CITY OF CALMAR

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

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OFFICIALS

After January 2014

Title	Name	Term Expires
Mayor	Keith Frana	December 31, 2016
Council Member	Larry Huinker	December 31, 2015
Council Member	Linus Sabelka	December 31, 2015
Council Member	Dave Zweibahmer	December 31, 2015
Council Member	T.J. Schissel	December 31, 2018
Council Member	Dennis Kleve	December 31, 2018
City Clerk	Michele Elsbernd	Appointed

Before January 2014

Title	Name	Term Expires
Mayor	Corey Meyer	December 31, 2014
Council Member	Larry Huinker	December 31, 2015
Council Member	Linus Sabelka	December 31, 2015
Council Member	Dave Zweibahmer	December 31, 2015
Council Member	Isaac Phillips	December 31, 2014
Council Member	Dennis Kleve	December 31, 2014
City Clerk	Michele Elsbernd	Appointed

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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

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

We have performed an agreed-upon procedures engagement of the City of Calmar pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide certain minimum oversight of Iowa cities. These procedures were agreed to by the City of Calmar. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Calmar for the period July 1, 2013 through June 30, 2014. City of Calmar's management is responsible for the City's accounting records. 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 sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. **We reviewed selected City Council meeting minutes for compliance with Chapter 21, 372.13(6) and Chapter 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 (COA) 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 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.**

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 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 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 Calmar, 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 Calmar, 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 Calmar and other parties to whom the City of Calmar 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 Calmar 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.

Decorah, Iowa
July 23, 2014

Hacker, Nelson & Co., P.C.

CITY OF CALMAR

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, preparing and distributing.**

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 date of the review.

B. **Reconciliation of Utility Billings, Collections, and Delinquent Accounts – It was noted during our testing of delinquent accounts that two City Council members did not make timely utility payments for the month tested.**

Recommendation – The City Council or other independent person designated by the City Council should review and monitor delinquent accounts.

C. **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.

D. **Payment of General Obligation Bonds – Principal and interest on the City's general obligation sanitary sewer bonds were paid from the enterprise, sewer fund. Interest on the City's general obligation special assessment bond was paid partially from the general fund. Chapter 384.4 of the Code of Iowa states, in part, "Moneys pledged or available to services general obligation bonds, and received from sources other than property tax must be deposited in the debt service fund."**

Recommendation – The City should transfer from the enterprise, sewer fund to the debt service fund for future funding contributions. Payments on bonds should be made from the debt service fund as required.

E. **Tax Increment Financing – The urban renewal report for fiscal year 2012-2013 that was filed in December 2013 showed, based on the amounts calculated from City records, the obligations on the completed General Obligation Water Improvements Bonds was a positive $105.**

Recommendation – The City should take steps to ensure that the urban renewal report reflects the actual debt outstanding. Also, the City should take steps to decertify the positive balance on the completed General Obligation Water Improvement Bonds.

F. **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 for their bank account.**

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.

G. **Payroll – During our testing of payroll, we found two individuals who were paid without a supervisor's signature to show approval of the hours worked.**

Recommendation – The City should make sure that a supervisor signs off on all time cards prior to paying employees.