CITY OF REINBECK

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEEDURES

FOR THE PERIOD
July I, 2005 through June 30, 2006

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City of Reinbeck

Officials

Name	Title	Term Expires
Lon Larsen	Mayor	December 2007
Ron Petersen	Mayor Pro-Tem	December 2007
Mike Schick	Council Member	December 2005
Dave Heasley	Council Member	December 2005
Allen Stickfort	Council Member	December 2005
Beryl Manlick	Council Member	December 2007
Quentin Mayberry	City Administrator	Indefinite
Janalyn Harris	Administrative Assistant	Indefinite
Kurt Leistikow	Attorney	Indefinite

City of Reinbeck

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Independent Accountant's Report
on Applying Agreed-Upon Procedures

To the Honorable Mayor and
Members of the City Council:

I have performed the following procedures, which were agreed to by the City of Reinbeck, solely to assist the City in evaluating its certification the City complied with Chapter 388.10 of the Code of Iowa because it did not subsidize its telecommunication systems and/or services. Management is responsible for the City's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures I performed are summarized as follows:

1. I obtained an understanding of the City's internal control over the City's telecommunications system and services.

2. I obtained and reviewed copies of the City's ordinances and resolutions pertaining to the City's telecommunications system and services, including rates charged.

3. I reviewed and/or tested selected transactions for billings, collections, receipts, disbursements, transfers and balances pertaining to the City's telecommunications system and services.

4. I reviewed and tested the City's cost allocations.

No exceptions to the requirements of Chapter 388.10 of the Code of Iowa were noted as a result of performing the procedures described above. However, I identified one recommendation for the City, which is described in the Detailed Recommendations section of this report.

I was not engaged to conduct an examination, the objective of which is the expression of an opinion on the City's compliance with the requirements of Chapter 388.10 of the Code of Iowa. Accordingly, I do not express an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

MEMBER: Iowa Society of Certified Public Accountants • Minnesota Society of Certified Public Accountants
• American Institute of Certified Accountants • Division for CPA Firms • Private Companies Practice Section

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 Reinbeck and other parties to whom the City of Reinbeck may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Keith Oltrogge
Certified Public Accountant

November 21, 2006

Detailed Recommendations

City of Reinbeck

Detailed Recommendation

July 1, 2005 through June 30, 2006

(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. Generally, one person has control over each of the following areas for the City:

1) Accounting system – performing all general accounting functions and custody of assets.

2) Cash – preparing bank account reconciliations, initiating cash receipts and disbursement functions and handling and recording cash.

3) Investments – detailed record keeping, custody of investments and reconciling earnings.

4) Receipts – collecting, depositing, journalizing, reconciling and posting.

5) Utility receipts – billing, collecting, depositing, posting and reconciling.

6) Disbursements – check writing, reconciling, check signing and posting.

7) Information system (computer usage) – performing all general accounting functions and controlling all data input and output.

8) Financial reporting – preparing, reconciling and distributing.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. However, the City should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel. Evidence of independent reviews should be indicated by initials of the independent reviewer.

Response – We will comply with the recommendation.

Conclusion – Response accepted.