CITY OF STRAWBERRY POINT, IOWA

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

Table of Contents

Officials 1

Independent Accountant's Report on Applying Agreed-Upon Procedures 2-3

Detailed Recommendations 4-7

Officials

Name	Title	Term Expires
	(Before January, 2014)	
	Elected Officials	
Dale Fox	Mayor	January, 2014
William Rowcliffe	Council Member	January, 2014
Rich Newman	Council Member	January, 2014
Mike Tucker	Council Member	January, 2016
Jackie Opperman	Council Member	January, 2016
McKenzie Robinson	Council Member	January, 2016
	Appointed Officials	
Deanna McCusker	City Clerk (resigned September, 2013)	
Elizabeth Jaster	Deputy City Clerk	Indefinite
	(After January, 2014)	
	Elected Officials	
Ron Highland	Mayor	January, 2016
Mike Tucker	Council Member	January, 2016
Jackie Opperman	Council Member	January, 2016
McKenzie Robinson	Council Member (resigned March, 2014)	January, 2016
Travis Kruger	Council Member	January, 2018
William Rowcliffe	Council Member	January, 2018
	Appointed Officials	
Elizabeth Jaster	City Clerk/Administrator	January, 2016
Corrine Schwietert	Deputy City Clerk (effective April, 2014)	Indefinite

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Certified Public Accountants and Consultants

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor and
Members of the City Council
City of Strawberry Point, Iowa

We have performed an agreed-upon procedures engagement of the City of Strawberry Point 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 Strawberry Point 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 (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 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 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 City of Strawberry Point, 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 Strawberry Point, 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 Strawberry Point and other parties to whom the City of Strawberry Point 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

Waterloo, Iowa
November 13, 2014

Detailed Recommendations

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. 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) **Payroll** - One of the City Clerk's timesheets and one of the City Superintendent's timesheets selected for testing did not include evidence of supervisory review, but were merely self-approved instead.

Recommendation - All timesheets should be reviewed and approved by a supervisor or the Mayor prior to processing payroll.

(C) **City Council Meeting Minutes** - Although minutes of City Council proceedings were published, the City did not publish a summary of receipts as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation - A summary of receipts should be published as required.

(D) **Certified Budget** - Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public safety, 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.

(E) **Questionable Disbursements** - Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

Paid to	Purpose	Amount
Mark Meyer	Sales tax included in reimbursement for repair parts	$ 34
Trott Trophies	Plaque for City Treasurer	38

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation - The City Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation.

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

(F) **Petty Cash at the Swimming Pool** - Documentation supporting payments from the petty cash fund at the swimming pool is not maintained.

Recommendation - Documentation supporting all uses of petty cash should be retained by the City.

(G) **Business Transactions** - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Munter's True Value, owned by City Treasurer, Thomas Munter	Miscellaneous supplies and tools	$ 4,606

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

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

(H) **Depository Resolution** - The City could not locate a depository resolution until one was passed on June 4, 2014.

Recommendation - The City Council should annually pass a depository resolution that is in accordance with the Code of Iowa Chapter 12C.2.

(I) **Sewer Revenue Bonds and Notes** - The City's 2006 sewer revenue bond note resolutions require repayment solely from the net receipts of the Enterprise, Sewer Fund and state the debt repayments are not payable in any manner by taxation. The City is required to establish a sewer sinking account and make sufficient monthly transfers to this account from the Enterprise, Sewer Fund for making the required debt payments. While the City has established the sewer sinking account, there was only one transfer recorded to the sewer sinking account.

Further, the 2006 sewer revenue bond requires the City to maintain user rates at a level to ensure net receipts are equal to at least 110% of the principal and interest due in that year.

Recommendation - The City should transfer from the Enterprise, Sewer Fund to the sewer sinking account monthly.

The City should increase user rates or reduce expenses to ensure that net receipts equal at least 110% of the principal and interest due each year.

(J) **Tax Increment Financing** - Chapters 403.19(10)(b) and 403.22 of the Code of Iowa provide that monies in the Special Revenue, Tax Increment Financing (TIF) Fund shall not be used for any purpose except for the payment of loans, advances, indebtedness or bonds which qualify for payment from the TIF Fund. The City paid principal and interest on its 2009 general obligation bonds from the Special Revenue, Tax Increment Financing Fund through transfers to the Debt Service Fund. However, we noted $13,411 of TIF monies transferred to the Rehab Housing Fund and expended for purposes other than repayment of certified TIF obligations.

Recommendation - The City should consult legal counsel to determine the disposition of the City's TIF disbursement. The City should ensure disbursements of TIF monies are made only for payments for certified TIF obligations.

(K) **Annual Urban Renewal Report (AURR)** - The 2013 AURR was approved and certified to the Iowa Department of Management on or before December 1, 2013, although we noted the City understated the amount of TIF debt outstanding at June 30, 2013 on the Levy Authority Summary as the December, 2012, interest payment was not included.

Recommendation - The City should ensure that the amounts reported on the Levy Authority Summary agree with the City's records. When filing the Annual Urban Renewal Report for the year ended June 30, 2014, the City should determine that all principal and interest amounts outstanding for the remaining term of the debt agrees to the amount of TIF debt and obligations outstanding on the Levy Authority Summary.

(L) **Financial Condition** - As of June 30, 2014, the City had deficit balances in the following funds:

Fund	Amount
Capital Projects	
Fire	$ 88,957
Sewer	29,187
Enterprise	
Sewer	25,662

Recommendation - The City should take immediate steps to reduce and eventually eliminate these deficits to return the funds to a sound financial condition.

(M) **Journal Entries** - The City Clerk makes journal entries to the City's records but they are not reviewed by anyone else.

Recommendation - We recommend the City Treasurer review the journal entries on a monthly basis and document that review by signing or initialing the journal entries.

(N) **Reconciliation of Utility Billings, Collections and Delinquent Accounts** - While utility billings, collections and delinquent accounts were reconciled monthly, the utility collections recorded in the general ledger differed from the amount recorded in the utility's software. There is no evidence of independent review of the utility reconciliation.

Recommendation - As a part of the reconciliation process, the City should ensure that the general ledger agrees to the utility's software amounts. The City Council or other independent person designated by the City Council should review the reconciliations, document their review by signing or initialing and dating the reconciliation and monitor delinquent accounts.

(O) **Annual Financial Report** - Chapter 384.22 of the Code of Iowa requires the City's Annual Financial Report contain a "summary of the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures…" The City's Annual Financial Report reported receipts, disbursements and fund balances which do not agree with the City's general ledger.

Recommendation - The City should ensure that future Annual Financial Reports agree with the City's general ledger.

(P) **Payment of General Obligation and Refunding Bond** - As part of the 2012 general obligation street improvement and refunding bond, an escrow account was set up at Bankers Trust to hold funds until the refunding portion of the bond was callable. The escrow account was not recorded in the City's general ledger. Subsequently the interest income that accrued and the interest expense that was paid with the monies was not recorded in the City's general ledger.

Recommendation - The City should record the escrow account in the City's general ledger and the associated interest income. The interest expense should be recorded when paid.