



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE May 4, 2004

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Goose Lake, Iowa.

The City's receipts totaled \$145,029 for the year ended June 30, 2003. The receipts included \$27,589 in property tax, \$4,470 in tax increment financing collections, \$17,703 in local option sales tax, \$28,842 from other governments and \$982 in interest on investments.

Disbursements for the year totaled \$134,219, and included \$35,804 for public works, \$28,350 for general government and \$49,808 for business type activities.

The report contains recommendations to the City Council and other City officials. For example, operating procedures should be reviewed to obtain the maximum internal control possible and utility billings, collections and delinquent accounts should be reconciled for each billing cycle. The City has responded that it will review control procedures and implement the recommendations included in the report.

A copy of the audit report is available for review in the Office of Auditor of State and the City Clerk's office.

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**CITY OF GOOSE LAKE**  
**INDEPENDENT AUDITOR'S REPORTS**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2003**

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**City of Goose Lake**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kevin Cain	Mayor	Jan 2004
David Richards	Mayor Pro tem	Jan 2004
Wendy Lippens	Council Member	Jan 2004
Janice Bormann	Council Member	Jan 2004
Patsey Farrell	Council Member	Jan 2004
Joy Soenksen	Council Member	Jan 2004
Teresa Kilburg	Clerk/Treasurer	(Resigned)
Janeen Butt	Clerk/Treasurer	(Resigned)
Teresa Lindstrom	Clerk/Treasurer	Indefinite
Kim Point	Billing Clerk	Resigned
James Bear	Attorney	Indefinite

**City of Goose Lake**



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the City of Goose Lake, Iowa, as of and for the year ended June 30, 2003. These financial statements are the responsibility of the City of Goose Lake's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2002.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2002, as discussed in the preceding paragraph, the aforementioned financial statements present fairly, in all material respects, the results of the cash transactions of the funds of the City of Goose Lake as of and for the year ended June 30, 2003, and its indebtedness at June 30, 2003, on the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued our report dated March 8, 2004 on our consideration of the City of Goose Lake's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2002, as discussed in the third preceding paragraph, is fairly stated, in all material respects, in relation to the aforementioned financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 8, 2004

## **Financial Statements**



City of Goose Lake  
 Combined Statement of Cash Transactions  
 All Fund Types  
 Year ended June 30, 2003

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Receipts:			
Property tax	\$ 22,475	-	5,114
Tax increment financing collections	-	4,470	-
Other city tax	1,942	17,703	-
Licenses and permits	200	-	-
Use of money and property	12,782	-	-
Intergovernmental	9,954	18,888	-
Charges for service	-	-	-
Miscellaneous	1,599	5,415	-
Total receipts	48,952	46,476	5,114
Disbursements:			
Public safety	11,231	5,241	-
Public works	-	35,804	-
Culture and recreation	3,785	-	-
General government	28,350	-	-
Business type activities	-	-	-
Total disbursements	43,366	41,045	-
Excess (deficiency) of receipts over (under) disbursements	5,586	5,431	5,114
Other financing sources (uses):			
Proceeds from real estate installment contract	-	-	-
Operating transfers in	-	-	2,933
Operating transfers out	-	(2,933)	-
Total other financing sources (uses)	-	(2,933)	2,933
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	5,586	2,498	8,047
Balance beginning of year	35,212	71,181	946
Balance end of year	\$ 40,798	73,679	8,993

See notes to financial statements.

Capital Projects	Proprietary <u>Fund Type</u> Enterprise	Total (Memorandum Only)
-	-	27,589
-	-	4,470
-	-	19,645
-	-	200
-	-	12,782
-	-	28,842
-	44,487	44,487
-	-	7,014
-	44,487	145,029
-	-	16,472
-	-	35,804
-	-	3,785
-	-	28,350
-	49,808	49,808
-	49,808	134,219
-	(5,321)	10,810
20,000	-	20,000
-	-	2,933
-	-	(2,933)
20,000	-	20,000
20,000	(5,321)	30,810
(60,085)	33,565	80,819
(40,085)	28,244	111,629

City of Goose Lake

Comparison of Receipts, Disbursements and Changes in Balances -

Actual to Budget

Year ended June 30, 2003

	Actual	Less Funds Not Required to be Budgeted	Net
<b>Receipts:</b>			
Property tax	\$ 27,589	-	27,589
Tax increment financing collections	4,470	-	4,470
Other city tax	19,645	-	19,645
Licenses and permits	200	-	200
Use of money and property	12,782	-	12,782
Intergovernmental	28,842	-	28,842
Charges for service	44,487	-	44,487
Miscellaneous	7,014	5,415	1,599
Total receipts	<u>145,029</u>	<u>5,415</u>	<u>139,614</u>
<b>Disbursements:</b>			
Public safety	16,472	5,241	11,231
Public works	35,804	-	35,804
Culture and recreation	3,785	-	3,785
General government	28,350	-	28,350
Debt service	-	-	-
Capital projects	-	-	-
Business type activities	49,808	-	49,808
Total disbursements	<u>134,219</u>	<u>5,241</u>	<u>128,978</u>
Excess (deficiency) of receipts over (under) disbursements	10,810	174	10,636
Other financing sources, net	<u>20,000</u>	-	<u>20,000</u>
Excess of receipts and other financing sources over disbursements and other financing uses	30,810	174	30,636
Balance beginning of year	<u>80,819</u>	<u>1,177</u>	<u>79,642</u>
Balance end of year	<u>\$ 111,629</u>	<u>1,351</u>	<u>110,278</u>

See notes to financial statements.

Amended Budget	Variance Favorable (Unfavorable)	Net as % of Amended Budget
27,893	(304)	99%
4,200	270	106%
16,329	3,316	120%
1,300	(1,100)	15%
15,400	(2,618)	83%
20,200	8,642	143%
45,000	(513)	99%
1,000	599	160%
<u>131,322</u>	<u>8,292</u>	<u>106%</u>
10,600	(631)	106%
19,100	(16,704)	187%
5,000	1,215	76%
29,600	1,250	96%
9,412	9,412	-
14,000	14,000	-
<u>58,000</u>	<u>8,192</u>	<u>86%</u>
<u>145,712</u>	<u>16,734</u>	<u>89%</u>
(14,390)		
<u>20,000</u>		
5,610		
<u>98,307</u>		
<u><u>103,917</u></u>		

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City of Goose Lake  
Statement of Indebtedness  
Year ended June 30, 2003

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Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Bank loan: Street, water and sanitary sewer improvements	Mar 1, 2002	4.50%	\$ 100,000

See notes to financial statements.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Principal Due and Unpaid	Interest Due and Unpaid
100,000	-	-	100,000	-	3,787	5,625

**City of Goose Lake**

City of Goose Lake

Notes to Financial Statements

June 30, 2003

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

The City of Goose Lake is a political subdivision of the State of Iowa located in Clinton County. It was first incorporated in 1908 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, culture and recreation, general government and business type activities.

A. Reporting Entity

For financial reporting purposes, the City of Goose Lake 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.

These financial statements present the City of Goose Lake (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

The Goose Lake Firefighters Association is an entity which is legally separate from the City, but is so intertwined with the City that it is, in substance, part of the City. The Association is reported as part of the City and blended as a Special Revenue Fund. The Association is incorporated under Chapter 504A of the Code of Iowa.

Jointly Governed Organizations

The City also 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: Clinton County Assessor's Conference Board, Clinton County Emergency Management Commission, Clinton County Area Solid Waste Agency and Clinton County Joint E911 Service Board.



B. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements and balances. The various funds and their designated purposes are as follows:

Governmental Funds

General Fund – The General Fund is the general operating fund of the City.

All general tax receipts and other receipts that are 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 that are not paid through other funds.

Special Revenue Funds – The Special Revenue Funds are utilized to account for receipts derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

Debt Service Fund – The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general obligation long-term debt.

Capital Projects Fund – The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through Enterprise Funds.

Proprietary Funds

Enterprise Funds – The Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

C. Basis of Accounting

The City of Goose Lake 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.

D. Budgets and Budgetary Accounting

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, except the blended component unit. 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 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.

E. Total (Memorandum Only)

The total column on the combined statement of cash transactions is captioned "Memorandum Only" to indicate it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**(2) Cash and Pooled Investments**

The City had deposits in banks of \$55,279 at June 30, 2003 which were not covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement Number 3.

**(3) Bank Loan Payable**

On March 1, 2002, the City entered into a loan agreement with Gateway State Bank for \$100,000 to pay a portion of the cost of constructing street, water and sanitary sewer improvements. The loan bears interest at 4.5% per annum and matures on June 1, 2017. Principal and interest are payable in fourteen equal annual installments of \$9,412, due on June 1 in each of the years 2003 to 2016, inclusive, with one final installment of all remaining principal and interest due on June 1, 2017. During the year ended June 30, 2003, no payments were made, leaving a balance of \$100,000. The payment due June 1, 2003 from the Debt Service Fund was paid on August 6, 2003.

**(4) Real Estate Installment Contract Receivable**

During the year ended June 30, 2002, the City sold real estate to a developer for \$59,800 on an interest free real estate installment contract. The contract requires the developer to pay the City \$10,000 every 180 days, beginning October 18, 2002, until the three year anniversary date of the contract when all sums remaining under the contract are due and payable. During the year ended June 30, 2003, the City received \$20,000, leaving a balance of \$39,800 at June 30, 2003.

**(5) Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2003 was \$957, equal to the required contribution for the year.

**(6) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the function level. During the year ended June 30, 2003, disbursements in the public safety and public works functions exceeded the amounts budgeted.

**(7) Risk Management**

The City is a member in 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 with over 400 members from 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 due and payable in the current 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 to equal 300 percent of the total current members' basis rates or to 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, all of which are due and payable in the current 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 annual contributions to the Pool for the year ended June 30, 2003 were \$6,741.

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 \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damages are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2003, 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 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. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. 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.

**(8) Deficit Balances**

The Capital Projects Fund and the Enterprise Funds, Garbage and Water Improvements Accounts had deficit balances of \$40,085, \$2,055 and \$1,850, respectively, at June 30, 2003. The deficit balances were a result of various project costs incurred prior to the availability of funds. The deficits will be eliminated through subsequent year receipts.

**(9) Subsequent Events**

The City entered into a construction contract for \$21,285 for an extension project to be financed from the Enterprise Fund, Water Account. The City also entered into a construction contract for \$88,050 for a water system improvement project.

**Schedule 1**

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City of Goose Lake  
Schedule of Cash Transactions  
General Fund  
Year ended June 30, 2003

Receipts:		
Property tax	\$	<u>22,475</u>
Other city tax:		
Utility tax replacement excise tax		<u>1,942</u>
Licenses and permits		<u>200</u>
Use of money and property:		
Interest on investments		982
Rent		<u>11,800</u>
		<u>12,782</u>
Intergovernmental:		
State allocation		2,252
Bank franchise tax		682
State liquor licenses		1,170
Federal Emergency Management Agency grant		<u>5,850</u>
		<u>9,954</u>
Miscellaneous:		
Fines and fees		1,322
Miscellaneous		<u>277</u>
		<u>1,599</u>
Total receipts		<u>48,952</u>
Disbursements:		
Public safety:		
Police:		
Service and commodities		<u>6,071</u>
Fire department:		
Services and commodities		3,608
Capital outlay		<u>1,001</u>
		<u>4,609</u>
Ambulance:		
Services and commodities		<u>551</u>
		<u>11,231</u>

City of Goose Lake  
 Schedule of Cash Transactions  
 General Fund  
 Year ended June 30, 2003

Disbursements (continued):	
Culture and recreation:	
Library:	
Services and commodities	<u>663</u>
Parks:	
Personal services	1,267
Services and commodities	716
Capital outlay	<u>1,139</u>
	<u>3,122</u>
	<u>3,785</u>
General government:	
Mayor and council members:	
Personal services	<u>1,775</u>
Clerk and treasurer:	
Personal services	2,669
Services and commodities	<u>3,929</u>
	<u>6,598</u>
Legal services:	
Services and commodities	<u>450</u>
City hall and general buildings:	
Personal services	2,543
Services and commodities	10,032
Capital outlay	<u>2,370</u>
	<u>14,945</u>
Tort liability:	
Services and commodities	<u>4,582</u>
	<u>28,350</u>
Total disbursements	<u>43,366</u>
Excess of receipts over disbursements	5,586
Balance beginning of year	<u>35,212</u>
Balance end of year	<u>\$ 40,798</u>
See accompanying independent auditor's report.	

City of Goose Lake  
Combining Schedule of Cash Transactions  
Special Revenue Funds  
Year ended June 30, 2003

	Road Use Tax	Local Option Sales Tax
Receipts:		
Tax increment financing collections	\$ -	-
Other city tax:		
Local option sales tax	-	17,703
Intergovernmental:		
Road use tax allocation	18,888	-
Miscellaneous:		
Miscellaneous	-	-
Total receipts	18,888	17,703
Disbursements:		
Public safety:		
Fire:		
Services and commodities	-	-
Public works:		
Roads, bridges and sidewalks:		
Personal services	2,670	-
Services and commodities	5,692	-
Capital outlay	27,442	-
Total disbursements	35,804	-
Excess (deficiency) of receipts over (under) disbursements	(16,916)	17,703
Other financing uses:		
Operating transfers out:		
Debt Service	-	-
Excess (deficiency) of receipts over (under) disbursements and other financing uses	(16,916)	17,703
Balance beginning of year	61,711	8,293
Balance end of year	\$ 44,795	25,996

See accompanying independent auditor's report.

Tax Increment Financing District	Goose Lake Firefighters Association	Total
4,470	-	4,470
-	-	17,703
-	-	18,888
-	5,415	5,415
4,470	5,415	46,476
-	5,241	5,241
-	-	2,670
-	-	5,692
-	-	27,442
-	-	35,804
-	5,241	41,045
4,470	174	5,431
(2,933)	-	(2,933)
1,537	174	2,498
-	1,177	71,181
1,537	1,351	73,679



**Schedule 3**

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City of Goose Lake  
Schedule of Cash Transactions  
Debt Service Fund  
Year ended June 30, 2003

Receipts:		
Property tax		\$ 5,114
Disbursements:		
None		<u>-</u>
Excess of receipts over disbursements		5,114
Other financing sources:		
Operating transfers in:		
Special Revenue:		
Tax Increment Financing District		<u>2,933</u>
Excess of receipts and other financing sources over disbursements		8,047
Balance beginning of year		<u>946</u>
Balance end of year		<u><u>\$ 8,993</u></u>

See accompanying independent auditor's report.

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City of Goose Lake  
Schedule of Cash Transactions  
Capital Projects Fund  
Year ended June 30, 2003

Receipts:	
None	\$ -
Disbursements:	
None	<u>-</u>
Excess of receipts over disbursements	-
Other financing sources:	
Proceeds from real estate installment contract	<u>20,000</u>
Excess of receipts and other financing sources over disbursements	20,000
Balance beginning of year	<u>(60,085)</u>
Balance end of year	<u><u>\$ (40,085)</u></u>

See accompanying independent auditor's report.

City of Goose Lake  
Combining Schedule of Cash Transactions  
Enterprise Funds  
Year ended June 30, 2003

	Water	Sewer Rental
Receipts:		
Charges for service:		
Sale of water	\$ 20,152	-
Sewer rental fees	-	11,104
Sanitation fees	-	-
Total receipts	20,152	11,104
Disbursements:		
Business type activities:		
Personal services	6,364	4,932
Services and commodities	11,740	3,286
Capital outlay	1,045	7,151
Total disbursements	19,149	15,369
Excess (deficiency) of receipts over (under) disbursements	1,003	(4,265)
Balance beginning of year	9,877	23,845
Balance end of year	\$ 10,880	19,580

See accompanying independent auditor's report.

	Water	Water	
Garbage	Deposits	Improvements	Total
-	-	-	20,152
-	-	-	11,104
13,231	-	-	13,231
13,231	-	-	44,487
1,406	-	-	12,702
12,009	25	-	27,060
-	-	1,850	10,046
13,415	25	1,850	49,808
(184)	(25)	(1,850)	(5,321)
(1,871)	1,714	-	33,565
(2,055)	1,689	(1,850)	28,244

**City of Goose Lake**



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Honorable Mayor and  
Members of the City Council:

We have audited the financial statements of the City of Goose Lake, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated March 8, 2004. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed a qualified opinion since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2002.

Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Goose Lake's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that 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, 2003 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. Prior audit statutory comments have been resolved except for items (2), (7) and (9).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Goose Lake's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Goose Lake's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items (A) and (C) are material weaknesses. Prior audit reportable conditions have been resolved except for items (A), (B) and (C).

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 Goose Lake and other parties to whom the City of Goose Lake may report. This report 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 Goose Lake 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.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 8, 2004

City of Goose Lake  
Schedule of Findings  
Year ended June 30, 2003

**Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

- (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. One person had control over each of the following areas for the City:

- (1) Receipts - collecting, depositing, posting and reconciling daily receipts.
- (2) Disbursements - check writing, signing, posting and reconciling.
- (3) Payroll - preparation and distribution.
- (4) Utilities - billing, collecting, depositing and recording.

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

Response – We will review our control procedures and implement any possible changes utilizing existing City officials and staff. We recently divided the billing duties and now the City Clerk bills utility customers and a separate meter reader reads customer meters.

Conclusion – Response accepted.

- (B) Prenumbered Receipts – Although the City issues receipts for collections, the receipts are not prenumbered by the printer.

Recommendation – For additional accountability over receipts and financial reporting, prenumbered receipts should be issued as collections are received. The numerical sequence of the receipts should also be accounted for.

Response – We will finish the receipt book we are currently using, numbering each receipt in consecutive order. Then we will purchase prenumbered receipt books and begin using them.

Conclusion – Response accepted.



City of Goose Lake

Schedule of Findings

Year ended June 30, 2003

- (C) Reconciliation of Utility Billings, Collections and Delinquencies - Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent account listing was not prepared. Also, utility collections were not reconciled to deposits and were not always deposited timely.

Certain meter readings were estimated and certain meters were not working properly. Also, although certain utility payments were late, the \$10.00 late fee was seldom assessed.

The former utility billing clerk's quarterly meter reading used for billing purposes for July 6, 2002 was based on an estimate although an actual reading was available. Instead of starting with the estimated meter reading for the quarter ended October 5, 2002 the billing started with the actual meter reading for the calculation of water usage. As a result, 24,420 gallons of water, amounting to \$88, were not billed to the former utility billing clerk.

Recommendation - A listing of delinquent accounts should be prepared quarterly. Procedures should be established to reconcile utility billings, collections and delinquencies for each billing cycle. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies. Also, collections should be reconciled to deposits and collections should be deposited timely.

Actual meter readings should be used and broken meters should be replaced. The \$10.00 late fee should be assessed to customers when billings are not paid timely, as required by the City's ordinances.

The City should consult legal council to determine the disposition of the underpayment by the former billing clerk and seek reimbursement.

Response - The current billing clerk is now printing a delinquent accounts report and is reconciling the report with collections. Several meters have been replaced recently. The \$10 late fee is now set up on the computer to automatically appear on the customer's account after the 30 day allowed time period for payment without penalty is up. The City Council will consult with the City Attorney on the underpayment by the former billing clerk.

Conclusion - Response acknowledged. In addition, collections should be reconciled to deposits and collections should be deposited timely.

- (D) Information Systems - The City has antivirus software for its computer system. However, the software version is outdated.

Recommendation - The City should update the antivirus software.

Response - The City has purchased and installed current antivirus software.

Conclusion - Response accepted.

City of Goose Lake

Schedule of Findings

Year ended June 30, 2003

- (E) Goose Lake Firefighters Association - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The same person performs the following duties: issuing and recording cash receipts, preparing bank deposits, approving disbursements and reconciling bank accounts. Also, prenumbered receipts were not issued for collections.

The minutes of the Association meetings do not include a listing of disbursements approved. The PIN number for the ATM bankcard is not safeguarded. Certain disbursements, including ATM purchases, were not supported by invoices or other supporting documentation.

Recommendation - We realize that with a limited number of staff segregation of duties is difficult. However, the Association should review its control procedures to obtain the maximum internal control possible under the circumstances. For additional accountability over receipts and financial reporting, prenumbered receipts should be issued as collections are received. The numerical sequence of the receipts should also be accounted for.

Minutes of all meetings should be documented and include a listing of disbursements approved. The ATM bankcard and PIN number should be safeguarded. All disbursements, including ATM purchases, should be supported by invoices or other supporting documentation and should be dated and marked paid.

Response - Our group of volunteer firefighters is very small and at times only two or three firefighters show up for meetings so it is difficult to have an official looking meeting. We have always kept track of who was at the meeting for training records, so in the future we will add to that the approval of the month's bills and receipts. The ATM bankcard and PIN number will be safeguarded.

Conclusion - Response acknowledged. The Association should review its internal control and segregate duties to the extent possible with a limited number of staff. Prenumbered receipts should be issued for all collections and all disbursements should be supported by invoices or other supporting documentation that should be dated and marked paid.

City of Goose Lake  
Schedule of Findings  
Year ended June 30, 2003

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

- (1) Official Depositories - A resolution naming official depositories has been adopted by the City Council. However, the amount in the resolution was exceeded.

City deposits of \$55,279 at June 30, 2003 were not covered by Federal depository insurance or by a multiple financial institution collateral pool in accordance with Chapter 12C.2 of the Code of Iowa.

Recommendation - A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the City Council.

Response - The City will adopt a depository resolution at the upcoming meeting to approve deposits up to \$250,000 to adequately secure all uninsured deposits.

Conclusion - Response accepted.

- (2) Certified Budget - Disbursements during the year ended June 30, 2003 exceeded the amounts budgeted in the public safety and public works functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

Response - The budget for the year ended June 30, 2004 has been amended and we will amend our budget in the future, as needed.

Conclusion - Response accepted.

- (3) Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

- (5) Business Transactions - No business transactions between the City and City officials or employees were noted.

- (6) 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.

City of Goose Lake

Schedule of Findings

Year ended June 30, 2003

- (7) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not, except as follows:

Although claims were published, the purpose was not always properly published as required by Chapter 372.13(6) of the Code of Iowa and an Attorney General's opinion dated April 12, 1978.

Additionally, during the first six months of the year ended June 30, 2003, the City did not always publish minutes as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should ensure the minutes are always published and the purpose of all claims is properly published as required.

Response – We will publish minutes as required including the purpose.

Conclusion – Response accepted.

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

Recommendation – The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

Response – The City will adopt an investment policy at an upcoming meeting that will comply with the provisions of Chapter 12B.10B of the Code of Iowa

Conclusion – Response accepted.

- (9) Financial Condition – The Capital Projects Fund and Enterprise Funds, Garbage and Water Improvements Accounts had deficit balances of \$40,085, \$2,055 and \$1,850, respectively, at June 30, 2003.

Recommendation – The City should investigate alternatives to eliminate these deficit balances in order to return these funds to a sound financial condition.

Response – We are in the process of completing a water project. After completion of this project we will review our deficits and restructure rate schedules to return these funds to a sound financial condition. Also, the Capital Projects Fund deficit will be eliminated when the City collects all of the proceeds from the installment sale of real estate.

Conclusion – Response accepted.

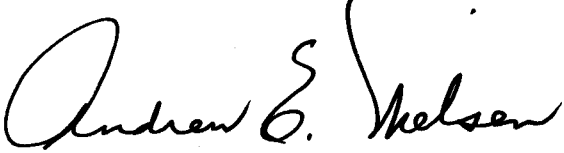
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City of Goose Lake

Staff

This audit was performed by:

K. David Voy, CPA, Manager  
Darryl J. Brumm, CPA, Senior Auditor II  
Daniel L. Grady, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State