

CITY OF BANCROFT, IOWA
INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT
FOR THE PERIOD
JULY 1, 2013 THROUGH JUNE 30, 2014

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

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City of Bancroft, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Thomas Johnson	Mayor	Jan 2016
Robert Richter	Council Member	Jan 2016
Phil Jaren	Council Member	Jan 2016
Corey Rasch	Council Member	Jan 2018
Jeremy Fraker	Council Member	Jan 2018
Barb Schemmel	Council Member	Jan 2016
Crysti Neuman	City Director	Indefinite
Tom Rowlet	Utility Clerk	Indefinite
Scott Buchanan	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 Bancroft 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 Bancroft 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.

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 2014 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 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 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.
10. 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.
11. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
12. 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.
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 operations of the City of Bancroft, 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 Bancroft, 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 Bancroft and other parties to whom the City of Bancroft 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 Bancroft 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.

Cornwell, Frideres, Maher & Associates, P.L.C.
Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

March 20, 2015

Detailed Recommendations

City of Bancroft, Iowa

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:
- (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) Financial reporting – preparing and reconciling.
 - (6) 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. During the next fiscal we plan on implementing a couple of procedures to help mitigate this risk.

- (B) City Council Minutes – Chapter 372.13(6) of the Code of Iowa requires that the minutes of all City Council proceedings include publication of a summary of receipts and disbursements by fund. It was noted that summary of disbursements was not published for the year ended June 30, 2014. It was also noted that out of 30 claims tested, one claim was not published in the paper.

Recommendation – City officials should review their procedures to ensure all items required by the Code of Iowa are published. This was overlooked on our part and we will start doing this next month.

- (C) Separately Maintained Records – The City of Bancroft’s Library maintains separate accounting records. These transactions and resulting balances are only included in the City’s records at year end. It was noted that the library claims paid during the year were not published in the paper

Recommendation – Chapter 384.2 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any purpose.” For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City’s accounting records and reported to the City Council on a monthly basis. This will help insure that library claims are also published. The City director has contacted the library staff and this will be corrected in fiscal year 2015.

- (D) Municipal Utility Examination – The records of the Bancroft Municipal Utilities was not included in this examination. The Utility is required to either conduct a separate examination or be included with the City’s examination.

Recommendation - City officials should follow up and insure that Bancroft Municipal Utilities have an annual examination or audit as required by the Code of Iowa. Per inquiry, the Utility will be sending out RFP’s to conduct an audit for FY13 and FY14, so this will be corrected going forward.

- (E) Reconciliation of Utility Billings and Collections – Utility billings and collections were not reconciled throughout the year.

Recommendation – Procedures should be established to reconcile utility billings and collections for each billing period. City officials could check with their software provider to see if there is a program application that can be used for this. Also, after this is set up, a person other than the utility clerk should review.

- (F) Urban Renewal Report – The City’s Urban Renewal Report was filed timely with the State of Iowa, but the outstanding debt due on that report did not reconcile to the subsidiary records maintained by the City’s financial advisor.

Recommendation – City officials should contact their financial advisor to reconcile these differences. Per inquiry, officials plan on reviewing this before the next report is due.

(G) Deficit Balance - As of June 30, 2014, the City's general fund had a deficit balance of \$542,803.

Recommendation – City officials should investigate alternatives to eliminate this deficit to return the fund to a sound financial position. Per inquiry, City officials have hired a new City director who is reviewing every possibility to return the general fund to a sound financial position.