

**CITY OF NORA SPRINGS, IOWA  
INDEPENDENT ACCOUNTANT'S  
EXAMINATION REPORT  
FOR THE PERIOD  
JULY 1, 2012 THROUGH JUNE 30, 2013**

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# Officials

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Name	Title	Term Expires
<b>Elected Officials</b>		
George Andersen	Mayor	December 31, 2013
Steve Blickenderfer	Council Member	December 31, 2015
Alan Brallier	Council Member	December 31, 2015
Larry Cross	Council Member	December 31, 2013
Brian Hanft	Council Member	December 31, 2013
Candace Smith	Council Member	December 31, 2015
<b>Appointed Officials</b>		
Deborah Gaul	City Administrator	Indefinite

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# HOGAN ♦ HANSEN

*A Professional Corporation*

Certified Public Accountants and Consultants

## Independent Accountant's Examination Report

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To the Honorable Mayor and  
Members of the City Council  
City of Nora Springs, Iowa

We have performed an examination of the City of Nora Springs pursuant to Chapter 11.6 of the Code of Iowa. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Nora Springs for the period July 1, 2012 through June 30, 2013. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Administrator's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2013 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.

9. We reviewed debt, including general obligation and revenue bonds, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
13. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of noncompliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the operations of the City of Nora Springs, the objective of which is the expression of opinions on financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Nora Springs, additional matters might have come to our attention that would have been reported to you.

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

*HOGAN - HANSEN*

HOGAN - HANSEN  
Mason City, Iowa  
December 13, 2013

**Detailed Recommendations**

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## Detailed Recommendations

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For the Period July 1, 2012 through June 30, 2013

- (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. We noted that incompatible duties are being performed by the same person.

**Recommendation** - We realize that segregation of duties is difficult with a limited number of 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.

- (B) **Deposits and Investments** - A resolution naming official depositories has been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa; however, the City exceeded the depository amounts.

**Recommendation** - The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

- (C) **Certified Budget** - Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the debt service and capital projects functions. 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.

- (D) **Electronic Check Retention** - Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check.

**Recommendation** - The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

- (E) **Tax Increment Financing** - Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from the fund as provided in Chapter 403.19 of the Code of Iowa. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness and, as such, the County Auditor shall provide available tax increment financing (TIF) incremental property tax in subsequent fiscal years without further certification until the amount of certified indebtedness is paid to the City. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. We noted invoices were paid from the Special Revenue, Urban Renewal Tax Increment Fund for miscellaneous costs within the City's urban renewal area during the fiscal year. These items have not been certified as TIF indebtedness to the County Auditor and approved by the City Council.

## Detailed Recommendations

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For the Period July 1, 2012 through June 30, 2013

**Recommendation** - The City should utilize interfund loans for such payments and approve a related resolution declaring the items TIF debt. Debt should then be certified to the County Auditor in accordance with Chapter 403.19 of the Code of Iowa.

The City should establish procedures to ensure the TIF debt certification complies with Chapter 403 of the Code of Iowa and includes only allowable debt approved by the City Council prior to the certification.

- (F) **Employee Reimbursements** - During our review of reimbursements to the City Administrator, we noted one mileage reimbursement that was calculated incorrectly, resulting in the City Administrator being reimbursed \$25.81 less than the approved rate.

**Recommendation** - The City should consider having a second staff member recalculate reimbursements prior to payment when possible.

- (G) **Fund Balance** - We noted the total fund balance reported on the Annual Financial Report did not agree to the total fund balance reported in the general ledger by \$3,400. The issue was related to a software problem and how insurance withholding was recorded to the general ledger.

**Recommendation** - We recommend the City continue to work with the software company to resolve this issue.

- (H) **Annual Financial Report** - During our review of the Annual Financial Report, we noted the budgeted revenue and expenditures reported were not from the final budget amendment. We also noted salaries and wages paid did not reconcile to the general ledger by \$285.

**Recommendation** - We recommend final budgeted revenue and expenditures be reported on the Annual Financial Report. We also recommend salaries and wages paid reported on the Annual Financial Report agree to the general ledger.