

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE

April 2, 2015

Contact: Andy Nielsen
515/281-5834

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

The City's receipts totaled \$2,359,254 for the year ended June 30, 2014. The receipts included \$78,247 in property tax, \$592,022 from charges for service, \$133,574 from operating grants, contributions and restricted interest, \$371,673 from capital grants, contributions and restricted interest, \$49,049 from local option sales tax, \$694 from unrestricted interest on investments, \$1,122,659 of note proceeds and \$11,336 from other general receipts.

Disbursements for the year ended June 30, 2014 totaled \$1,931,271 and included \$64,544 for public works, \$52,404 for public safety and \$39,535 for general government. Also, disbursements for business type activities totaled \$1,727,390.

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 <http://auditor.iowa.gov/reports/1422-0020-B00F.pdf>.

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CITY OF MOULTON

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

JUNE 30, 2014

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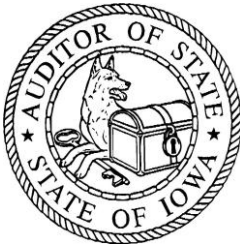
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City of Moulton

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
Scott Snider	Mayor	Jan 2016
Ben Hansen	Mayor Pro tem	Jan 2014
Jason Ogden	Council Member	Jan 2014
Eddie Guinn	Council Member	Jan 2016
John Replogle	Council Member	Jan 2016
Randy Welch	Council Member	Jan 2016
Vicki Withrow	City Clerk	Indefinite
Debra George	Attorney	Indefinite
(After January 2014)		
Scott Snider	Mayor	Jan 2016
Ben Hansen	Mayor Pro tem	Jan 2018
Eddie Guinn	Council Member	Jan 2016
John Replogle	Council Member	Jan 2016
Randy Welch	Council Member	Jan 2016
Jason Ogden	Council Member	Jan 2018
Vicki Withrow	City Clerk	Indefinite
Debra George	Attorney	Indefinite

City of Moulton



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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 Moulton, 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.

Basis for Qualified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2013.

Qualified Opinions

In our opinion, except for the effects of such adjustments if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2013, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Moulton 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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Moulton's basic financial statements. The supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.


The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the budgetary comparison information 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 February 24, 2015 on our consideration of the City of Moulton'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 Moulton's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 24, 2015

Basic Financial Statements

City of Moulton

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	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 52,404	13,036	62,897	-
Public works	64,544	-	61,612	-
Culture and recreation	36,495	376	7,592	-
Community and economic development	2,260	-	-	-
General government	39,535	6,167	1,473	-
Debt service	8,643	-	-	-
Total governmental activities	203,881	19,579	133,574	-
Business type activities:				
Water	148,719	132,167	-	-
Sewer	1,306,806	184,238	-	371,673
Gas	226,324	210,951	-	-
Garbage	45,541	45,087	-	-
Total business type activities	1,727,390	572,443	-	371,673
Total	\$ 1,931,271	592,022	133,574	371,673

General Receipts:

Property and other city tax levied for:

General purposes

Debt service

Local option sales tax

Unrestricted interest on investments

Note proceeds

Miscellaneous

Total general receipts

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

Restricted:

Expendable:

Local option sales tax

Employee benefits

Debt service

Capital improvements

Other purposes

Unrestricted

Total cash basis net position

See notes to financial statements.

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

Governmental Activities	Business Type Activities	Total
23,529	-	23,529
(2,932)	-	(2,932)
(28,527)	-	(28,527)
(2,260)	-	(2,260)
(31,895)	-	(31,895)
(8,643)	-	(8,643)
(50,728)	-	(50,728)
-	(16,552)	(16,552)
-	(750,895)	(750,895)
-	(15,373)	(15,373)
-	(454)	(454)
-	(783,274)	(783,274)
(50,728)	(783,274)	(834,002)
74,064	-	74,064
4,183	-	4,183
49,049	-	49,049
588	106	694
-	1,122,659	1,122,659
867	10,469	11,336
128,751	1,133,234	1,261,985
78,023	349,960	427,983
174,454	149,688	324,142
\$ 252,477	499,648	752,125
\$ 191,131	-	191,131
21,093	-	21,093
8,560	30,553	39,113
-	301,759	301,759
8,151	-	8,151
23,542	167,336	190,878
\$ 252,477	499,648	752,125

Exhibit B

City of Moulton

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

As of and for the year ended June 30, 2014

	Special Revenue			Total
	General	Local Option Sales Tax	Nonmajor	
Receipts:				
Property tax	\$ 65,618	-	12,629	78,247
Other city tax	-	49,049	-	49,049
Licenses and permits	1,605	-	-	1,605
Use of money and property	1,789	-	-	1,789
Intergovernmental	41,280	-	60,412	101,692
Charges for service	12,736	-	-	12,736
Miscellaneous	11,337	-	25,449	36,786
Total receipts	134,365	49,049	98,490	281,904
Disbursements:				
Operating:				
Public safety	47,886	-	4,518	52,404
Public works	-	-	64,544	64,544
Culture and recreation	18,255	-	18,240	36,495
Community and economic development	2,260	-	-	2,260
General government	32,304	-	7,231	39,535
Debt service	-	-	8,643	8,643
Total disbursements	100,705	-	103,176	203,881
Excess (deficiency) of receipts over (under) disbursements	33,660	49,049	(4,686)	78,023
Other financing sources (uses):				
Transfers in	8,000	-	8,860	16,860
Transfers out	(8,860)	-	(8,000)	(16,860)
Total other financing sources (uses)	(860)	-	860	-
Change in cash balances	32,800	49,049	(3,826)	78,023
Cash balances beginning of year	5,986	142,082	26,386	174,454
Cash balances end of year	\$ 38,786	191,131	22,560	252,477
Cash Basis Fund Balances				
Restricted for:				
Local option sales tax purposes	\$ -	191,131	-	191,131
Employee benefits	-	-	21,093	21,093
Debt service	-	-	8,560	8,560
Other purposes	-	-	8,151	8,151
Unassigned	38,786	-	(15,244)	23,542
Total cash basis fund balances	\$ 38,786	191,131	22,560	252,477

See notes to financial statements.

City of Moulton

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

As of and for the year ended June 30, 2014

	Enterprise				Total
	Water	Sewer	Gas	Nonmajor Garbage	
Operating receipts:					
Charges for service	\$ 132,167	184,238	210,951	45,087	572,443
Operating disbursements:					
Business type activities	148,719	80,346	226,324	45,541	500,930
Excess (deficiency) of operating receipts over (under) operating disbursements	(16,552)	103,892	(15,373)	(454)	71,513
Non-operating receipts (disbursements):					
USDA grant	-	300,660	-	-	300,660
Community Development Block grant	-	71,013	-	-	71,013
Note proceeds	-	1,122,659	-	-	1,122,659
Interest on investments	-	95	11	-	106
Miscellaneous	6,720	1,062	898	1,789	10,469
Debt service	-	(32,788)	-	-	(32,788)
Capital projects	-	(1,193,672)	-	-	(1,193,672)
Net non-operating receipts (disbursements)	6,720	269,029	909	1,789	278,447
Change in cash balances	(9,832)	372,921	(14,464)	1,335	349,960
Cash balances beginning of year	3,086	(57,123)	191,820	11,905	149,688
Cash balances end of year	\$ (6,746)	315,798	177,356	13,240	499,648
Cash Basis Fund Balances					
Restricted for:					
Debt service	\$ -	30,553	-	-	30,553
Capital improvements	-	301,759	-	-	301,759
Unrestricted	(6,746)	(16,514)	177,356	13,240	167,336
Total cash basis fund balances	\$ (6,746)	315,798	177,356	13,240	499,648

See notes to financial statements.

City of Moulton

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

The City of Moulton is a political subdivision of the State of Iowa located in Appanoose County. It was first incorporated in 1869 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, community and economic development and general government services. The City also provides water, sewer, gas and solid waste utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Moulton 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 Moulton (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

Moulton EMS, Inc. was organized under Chapter 504 of the Code of Iowa as a non-profit corporation. Moulton EMS, Inc. is legally separate from the City, but its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. Moulton EMS, Inc. is reported as a Special Revenue Fund.

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: Appanoose County Assessor's Conference Board, Appanoose County Emergency Management Commission, Rathbun Area Solid Waste Commission and Appanoose 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 are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. 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, Local Option Sales Tax Fund is used to account for the collection and use of local option sales and services taxes.

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.

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

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net positions available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements exceeded the amount budgeted in the business type activities function.

(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 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 investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$118,686 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City’s investment in the Iowa Public Agency Investment Trust is unrated.

(3) Notes Payable

Annual debt service requirements to maturity for general obligation capital loan notes and sewer revenue capital loan notes are as follows:

Year Ending June 30,	General Obligation Capital Loan Notes		Sewer Revenue Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 4,748	3,895	29,000	4,248	33,748	8,143
2016	4,949	3,694	32,000	3,690	36,949	7,384
2017	5,160	3,484	33,000	3,068	38,160	6,552
2018	5,378	3,265	34,000	2,428	39,378	5,693
2019	5,606	3,037	5,000	1,770	10,606	4,807
2020-2024	31,809	11,405	28,000	6,510	59,809	17,915
2025-2029	30,094	4,246	26,000	2,010	56,094	6,256
2030-2031	4,022	171	-	-	4,022	171
Total	\$ 91,766	33,197	187,000	23,724	278,766	56,921

Sewer Revenue Capital Loan Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$502,000 of sewer revenue capital loan notes issued in May 1998 and December 2008. Proceeds from the notes provided financing for the construction of improvements to the sewer plant. The notes are payable solely from sewer customer net receipts and are payable through 2028. Annual principal and interest payments on the notes are expected to require less than 32% of net receipts. The total principal and interest remaining to be paid on the notes is \$210,724. For the current year, principal and interest paid and total customer net receipts were \$32,788 and \$103,892, respectively.

The resolutions providing for the issuance of the sewer revenue capital loan notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) The specific minimum balances required for the sewer reserve account have been accumulated.

(4) 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.

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 contribution to IPERS for the year ended June 30, 2014 was \$11,123, equal to the required contribution for the year.

(5) Project Anticipation Note

On September 10, 2013, the City entered into an agreement with Great Western Bank for a project anticipation note for up to \$1,149,000 with interest at 2.95% per annum. The note was issued as interim financing to pay construction costs of the municipal sanitary sewer system and will be repaid from the proceeds of a future revenue note. At June 30, 2014, the City had drawn \$1,122,659 of the authorized note amount. The note is due on or before September 1, 2014.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
General	Capital Projects	\$ 8,000
Debt Service	General	8,860
Total		<u>\$ 16,860</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(7) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Deficit Balances

The Special Revenue, Road Use Tax and the Enterprise, Water Funds had deficit balances of \$15,244 and \$6,747, respectively, at June 30, 2014. The City is investigating alternatives to eliminate the deficits, which include future cost savings measures and/or anticipated receipts.

(9) Subsequent Event

On September 2, 2014, the City entered into a U.S. Department of Agriculture – Rural Development \$1,149,000 taxable sewer revenue note with interest at 2.00% per annum. The note was issued to redeem outstanding obligations previously issued to pay the costs of the municipal sanitary sewer system.

(10) 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 other information.

City of Moulton

Other Information

City of Moulton
 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	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 78,247	-	-
Other city tax	49,049	-	-
Licenses and permits	1,605	-	-
Use of money and property	1,789	106	-
Intergovernmental	101,692	371,673	-
Charges for service	12,736	572,443	-
Miscellaneous	36,786	10,469	3,148
Total receipts	<u>281,904</u>	<u>954,691</u>	<u>3,148</u>
Disbursements:			
Public safety	52,404	-	4,483
Public works	64,544	-	-
Culture and recreation	36,495	-	-
Community and economic development	2,260	-	-
General government	39,535	-	-
Debt service	8,643	-	-
Capital projects	-	-	-
Business type activities	-	1,727,390	-
Total disbursements	<u>203,881</u>	<u>1,727,390</u>	<u>4,483</u>
Excess (deficiency) of receipts over (under) disbursements	78,023	(772,699)	(1,335)
Other financing sources, net	-	1,122,659	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	78,023	349,960	(1,335)
Balances beginning of year	174,454	149,688	3,205
Balances end of year	<u>\$ 252,477</u>	<u>499,648</u>	<u>1,870</u>

See accompanying independent auditor's report.

Total	Original/Final Budgeted Amounts	Final to Total Variance
78,247	73,812	4,435
49,049	50,084	(1,035)
1,605	2,165	(560)
1,895	1,700	195
473,365	1,421,457	(948,092)
585,179	633,075	(47,896)
44,107	23,750	20,357
<u>1,233,447</u>	<u>2,206,043</u>	<u>(972,596)</u>
47,921	53,520	5,599
64,544	98,382	33,838
36,495	37,249	754
2,260	3,000	740
39,535	46,172	6,637
8,643	8,650	7
-	2,450,000	2,450,000
<u>1,727,390</u>	<u>620,731</u>	<u>(1,106,659)</u>
<u>1,926,788</u>	<u>3,317,704</u>	<u>1,390,916</u>
(693,341)	(1,111,661)	418,320
<u>1,122,659</u>	<u>1,150,000</u>	<u>(27,341)</u>
429,318	38,339	390,979
<u>320,937</u>	<u>192,875</u>	<u>128,062</u>
<u>750,255</u>	<u>231,214</u>	<u>519,041</u>

City of Moulton

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 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 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, the Debt Service Fund, the Capital Projects Fund 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. The City did not amend the budget during the year ended June 30, 2014.

During the year ended June 30, 2014, disbursements exceeded the amount budgeted in the business type activities function.

Supplementary Information

City of Moulton

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2014

	Special Revenue			
	Road Use Tax	Employee Benefits	Moulton EMS Inc.	Garrett Memorial Library
Receipts:				
Property tax	\$ -	8,446	-	-
Intergovernmental	60,412	-	-	-
Miscellaneous	685	-	3,148	21,616
Total receipts	61,097	8,446	3,148	21,616
Disbursements:				
Operating:				
Public safety	-	35	4,483	-
Public works	64,544	-	-	-
Culture and recreation	-	-	-	18,240
General government	-	7,231	-	-
Debt service	-	-	-	-
Total disbursements	64,544	7,266	4,483	18,240
Excess (deficiency) of receipts over (under) disbursements	(3,447)	1,180	(1,335)	3,376
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Change in cash balances	(3,447)	1,180	(1,335)	3,376
Cash balances beginning of year	(11,797)	19,913	3,205	2,905
Cash balances end of year	\$ (15,244)	21,093	1,870	6,281
Cash Basis Fund Balances				
Restricted for:				
Employee benefits	\$ -	21,093	-	-
Debt service	-	-	-	-
Other purposes	-	-	1,870	6,281
Unassigned	(15,244)	-	-	-
Total cash basis fund balances	\$ (15,244)	21,093	1,870	6,281

See accompanying independent auditor's report.

Debt Service	Capital Projects	Total
4,183	-	12,629
-	-	60,412
-	-	25,449
4,183	-	98,490
-	-	4,518
-	-	64,544
-	-	18,240
-	-	7,231
8,643	-	8,643
8,643	-	103,176
(4,460)	-	(4,686)
8,860	-	8,860
-	(8,000)	(8,000)
8,860	(8,000)	860
4,400	(8,000)	(3,826)
4,160	8,000	26,386
8,560	-	22,560
-	-	21,093
8,560	-	8,560
-	-	8,151
-	-	(15,244)
8,560	-	22,560

City of Moulton
Schedule of Indebtedness
Year ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation capital loan notes:			
Fire station note 1	Oct 18, 2006	4.125%	\$ 30,000
Fire station note 2	Oct 18, 2006	4.375	25,000
Fire truck acquisition	Dec 21, 2009	4.250	56,000
Total			
Loan agreements:			
City truck	Aug 7, 2009	4.710%	\$ 21,375
Road resurfacing	Feb 2, 2010	0.000	39,598
Total			
Revenue capital loan notes:			
Sewer Series 1998	May 28, 1998	1.750%	\$ 400,000
Sewer Series 2008	Dec 17, 2008	3.000	102,000
Total			
Project anticipation notes:			
Sewer revenue loan and disbursement agreement	Sep 21, 2012	0.000	\$ 82,225
Sewer revenue loan agreement	Sep 10, 2013	2.950%	1,149,000
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
25,080	-	1,359	23,721	1,035
20,976	-	1,118	19,858	918
50,264	-	2,077	48,187	2,136
\$ 96,320	-	4,554	91,766	4,089
5,407	-	5,068	339	158
13,199	-	13,199	-	-
\$ 18,606	-	18,267	339	158
133,000	-	24,000	109,000	2,328
82,000	-	4,000	78,000	2,460
\$ 215,000	-	28,000	187,000	4,788
81,912	-	-	81,912	-
-	1,122,659	-	1,122,659	-
\$ 81,912	1,122,659	-	1,204,571	-

Schedule 3

City of Moulton

Note Maturities

June 30, 2014

General Obligation Capital Loan Notes									
Year Ending June 30,	Fire Station, note 1		Fire Station, note 2		Fire Truck Acquisition			Total	
	Issued Oct 18, 2006		Issued Oct 18, 2006		Issued Dec 21, 2009				
	Interest		Interest		Interest				
	Rates	Amount	Rates	Amount	Rates	Amount			
2015	4.125%	\$ 1,416	4.375%	\$ 1,167	4.25%	\$ 2,165		4,748	
2016	4.125	1,474	4.375	1,218	4.25	2,257		4,949	
2017	4.125	1,535	4.375	1,272	4.25	2,353		5,160	
2018	4.125	1,598	4.375	1,327	4.25	2,453		5,378	
2019	4.125	1,664	4.375	1,385	4.25	2,557		5,606	
2020	4.125	1,733	4.375	1,446	4.25	2,666		5,845	
2021	4.125	1,804	4.375	1,509	4.25	2,779		6,092	
2022	4.125	1,878	4.375	1,575	4.25	2,897		6,350	
2023	4.125	1,956	4.375	1,644	4.25	3,020		6,620	
2024	4.125	2,037	4.375	1,716	4.25	3,149		6,902	
2025	4.125	2,121	4.375	1,791	4.25	3,283		7,195	
2026	4.125	2,208	4.375	1,869	4.25	3,422		7,499	
2027	4.125	2,297	4.375	1,939	4.25	3,568		7,804	
2028		-		-	4.25	3,719		3,719	
2029		-		-	4.25	3,877		3,877	
2030		-		-	4.25	4,022		4,022	
Total		<u>\$ 23,721</u>		<u>\$ 19,858</u>		<u>\$ 48,187</u>		<u>91,766</u>	

Sewer Revenue Capital Loan Notes						
Year Ending June 30,	Series 1998		Series 2008		Total	
	Issued May 28, 1998		Issued Dec 17, 2008			
	Interest		Interest			
	Rates	Amount	Rates	Amount		
2015	1.75%	\$ 25,000	3.00%	\$ 4,000	29,000	
2016	1.75	27,000	3.00	5,000	32,000	
2017	1.75	28,000	3.00	5,000	33,000	
2018	1.75	29,000	3.00	5,000	34,000	
2019		-	3.00	5,000	5,000	
2020		-	3.00	5,000	5,000	
2021		-	3.00	5,000	5,000	
2022		-	3.00	6,000	6,000	
2023		-	3.00	6,000	6,000	
2024		-	3.00	6,000	6,000	
2025		-	3.00	6,000	6,000	
2026		-	3.00	6,000	6,000	
2027		-	3.00	7,000	7,000	
2028		-		7,000	7,000	
Total		<u>\$ 109,000</u>		<u>\$ 78,000</u>	<u>187,000</u>	

See accompanying independent auditor's report.

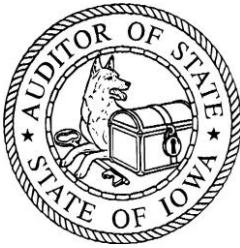
Supplementary Information

City of Moulton
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2014

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Agriculture:			
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 999,185
Community Facilities Loans and Grants	10.766		<u>5,000</u>
Total direct			<u>1,004,185</u>
Indirect:			
U.S. Department of Natural Resources:			
Iowa Department of Natural Resources:			
Cooperative Forestry Assistance	10.664	13-DG-11420004-0040	918
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	12-WS-019	<u>201,698</u>
Total indirect			<u>202,616</u>
Total			<u>\$ 1,206,801</u>

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

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, 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 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 Moulton, 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 February 24, 2015. Our report expressed qualified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles, since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Moulton'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 Moulton's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Moulton's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Moulton's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-14 through II-D-14 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-E-14 through II-H-14 to be significant deficiencies.

Compliance and Other Matters

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

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


The City of Moulton's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Moulton'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 Moulton during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

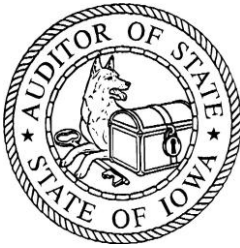

MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 24, 2015

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

City of Moulton



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

To the Honorable Mayor and
Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Moulton, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Moulton's major federal program for the year ended June 30, 2014. The City of Moulton's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Moulton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of the City of Moulton 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 Moulton's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Moulton's internal control over compliance.


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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-A-14 and III-B-14 to be material weaknesses.

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

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


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 24, 2015

City of Moulton

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

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

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

City of Moulton

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-14 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. One person has control over each of the following areas for the City:

- (1) Accounting system – performing all general accounting functions, including journal entries and having custody of City assets.
- (2) Cash – handling, reconciling and recording.
- (3) Long-term debt – recording and reconciling.
- (4) Receipts – collecting, depositing, posting and reconciling.
- (5) Utility receipts – billing, collecting, depositing and posting.
- (6) Disbursements – purchasing, check writing, check signing, recording, reconciling and mailing.
- (7) Payroll – recordkeeping, preparing, entering pay rates, adding and removing employees from payroll and distributing.
- (8) Journal entries – preparing and journalizing.
- (9) Computer system – performing all general accounting functions and controlling all data input and output.

For the Moulton EMS Inc. and the Garrett Memorial Library, one person has control over each of the following areas:

- (1) Receipts – collecting, depositing, posting and reconciling.
- (2) Disbursements – preparing, recording and reconciling.
- (3) Cash and investments – handling and recording.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Evidence of various reviews should be documented by the signature or initials of the reviewer and the date of the review.

Responses –

City – Mayor or Mayor Pro-tem will sign off on all monthly credit card statements and all time cards. Mayor or Mayor Pro-tem will review and initial the monthly reconciliation reports against the disbursements.

City of Moulton

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Moulton EMS, Inc. – Moulton EMS, Inc. disbursements require two signatures on all checks written. The elected officers present will review and initial all disbursements made each month at the scheduled monthly meeting. A report will be given to City Council monthly to report the Corporation's account balances. Payments will not be made until support is provided to the Treasurer and approved at the monthly meeting. The Director or Assistant Director will make the deposits into the Corporation's accounts.

Garrett Memorial Library – The entire Board reviews and initials all disbursements before payment by the Board Treasurer. All receipts are received by the Library Director. Deposits are made by the Library Director. Monthly reconciling is done by the Treasurer verifying cash and bank accounts. All reports are furnished monthly to the Library Board and the City Council. The Board Treasurer will review and initial all monthly time cards before payment.

Conclusions –

City – Response accepted.

Moulton EMS, Inc. – Response accepted.

Garrett Memorial Library – Response acknowledged. Bank to book reconciliations should include outstanding checks and deposits in transit. Evidence of reviews should be documented by the signature or initials of the reviewer and the date of the review.

- II-B-14 Bank Reconciliations – Although monthly bank reconciliations were prepared using the accounting system, the reconciliations included only the checking accounts and did not include other reconciling items necessary to reconcile with the monthly financial reports.

Recommendation – To provide better control over financial transactions and overall accountability, monthly bank reconciliations which include all checking accounts, petty cash and reconciling items should be prepared. The reconciliations should agree with the fund and account balances on the Clerk/Treasurer's monthly financial report.

Response – The Mayor or Mayor Pro-tem will review the statements and sign off on them.

Conclusion – Response accepted.

- II-C-14 Financial Reporting – During the audit, we identified material amounts of receipts and disbursements recorded in incorrect accounts and funds in the City's general ledger. Adjustments were subsequently made by the City to properly report the amounts in the City's financial statements.

Recommendation – The City should implement procedures to ensure receipts and disbursements are properly recorded in the City's financial records and in the Annual Financial Report.

Response – The City will ensure activity is properly recorded in the future.

Conclusion – Response accepted.

City of Moulton

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

II-D-14 Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

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

Response – The City will develop a procedure and reconciliation reports to cover this. A report will be prepared for the City Council to review the delinquencies.

Conclusion – Response acknowledged. The review should also be documented by the signature or initials of the reviewer and the date of the review.

II-E-14 Computer System – During our review of internal control, the existing control activities in the City’s computer system were evaluated. The City does not have a policy requiring users to change passwords periodically.

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

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

In addition, there is no evidence the plan is tested or distributed to all City employees.

Recommendation – The City should develop a written policy requiring users to change passwords periodically. The City should also modify the disaster recovery plan to include the items listed above and, once complete, the plan should be distributed to City officials and employees and tested periodically.

Response – The City will put together a policy for continuing effectiveness and financial security in the event of a disaster. Also a policy requiring passwords to be changed every 60 - 90 days will be adopted.

Conclusion – Response accepted.

City of Moulton

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

II-F-14 Payroll – Although timecards were maintained for all employees, there was no indication the timecards had been reviewed and approved by appropriate supervisory personnel prior to preparation of the payroll. Also, vacation and sick leave balances are not periodically reviewed by an independent person. Furthermore there is no policy regarding payout of unused vacation or sick leave. Additionally, certain vacation balances exceed policy limits.

Recommendation – Timecards should be reviewed and approved by appropriate supervisory personnel prior to preparation of payroll. The approval should be documented by the signature or initials of the reviewer and the date of the review.

Also, vacation and sick leave balances should be reviewed periodically by an independent person. Evidence of review should be documented by the signature or initials of the reviewer and the date of the review. Furthermore, the City should develop a policy regarding the payout of unused vacation or sick leave. Also, the City should ensure vacation balances in excess of policy limits are approved, as permitted by the policy.

Response – The Mayor or Mayor Pro-tem will document each time card. The City will work on a policy for payout of sick leave and vacation hours. The Mayor or Mayor Pro-tem will sign the time cards which will constitute approval of use of paid leave. The Clerk keeps a running tally of paid leave time balances for each employee which is provided to the employee. It will be available to the Mayor and/or City Council upon request. Vacation balances will not exceed policy limits unless approved by the City Council.

Conclusion – Response acknowledged. Vacation and sick leave balances should be reviewed periodically by an independent person. Evidence of the review should be documented by the signature or initials of the reviewer and the date of the review.

II-G-14 Credit Cards – The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting for credit card charges.

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls the credit cards, who is authorized to use the credit cards and for what purpose, as well as the types of supporting documentation required to substantiate charges.

Response – The City will develop a policy. The Mayor or Mayor Pro-tem will review these statements each month.

Conclusion – Response accepted.

City of Moulton

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

II-H-14 Accounting Procedures Manual – The City does not have an accounting policies and procedures manual, or formalized policies and procedures, for all major operations of the city.

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

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.
- (4) Ensure City accounts are appropriately utilized.

Response – The City will develop an accounting policies and procedures manual as well as policies and procedures for other major operations of the City.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Moulton

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCE OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

**CFDA Number 10.760: Water and Waste Disposal Systems for Rural Communities
Federal Award Year: 2014
U.S. Department of Agriculture**

III-A-14 (2014-001) Cash Management – The City drew funds from a project anticipation note which will be redeemed by a U.S. Department of Agriculture – Rural Development \$1,149,000 taxable sewer revenue note and was also reimbursed from a Community Development Block Grant for certain invoices. In addition, because of a disbursement reporting error, the City received \$300,660 from the U.S. Department of Agriculture – Rural Development grant which was not immediately used to pay related disbursements.

Recommendation – The City should improve cash management procedures to ensure invoices are not submitted for reimbursement from two federal funding sources. Also, disbursement tracking should be improved to minimize the time between the receipt of federal funds and the disbursement of those funds. The City should work with the USDA and the Iowa Economic Development Authority to resolve this matter.

Response and Corrective Action Planned – The City will pay closer attention to cash management.

Conclusion – Response acknowledged. The City should work with the USDA and the Iowa Economic Development Authority to resolve this matter.

III-B-14 (2014-002) Segregation of Duties – The City did not properly segregate custody, record-keeping and reconciling functions for receipts and disbursements, including those related to federal programs. See item II-A-14.

City of Moulton

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-14 Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amount budgeted in the business type activities function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The City will watch this much closer.

Conclusion – Response accepted.

IV-B-14 Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-14 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-14 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Roger Houser, Utility Superintendent, Owner of Houser Ref & AC	Furnace maintenance	\$ 88

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transaction with the City Utility Superintendent does not appear to represent a conflict of interest since the total transactions with the individual were less than \$1,500 during the fiscal year.

IV-E-14 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-14 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

IV-G-14 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

IV-H-14 Revenue Notes – No instances of non-compliance with the revenue note resolutions were noted.

City of Moulton

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

IV-I-14 Financial Condition – The Special Revenue, Road Use Tax and Enterprise, Water Funds had deficit balances of \$15,244 and \$6,746, respectively, at June 30, 2014.

Recommendation – The City should investigate alternatives to eliminate these deficits to return the funds to a sound financial position.

Response – The City Council has this item on the agenda every month and will until resolved. The water rates have recently been raised

Conclusion – Response accepted.

IV-J-14 Separately Maintained Records – The Garrett Memorial Library maintains a bank account separate from the City Clerk’s accounting records. The transactions and resulting balances were not included in the City’s accounting records and were not included in the City’s annual budget or monthly financial reports. However, the transactions and the resulting balances are included in these financial statements. In addition, although it was evident claims were approved by the Board, a listing of detailed claims was not prepared for review.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, “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 annual budget and should be reported to the City Council on a monthly basis.

Response – The City will institute a policy to receive monthly activity from each entity under City control, including copies of checks, paid invoices and income. The policy shall allow for a City internal audit of entity records at the City’s request.

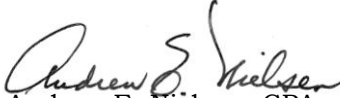
Conclusion – Response acknowledged. For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City’s accounting records and annual budget and should be reported to the City Council on a monthly basis.

City of Moulton

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager
Laura M. Wernimont, Staff Auditor
Emma L. McGrane, Assistant Auditor


Andrew E. Nielsen, CPA
Deputy Auditor of State