community and economic development	366	-
General government	32,055	-
Business type activities	-	98,012
Total disbursements	67,224	98,012
Excess (deficiency) of receipts over (under) disbursements	8,201	(8,848)
Balances beginning of year	64,313	53,879
Balances end of year	\$ 72,514	45,031

See accompanying independent auditor's report.

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Total	Budgeted Amounts Original/Final	Final to Total Variance
22,667	24,066	(1,399)
12,665	12,474	191
125	200	(75)
797	1,200	(403)
20,726	21,960	(1,234)
95,454	111,675	(16,221)
9,413	-	9,413
2,742	5,700	(2,958)
164,589	177,275	(12,686)
8,964	10,000	1,036
21,179	37,500	16,321
-	2,500	2,500
4,660	12,000	7,340
366	500	134
32,055	39,550	7,495
98,012	100,000	1,988
165,236	202,050	36,814
(647)	(24,775)	24,128
118,192	40,411	77,781
117,545	15,636	101,909

City of Little Sioux

Notes to Other Information – Budgetary Reporting

June 30, 2014

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds 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, there were no budget amendments.

During the year ended June 30, 2014, disbursements did not exceed the amounts budgeted.





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

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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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, each major fund and the aggregate remaining fund information of the City of Little Sioux, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 17, 2016. Our report expressed unmodified 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.

Internal Control Over Financial Reporting

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Little Sioux's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


### The City of Little Sioux's Responses to the Findings

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

October 17, 2016

City of Little Sioux

Schedule of Findings

Year ended June 30, 2014

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Accounting system – performing all general accounting functions and having custody of assets.
- (2) Cash – preparing bank account reconciliations, initiating cash receipt and disbursement transactions and recording.
- (3) Investments – record keeping, custody of investments and reconciling earnings.
- (4) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (5) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (6) Payroll – recordkeeping, preparing and distributing.
- (7) Utilities – billing, collecting, depositing and posting.

For the Volunteer Fire Department one person has control over each of the following areas:

- (1) Receipts – collecting, depositing, posting and reconciling.
- (2) Disbursements – posting, reconciling and check writing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City and the Volunteer Fire Department should review their 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 Mayor, City Clerk and Clerk Pro Tem are currently working together to improve controls.

Conclusion – Response accepted.

City of Little Sioux

Schedule of Findings

Year ended June 30, 2014

- (B) Financial Reporting – During the audit, we identified receipts and disbursements in the City’s general ledger which did not agree with bank deposits and cancelled checks. In addition, the City’s general ledger excluded disbursements totaling \$19,195. There is no independent review of recorded receipts and disbursements to ensure they are properly recorded. Adjustments were subsequently made to properly report these amounts in the City’s financial statements.

Recommendation – The City should implement procedures to ensure receipts and expenditures are properly recorded in the City’s financial statements.

Response – We agree and will implement the recommendation.

Conclusion – Response accepted.

- (C) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent accounts listing was not prepared. Also, utility collections were not reconciled to deposits. A reconciliation is designed to ensure the proper recording of utility receipts, propriety of adjustments and write-offs and propriety of delinquent account balances.

Recommendation – A listing of delinquent accounts should be prepared on a monthly basis. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period and to reconcile collections to deposits. The City Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

Response – We agree and will implement the recommendation.

Conclusion – Response accepted.

- (D) Bank Reconciliations – Bank and investment balances were not reconciled to the City’s general ledger as recorded in the City’s accounting system.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger balances monthly. The reconciliations should subsequently be reviewed by an independent person. Variances, if any, should be reviewed and resolved timely.

Response – We agree and will implement the recommendation.

Conclusion – Response accepted.

City of Little Sioux

Schedule of Findings

Year ended June 30, 2014

- (E) Disbursements – Although the City Council minutes includes approval of claims, a listing of the claims approved is not included. In addition, 5 of 25 disbursements tested were unsupported.

Recommendation – The City should establish procedures to include a detailed listing of claims approved by the City Council in the minutes. In addition, the City should retain supporting for documentation all disbursements.

Response – The recommendation has been in place since January 2016.

Conclusion – Response accepted.

- (F) Computer System – The following deficiencies in the City’s computer system were noted:

The City does not have written policies and procedures for:

- Password privacy and confidentiality.
- Requiring password changes every 60 to 90 days.
- Internet usage.
- Backup of critical files including storage off-site.

In addition, the City does not have a written disaster recovery plan.

Recommendation – The City should develop written policies and procedures as well as a written disaster recovery plan addressing the above items to improve the City’s internal control over its computer system.

Response – We agree and will implement the recommendation.

Conclusion – Response accepted.

- (G) Safeguarding Assets – The City does not properly safeguard petty cash, undeposited receipts, accounting records or unused checks. Checks received are not restrictively endorsed upon receipt.

Recommendation – The City should establish procedures to properly safeguard petty cash, undeposited receipts, accounting records and unused checks. A restrictive endorsement (for deposit only) should be placed on checks when received.

Response – We agree and will implement the recommendation.

Conclusion – Response accepted.

City of Little Sioux

Schedule of Findings

Year ended June 30, 2014

- (H) Payroll – Mathematical errors were found in the Clerk’s IPERS withholdings and net pay in September and December 2013 which resulted in overpayments of \$93. An independent person does not test wages and withholdings to ensure proper payroll calculations. Timesheets were not required for all employees. Timesheets were not signed by the employee or supervisor.

Recommendation – An independent person should periodically review and test wages and withholding rates for proper calculations. Evidence of testing should be retained. Timesheets should be prepared by all employees and should be signed by the employee and approved and signed by the supervisor.

Response – We agree and will implement the recommendation.

Conclusion – Response accepted.

- (I) Special Revenue Funds – Property tax collections from the employee benefits and emergency levies were recorded in the General Fund, rather than Special Revenue, Funds as required by the Uniform Chart of Accounts.

Recommendation – The City should establish a Special Revenue, Employee Benefits Fund and a Special Revenue, Emergency Fund. The property tax collections in the Special Revenue, Employee Benefits Fund should be used for employee benefits attributable to General Fund and Special Revenue, Road Use Tax Fund employees. The property tax collections in the Special Revenue, Emergency Fund may be transferred to the General Fund with City Council approval.

Response – We agree and will implement the recommendation.

Conclusion – Response accepted.

- (J) 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 amounts for receipts and disbursements do not agree with the City’s records.

Recommendation – The City should ensure the amounts reported in the Annual Financial Report are supported by the City’s records.

Response – We agree and will implement the recommendation.

Conclusion – Response accepted.

City of Little Sioux

Schedule of Findings

Year ended June 30, 2014

- (K) Separately Maintained Records – The Volunteer Fire Department maintains separate accounting records for its fundraising activities. The individual transaction activity is not included in the City’s accounting records.

In addition, supporting documentation for receipts and disbursements was not retained.

Recommendation – Chapter 384.20 of the Code of Iowa states in part that a City shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose. For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City’s accounting records and reported to the Council on a monthly basis.

In addition, supporting documentation should be retained for receipts and disbursements.

Response – We agree and will implement the recommendation.

Conclusion – Response accepted.

- (L) Utility Records – During the audit we identified that certain utility records were not retained by the City and available for review.

Recommendation – The City should ensure all utility records are retained.

Response – We agree and will implement the recommendation.

Conclusion – Response accepted.

- (M) Delinquent Sewer Accounts – Pursuant to a service contract agreement with the County, the City bills sewer service to customers located in the rural community of River Sioux in addition to the City’s own customers. A portion of the sewer collections are remitted to the County which pays the debt associated with the construction of the sewer system.

The service agreement with the County requires the City to report uncollected sewer fees in excess of \$500 to the County monthly and file small claims proceedings or certify unpaid sewer fees against property taxes annually. The City has not reported unpaid sewer fees to the County.

For delinquent City accounts, the City has not consistently certified the unpaid sewer amounts to the County Treasurer. The City has not pursued collection of delinquent River Sioux customers since they reside outside the City limits.

Recommendation – The City should implement procedures to report uncollected sewer fees to the County monthly and ensure unpaid City accounts are annually certified to the County Treasurer as required. The City should consult with the County to determine how to pursue the delinquent accounts from the community of River Sioux.

City of Little Sioux

Schedule of Findings

Year ended June 30, 2014

Response – We agree and will implement the recommendation.

Conclusion – Response accepted.

- (N) City Council Oversight – The City Council has a fiduciary responsibility to provide oversight of the City’s operations and financial transactions. Oversight is typically defined as the “watchful and responsible care” a governing body exercises in its fiduciary capacity. Many of the findings included in this report are indications the City Council needs to exercise additional fiduciary oversight.

Recommendation – Oversight by the City Council is essential and should be an ongoing effort by all members. In the future, the City Council should exercise due care and require and review pertinent information and documentation to ensure the reliability of financial information and compliance with laws and regulations. Appropriate policies and procedures should be adopted, implemented and monitored to ensure compliance.

Response – We agree and will implement the recommendation.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.



City of Little Sioux  
Schedule of Findings  
Year ended June 30, 2014

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted.
- (2) Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Dawn Grimes, Council Member, Husband owns Grimes Tree Service	Tree removal services	\$ 200

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the above transactions do not represent a conflict of interest since total transactions were less than \$2,500 during the fiscal year.

- (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 – The City Council meeting minutes were not properly signed as required by Chapter 380.7 of the Code of Iowa. In addition, the minutes did not include total disbursements for each fund; a list of all claims allowed (including the reason for the claim); and a summary of all receipts as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should ensure all minutes are signed to authenticate the action taken. In addition, the City should publish total disbursements by fund, a list of all claims allowed and a summary of receipts as required.

Response – We have this in place as of January 2016.

Conclusion – Response accepted.

City of Little Sioux

Schedule of Findings

Year ended June 30, 2014

- (7) Deposits and Investments - The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, a resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation - The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the City Council as required.

Response - We agree and will implement the recommendation.

Conclusion - Response accepted.

- (8) Local Option Sales Tax (LOST) - The LOST ballot requires 50% of LOST collections be allocated for maintenance and repair of City streets and 50% to be allocated for maintenance and repair of City buildings. The City's LOST receipts are credited to the General Fund and no documentation is maintained to support how the funds were used or the unspent balances held for the specified purposes.

Recommendation - The City should establish a Special Revenue, Local Option Sales Tax Fund to properly account for LOST receipts, disbursements and balances in accordance with the LOST ballot provisions.

Response - We agree and will ensure the funds are allocated properly now and in the future.

Conclusion - Response accepted.

- (9) Financial Condition - At June 30, 2013, the City had a deficit balance of \$9,574 in the Enterprise, Sewer Fund.

Recommendation - The City should investigate alternatives to eliminate this deficit to return the fund to a sound financial position.

Response - We agree and will implement the recommendation.

Conclusion - Response accepted.

- (10) Information Returns - The City did not issue Internal Revenue Service (IRS) Form 1099 MISC to a business for 2014 although the payments made by the City exceeded \$600.

Recommendation - The City should issue IRS Form 1099 MISC for all contractors paid over \$600 annually.

Response - We agree and will implement the recommendation.

Conclusion - Response accepted.

City of Little Sioux

Schedule of Findings

Year ended June 30, 2014

- (11) 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 receive an image of the back of each cancelled check.

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

Response – We agree and will implement the recommendation.

Conclusion – Response accepted.

- (12) Clayton Consulting – In March 2014, the City Council approved hiring Angie Clayton of Clayton Consulting to perform the duties of City Clerk. The City Council minutes indicated approval of the bid but did not state an amount. A signed contract for the services was not available. The City did have an unsigned engagement letter (contract) which stated Ms. Clayton was to assist the City with establishing accurate financial reports and balances, budget preparation and training a new City Clerk. In addition, Ms. Clayton was to provide the CPA firm hired to perform the City's fiscal year 2013 audit with financial records needed to complete the audit. The unsigned contract with Clayton Consulting included estimated fees for the above services totaling between \$4,250 and \$4,750 for a period of approximately 60 days.

After March 2014, the City Council minutes reflected various extensions or modifications to the contract as follows:

- In May 2014, Clayton Consulting agreed to perform a transaction analysis for the City to ensure all transactions were entered into the appropriate account in the software for the period July 1, 2012 through the current period. The City Council minutes did not specify a compensation amount for the service. The contract was to be amended accordingly. However, an amended contract could not be located by the City.
- In June 2014, the City approved extending the contract through August 2014. The City Council minutes did not specify a compensation amount for the service.
- In August 2014, Clayton Consulting agreed to prepare certain annual reports for the City and train the new City Clerk. The City Council minutes did not specify a compensation amount for the service. The contract was to be amended accordingly. However, an amended contract could not be located by the City.
- In October 2014, the City Council discussed having Angie Clayton continue working in her current capacity until approximately mid-November. The City Council minutes did not specify a compensation amount for the service.
- In February 2015, the City Council approved having Clayton Consulting continue efforts to complete the City financials and to complete the fiscal year 2015 budget amendment and the fiscal year 2016 budget. The City Council minutes did not specify a compensation amount for the service.

City of Little Sioux

Schedule of Findings

Year ended June 30, 2014

In April and May 2014, the City paid Clayton Consulting a total of \$4,750, the maximum listed in the original unsigned contract. Between June 2014 and November 2014, the City paid Clayton Consulting an additional \$25,375. Except for June 2014, the monthly payments totaled \$3,625. In June 2014, two payments of \$3,625 each were made to Clayton Consulting. The first payment was dated June 10, 2014 and the second payment was dated June 12, 2014. Per inquiry of Mayor Garry Klein, the second payment is assumed to be a duplicate payment.

An Internal Revenue Service Form 1099 MISC was issued to Clayton Consulting for 2014 reporting compensation totaling \$26,500, \$3,625 less than the actual payments the City made to Clayton Consulting.

The amount of additional compensation to be paid to Clayton Consulting, if any, was not approved by the City Council and the City could not provide supporting documentation for the additional payments totaling \$25,375 made to Clayton Consulting. The checks issued to Clayton Consulting were prepared by Angie Clayton and signed by her and Mayor Klein. When asked how the additional compensation amount was determined, Mayor Klein indicated he thought the City Council approved the amount. However, the City Council minutes did not include any City Council action taken to establish the compensation.

In addition, the City Council minutes did not include an official listing of approved bills. For some minutes, a check register report was stapled to the meeting minutes. We were unable to determine if the City Council reviewed the check register reports since they were not a part of the official City Council minutes.

In January 2016, the CPA firm hired to perform the fiscal year 2013 audit withdrew from the engagement since they were unable to obtain the records needed to perform the audit from the City or Clayton Consulting. We contacted Angie Clayton and requested the City's records for both fiscal years 2013 and 2014 on a number of occasions. With input from Ms. Clayton, we also made specific plans for obtaining the City's records from Ms. Clayton. Although Ms. Clayton indicated she had City records, the records were not provided to the City or to our Office on any of the occasions established.

As indicated in comments (B), (D) and (J), the fiscal year 2014 financial records of the City required significant adjustments to properly record the City's financial activity. In addition, bank reconciliations were not available to show a reconciliation of the City's balances to the bank balances and the City's Annual Financial Report did not agree with the City's records. Similar comments applied to the City's records for the fiscal year 2013.

The scope of the original unsigned contract required Clayton Consulting to assist the City in establishing accurate financial reports and balances. In addition, the City's books were to be updated through a transaction analysis to ensure all data was entered into the City's software as described in the additional services to be provided to the City in the May 2014 City Council meeting minutes and, as approved in the February 2015, Clayton Consulting was to continue efforts to complete the financial records. Based on our audit and audit findings, it does not appear these services approved by the City Council were completed by Clayton Consulting. Accordingly, we are unable to determine the propriety of the payments made to Clayton Consulting.

City of Little Sioux

Schedule of Findings

Year ended June 30, 2014

Recommendation – The City should consult legal counsel regarding the propriety of the payments made to Clayton Consulting and the City’s records held by Ms. Clayton. At a minimum, the City should seek reimbursement for the \$3,625 duplicate payment made in June 2014.

Also, the City should establish procedures to ensure services are provided in accordance with contract terms and the related records are returned to the City. In addition, the City should ensure signed contracts and contract amendments are retained. The City should ensure supporting documentation is required and retained for all disbursements.

Response – We agree and will implement the recommendation.

Conclusion – Response accepted.

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

City of Little Sioux

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager  
Ryan J. Pithan, Senior Auditor  
Anthony M. Heibult, Senior Auditor  
Mallory A. Sims, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State