# CITY OF AFTON, IOWA

## INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT

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

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CITY OF AFTON, IOWA

OFFICIALS

| Name | Title | Term Expires |
|---|---|---|
| Michelle Burger | Mayor | January 2014 |
| Jeff Burger | Council Member | January 2014 |
| Sherry Parrott | Council Member | January 2014 |
| David Cunningham | Council Member | January 2016 |
| Mary Hill | Council Member | January 2016 |
| Cindy Williams | Council Member | January 2016 |
| Toni Landers | Clerk/Treasurer | Indefinite |
| Marion James | Attorney | Indefinite |

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# INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT

To the Honorable Mayor and
Members of City Council

We have performed an examination of the City of Afton, Iowa 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 Afton, Iowa, 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 Clerk'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 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.

8. We reviewed debt, including revenue bonds/notes, 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.

9. We reviewed and tested selected receipts for accurate accounting and consistency with CFC recommended chart of accounts.

10. 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.

11. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.

12. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.

13. 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 non-compliance 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 Afton, Iowa, 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 Afton, Iowa, 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 Afton, Iowa, and other parties to whom the City of Afton, Iowa, may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Afton, Iowa, during the course of our examination. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Dwayne, Smedgrass, Mickleburn + Co., P.C.

December 6, 2013

# DETAILED RECOMMENDATIONS

CITY OF AFTON, IOWA
DETAILED RECOMMENDATIONS
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. Generally, one individual has control over each of the following areas for the City:

(1) Cash – handling, reconciling and recording.

(2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.

(3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.

(4) Payroll – recordkeeping, preparation and distribution.

(5) Utilities – billing, collecting, depositing and posting.

(6) Financial reporting – preparing and reconciling.

(7) Journal entries – preparing and journalizing.

Recommendation – We realize 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. Independent review of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.