

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

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

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

**NEWS RELEASE**

FOR RELEASE

March 29, 2017

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the Water and Waste Disposal Systems for Rural Communities program for the City of Joice, Iowa.

The City of Joice's Water and Waste Disposal Systems for Rural Communities program disbursements totaled \$1,462,886 for the year ended June 30, 2016.

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/1622-0944-BC00>.

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**CITY OF JOICE  
WATER AND WASTE DISPOSAL SYSTEMS  
FOR RURAL COMMUNITIES PROGRAM**

**INDEPENDENT AUDITOR'S REPORTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2016**

## Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-6
Schedule of Expenditures of Federal Awards	7
Note to Schedule of Expenditures of Federal Awards	9
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	11-13
Schedule of Findings and Questioned Costs	15-16
Staff	17

**City of Joice**

**Officials**

**(Before January 2016)**

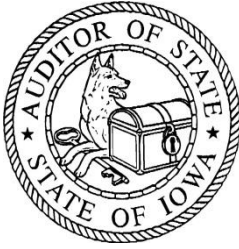
<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mark Thoma	Mayor	Jan 2016
Ron Miller	Mayor Pro tem/Council Member	Jan 2016
Barry Anonson	Council Member	Jan 2016
Jon Heintzman	Council Member	Jan 2016
Dan Martinson	Council Member	Jan 2018
Allen Sterrenberg	Council Member	(Resigned Aug 2015)
Kevin Jessen (Appointed Oct 2015)	Council Member	Nov 2017
Marilyn Holt	City Treasurer	Indefinite
Mardene Lien	City Clerk	Indefinite
John Greve	Attorney	Indefinite

**(After January 2016)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mark Thoma	Mayor	Jan 2020
Ron Miller	Mayor Pro tem/Council Member	Jan 2020
Kevin Jessen	Council Member	Nov 2017
Dan Martinson	Council Member	Jan 2018
Chad Heagel	Council Member	Jan 2020
Debra Potter	Council Member	Jan 2020
Marilyn Holt	City Treasurer	Indefinite
Mardene Lien	City Clerk	Indefinite
John Greve	Attorney	Indefinite

**City of Joice**

**Water and Waste Disposal Systems for Rural Communities Program**



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Schedule of Expenditures of Federal Awards

We have audited the accompanying schedule of expenditures of federal awards for the Water and Waste Disposal Systems for Rural Communities program of the City of Joice, Iowa for the year ended June 30, 2016, and the related note (the financial statement).

Management's Responsibility for the Schedule of Expenditures of Federal Awards

Management is responsible for the preparation and fair presentation of this financial statement 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 statement in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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


Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the expenditures of federal awards for the Water and Waste Disposal Systems for Rural Communities program for the City of Joice for the year ended June 30, 2016, in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, this financial statement was prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

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

  
MARY MOSIMAN, CPA  
Auditor of State

February 14, 2017



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City of Joice

Water and Waste Disposal Systems for Rural Communities Program

Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

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<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
Direct:			
U.S. Department of Agriculture:			
Water and Waste Disposal Systems for Rural Communities	10.760		<u>\$ 1,462,886</u>

See note to the Schedule of Expenditures of Federal Awards.

**City of Joice**

**Water and Waste Disposal Systems for Rural Communities Program**

City of Joice

Water and Waste Disposal Systems for Rural Communities Program

Note to Schedule of Expenditures of Federal Awards

June 30, 2016

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

The City of Joice is a political subdivision of the State of Iowa located in Worth County. It was first incorporated in 1913 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

The Schedule of Expenditures of Federal Awards includes only the program disbursements of the City's Water and Waste Disposal Systems for Rural Communities program.

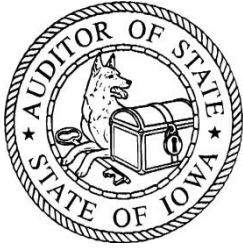
B. Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal award activity of the City under the Water and Waste Disposal Systems for Rural Communities program of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Joice, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Joice.

C. Basis of Accounting

Expenditures reported in the Schedule are reported on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Joice has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by the Uniform Guidance**



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Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by the Uniform Guidance

To the Honorable Mayor and Members of the City Council:

Report on Compliance for the Water and Waste Disposal Systems for Rural Communities Program

We have audited the City of Joice, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the Water and Waste Disposal Systems for Rural Communities program for the year ended June 30, 2016.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts and the terms and conditions of federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's Water and Waste Disposal Systems for Rural Communities program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Water and Waste Disposal Systems for Rural Communities program occurred. An audit includes examining, on a test basis, evidence about the City's Water and Waste Disposal Systems for Rural Communities program compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the City's Water and Waste Disposal Systems for Rural Communities program. However, our audit does not provide a legal determination of the Water and Waste Disposal Systems for Rural Communities program compliance.

## Opinion on Compliance for the City's Water and Waste Disposal Systems for Rural Communities Program

In our opinion, the City of Joice complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its Water and Waste Disposal Systems for Rural Communities program for the year ended June 30, 2016.

### Report on Internal Control Over Compliance

The management of the City of Joice is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Joice's internal control over compliance with the types of requirements that could have a direct and material effect on its Water and Waste Disposal Systems for Rural Communities program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Joice's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.


Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs, as item 2016-001 that we consider to be a significant deficiency.

The City of Joice's response to the internal control over compliance finding identified in our audit is reported in the accompanying Schedule of Findings and Questioned Costs. The City of Joice's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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

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

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

February 14, 2017

**City of Joice**

**Water and Waste Disposal Systems for Rural Communities Program**



City of Joice

Water and Waste Disposal Systems for Rural Communities

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

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

- (a) An unmodified opinion was issued on the Schedule of Expenditures of Federal Awards, which was prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) A significant deficiency in internal control over the Water and Waste Disposal Systems for Rural Communities program was disclosed by the audit of the Schedule of Expenditures of Federal Awards.
- (c) The audit did not disclose any non-compliance which is material to the Schedule of Expenditures of Federal Awards.
- (d) An unmodified opinion was issued on compliance with requirements applicable to the Water and Waste Disposal Systems for Rural Communities program.
- (e) The audit disclosed an audit finding which is required to be reported in accordance with the Uniform Guidance, Section 200.515.
- (f) The major program was CFDA Number 10.760 – Water and Waste Disposal Systems for Rural Communities.

City of Joice  
Water and Waste Disposal Systems for Rural Communities  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2016

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

**INSTANCE OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

**CFDA Number 10.760: Water and Waste Disposal Systems for Rural Communities  
Federal Award Year: 2016  
U.S. Department of Agriculture**

2016-001 United States Department of Agriculture (USDA) Loan Agreement

Criteria - The provisions of the USDA loan agreement require the City to establish a reserve and short lived asset reserve account.

Condition - The City has not established a reserve or a short lived asset account.

Cause - The City did not adequately review the USDA loan agreement requirements to establish reserve accounts.

Effect - The City is not in compliance with the USDA loan agreement.

Recommendation - The City should establish reserve accounts as required by the USDA loan agreement and establish procedures to ensure sufficient reserves are maintained.

Response - We are working with the Quick Books technician to get all of our accounts set up for a fund based system, changing over from an account based system. This will hopefully be done within the next 2 weeks. We will coordinate the exact amounts for the new fund with the USDA.


Conclusion - Response accepted.

City of Joice

Staff

This audit was performed by:

Jennifer L. Wall, CPA, Manager  
Cole L. Hocker, Staff Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State