City of Marcus

Marcus, Iowa

Independent Accountant's Report on
Applying Agreed-Upon Procedures

For the Period July 1, 2013
Through June 30, 2014

CITY OF MARCUS

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CITY OF MARCUS

OFFICIALS

Name	Title	Term Expires
	(Before January 2014)	
Darrell Downs	Mayor	December 2013
Carl Nelson	Mayor ProTem	December 2015
Matt Schmillen	Council Member	December 2015
Conrad Ebert	Council Member	December 2013
Robin Jenness	Council Member	December 2015
Harold Klassen	Council Member	December 2013
Beverly Alesch	Clerk/Treasurer	Indefinite
Charles Knudson	Attorney	Indefinite
	(After January 2014)	
Gary Husman	Mayor	December 2015
Carl Nelson	Mayor ProTem	December 2015
Matt Schmillen	Council Member	December 2015
Conrad Ebert	Council Member	December 2017
Robin Jenness	Council Member	December 2015
Harold Klassen	Council Member	December 2017
Beverly Alesch	Clerk/Treasurer	Indefinite
Charles Knudson	Attorney	Indefinite

KRP
KING, REINSCH, PROSSER & CO., L.L.P.
Certified Public Accountants

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of City Council
City of Marcus
Marcus, Iowa

We have performed an agreed-upon procedures engagement of the City of Marcus, Iowa pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide certain minimum oversight of Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Marcus, Iowa for the period July 1, 2013 through June 30, 2014. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 surety 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 recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.

6. We reviewed the City's fiscal year 2014 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.

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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/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.

10. We reviewed compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.

11. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.

12. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.

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

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

15. 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 City of Marcus, Iowa, the objective of which is the expression of opinions on the City's 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 Marcus, 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 Marcus, Iowa and other parties to whom the City of Marcus, 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 Marcus, Iowa during the course of our agreed-upon procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Kung Reinsch Prosser & Co LLP

Sioux City, Iowa
January 21, 2015

Detailed Recommendations

CITY OF MARCUS

DETAILED RECOMMENDATIONS

FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2014

(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, with limited review by the Council:

(1) Cash - handling, reconciling and recording.

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

(3) Disbursements - 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 reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

(B) Investments - The City's current investment policy is not in compliance with Chapter 12B.10B of the Code of Iowa.

Recommendation - The City should review and update the current written investment policy in order to comply with the provisions of Chapter 12B.10B of the Code of Iowa.

(C) Financial Condition - The Solid Waste Fund had a deficit balance at June 30, 2014 totaling $117,101.

Recommendation - The City should investigate alternatives to eliminate this deficit in order to return the fund to a sound financial position.

(D) Annual Financial Report - The beginning and ending fund balances, receipts, and disbursements reported on the City's fiscal year 2014 Annual Financial Report did not agree to the City's general ledger.

Recommendation - The City should review the Annual Financial Report to determine that reported amounts agree with City records.

CITY OF MARCUS

DETAILED RECOMMENDATIONS

FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2014

(E) Business Transactions - Business transactions between the City and City officials or employees, which may represent conflicts of interest, are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Matt Schmillen, Council Member, Schmillen Construction	Supplies and Repairs	$ 18,685
Conrad Ebert, Council Member, Ebert Construction	Supplies and Repairs	$ 5,794

In accordance with Chapter 362.5(k) of the Code of Iowa, the above transactions may represent a conflict of interest since total transactions were more than $2,500 during the fiscal year and the transactions were not competitively bid.

Recommendation - The City should consult legal counsel to determine the disposition of this matter.

(F) Certified Budget - Disbursements during the year ended June 30, 2014 exceeded the amount budgeted in the debt service 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.

(G) Payroll - During our testing of payroll, we found one individual who was paid without documentation of a supervisor's approval of hours worked.

Recommendation - The City should implement procedures to ensure that all time cards are approved and initialed by the employee's supervisor or by an independent official who is not involved with payroll.