



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

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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NEWS RELEASE

FOR RELEASE _____ May 30, 2006

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released an audit report on the Capitalization Grants for Drinking Water State Revolving Funds (DWSRF) program of the City of Goose Lake, Iowa.

The City's DWSRF program disbursements totaled \$291,240 for the year ended June 30, 2005.

The report contains recommendations to the City Council to review accounting and operating procedures to obtain the maximum internal control possible under the circumstances.

A copy of the 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/reports.htm>.

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**CITY OF GOOSE LAKE
CAPITALIZATION GRANTS FOR DRINKING WATER
STATE REVOLVING FUNDS**

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

YEAR ENDED JUNE 30, 2005

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City of Goose Lake

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Richards	Mayor	Jan 2006
Joy Soenksen	Mayor Pro tem	Jan 2006
Patsey Farrell	Council Member	Jan 2006
Janice Bormann	Council Member	Jan 2006
Alan Soenksen	Council Member	Jan 2006
Paul Lorenzen	Council Member	Jan 2006
Teresa Lindstrom	Clerk/Treasurer	Indefinite
James Bear	Attorney	Indefinite

**City of Goose Lake
Capitalization Grants for Drinking Water State Revolving Funds**



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying schedule of expenditures of federal awards for the City of Goose Lake's Capitalization Grants for Drinking Water State Revolving Funds program for the year ended June 30, 2005. This financial statement is the responsibility of the City of Goose Lake's management. Our responsibility is to express an opinion on the financial statement of the program 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, 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 the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 our audit provides a reasonable basis for our opinion.

As described in note 1, this schedule was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the schedule of expenditures of federal awards referred to above presents fairly, in all material respects, the expenditures of federal awards under the City of Goose Lake's Capitalization Grants for Drinking Water State Revolving Funds program on the basis of accounting described in note 1.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 23, 2006

**City of Goose Lake
Capitalization Grants for Drinking Water State Revolving Funds**

City of Goose Lake
Capitalization Grants for Drinking Water State Revolving Funds

Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency Pass-through Number</u>	<u>Program Disbursements</u>
Indirect:			
U.S. Environmental Protection Agency:			
Iowa Department of Natural Resources:			
Capitalization Grants for Drinking Water			
State Revolving Funds	66.468	FS-23-03-DWSRF-011	<u>\$ 291,240</u>

See note to schedule of expenditures of federal awards.

City of Goose Lake
Capitalization Grants for Drinking Water State Revolving Funds

Note to Schedule of Expenditures of Federal Awards

June 30, 2005

(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, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

The schedule of expenditures of federal awards includes only the program disbursements of the City's Capitalization Grants for Drinking Water State Revolving Funds program.

B. Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of the City of Goose Lake and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

C. Basis of Accounting

The City of Goose Lake maintains its financial records on the basis of cash receipts and disbursements and the schedule of expenditures of federal awards is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the schedule of expenditures of federal awards is not presented in accordance with U.S. generally accepted accounting principles.

**Independent Auditor's Report on Compliance with Requirements
Applicable to the Federal Program and on Internal Control over Compliance
in Accordance with the Program – Specific Audit Option Under OMB Circular A-133**

**City of Goose Lake
Capitalization Grants for Drinking Water State Revolving Funds**



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Independent Auditor's Report on Compliance with Requirements
Applicable to the Federal Program and on Internal Control over Compliance
in Accordance with the Program – Specific Audit Option Under OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Goose Lake, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to the Capitalization Grants for Drinking Water State Revolving Funds program for the year ended June 30, 2005. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City of Goose Lake's management. Our responsibility is to express an opinion on the City of Goose Lake's compliance based on our audit.

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 non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on the Capitalization Grants for Drinking Water State Revolving Funds program occurred. An audit includes examining, on a test basis, evidence about the City of Goose Lake'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. Our audit does not provide a legal determination on the City of Goose Lake's compliance with those requirements.

In our opinion, the City of Goose Lake complied, in all material respects, with the requirements referred to above that are applicable to its Capitalization Grants for Drinking Water State Revolving Funds program for the year ended June 30, 2005.

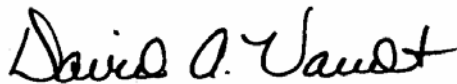
Internal Control Over Compliance

The management of the City of Goose Lake is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Goose Lake's internal control over compliance with requirements that could have a direct and material effect on its Capitalization Grants for the Drinking Water State Revolving Funds program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

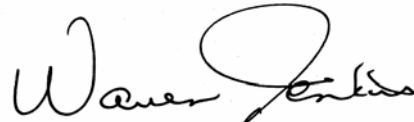
We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Goose Lake's ability to administer its major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable 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 non-compliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to the federal program 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 compliance 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, we consider the reportable condition described above to be a material weakness.

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, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 23, 2006

City of Goose Lake
Capitalization Grants for Drinking Water State Revolving Funds

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

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

- (a) An unqualified opinion was issued on the schedule of expenditures of federal awards which was prepared in conformity with an other comprehensive basis of accounting.
- (b) The audit did not disclose any non-compliance which is material to the schedule of expenditures of federal awards.
- (c) A reportable condition in internal control over the Capitalization Grants for Drinking Water State Revolving Funds program was disclosed by the audit of the schedule of expenditures of federal awards. The reportable condition is considered to be a material weakness.
- (d) An unqualified opinion was issued on compliance with requirements applicable to the Capitalization Grants for Drinking Water State Revolving Funds program.
- (e) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (f) The major program was CFDA Number 66.468 – Capitalization Grants for Drinking Water State Revolving Funds.
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$500,000.
- (h) The City of Goose Lake did not qualify as a low-risk auditee.

City of Goose Lake
Capitalization Grants for Drinking Water State Revolving Funds

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part II: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

II-A-05 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent employees 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) Information system/computer usage – performing all general accounting functions and controlling all data input and output.
- (2) Receipts – collecting, depositing, journalizing and posting.
- (3) Disbursements – purchasing, check signing, recording and reconciling.
- (4) Financial reporting – preparing, posting and reconciling.

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.

Response and Planned Corrective Action – The City of Goose Lake will utilize all of the staff to the best of its ability financially in order to create segregation of duties.

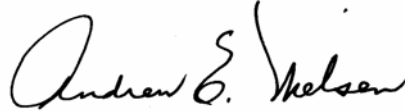
Conclusion – Response accepted.

City of Goose Lake

Staff

This audit was performed by:

K. David Voy, CPA, Manager
John G. Vanis, CGFM, Senior 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