

CITY OF BRIDGEWATER

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

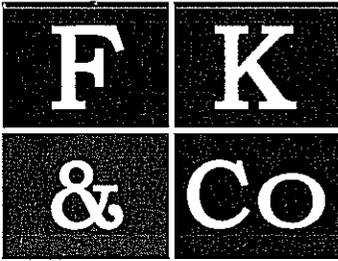
**FOR THE PERIOD
JULY 1, 2013 THROUGH JUNE 30, 2014**

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City of Bridgewater
Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>(Before January 2014)</u>		
Steve Frese	Mayor	Jan 2014
Merrill Bower	Council Member	Jan 2014
Kristi Burg	Council Member	Jan 2014
Dean Griffith	Council Member	Jan 2016
Leo Marnin	Council Member	Jan 2016
Marlo Smith	Council Member	Jan 2014
Mary Dunn	City Clerk	Indefinite
<u>(After January 2014)</u>		
Steve Frese	Mayor	Jan 2016
Merrill Bower	Council Member	Jan 2016
Kristi Burg	Council Member	Jan 2018
Dean Griffith	Council Member	Jan 2016
Leo Marnin	Council Member	Jan 2016
Marlo Smith	Council Member	Jan 2018
Mary Dunn	City Clerk	Indefinite



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of City Council:

We have performed an agreed-upon procedures engagement of the City of Bridgewater 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 Bridgewater 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 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.

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9. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
10. 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.
11. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
12. 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 Bridgewater, 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 Bridgewater, 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 Bridgewater and other parties to whom the City of Bridgewater 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 Bridgewater 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.



Faller, Kincheloe & Co, PLC

September 12, 2014

CITY OF BRIDGEWATER

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. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

(B) Bank Reconciliations – The cash and investment balances in the City’s general ledger were not reconciled to bank and investment balances throughout the year. For two months reviewed, bank and book balances did not properly reconcile.

Recommendation - The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly. Variances, if any, should be reviewed and resolved timely.

(C) Clerk’s Report – A monthly Clerk’s report, including a summary of receipts, disbursements, beginning balances and ending balances by fund, is not prepared.

Recommendation – The City Clerk should prepare a monthly Clerk’s report which includes a summary of receipts, disbursements, beginning balances and ending balances by fund. The City Council should review and approve of the Clerk’s report monthly.

CITY OF BRIDGEWATER

DETAILED RECOMMENDATIONS

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

(D) City Council Minutes – The following were identified:

- All four City Council meetings tested were not signed as required by Chapter 380.7 of the Code of Iowa.
- Chapter 372.13(6) of the Code of Iowa requires the posting of the City Council minutes include a summary of all receipts. We noted that this requirement was not met by the City for all four meetings tested.

Recommendation – The City should comply with Chapters 380.7 and 372.13(6) of the Code of Iowa. In addition, the City should ensure all minutes are signed and that the posting of the City Council minutes include a summary of all receipts as required.

(E) Investment Policy – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

(F) Official Depositories – A resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the City Council as required.

(G) Chart of Accounts – The City has not fully implemented the Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee on September 25, 2002.

Recommendation – To provide better financial information and control, the COA, or its equivalent, should be followed.

(H) General Ledger – The general ledger maintained by the City is inaccurate and incomplete.

Recommendation – The City implement procedures to ensure the general ledger is accurate and complete.

CITY OF BRIDGEWATER

DETAILED RECOMMENDATIONS

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

- (I) Certified Budget – It appears the City has no procedures in place to compare actual disbursements to budget disbursements, by function and in total.

The City did not budget for any receipts from road use tax collections, local option sales taxes and liquor licenses. The City receives these types of receipts every year.

Recommendation – The City should implement procedures to ensure actual disbursements are compared to budget disbursements by function and in total during the year. In addition, the City should ensure it budgets all expected receipts on the budget documents submitted to the State of Iowa.

- (J) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City’s Annual Financial Report contain a “summary for 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 records.

Recommendation – The City should ensure all amounts included in future Annual Financial Reports are supported by the amounts recorded in the City’s records.

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

Name, Title, and Business Connection	Transaction Description	Amount
Steve Frese, Mayor Co-owner of Bridgewater Oil	Petroleum products	\$1,350
Marlo Smith, City Council Owner of Marlo’s Repair Service	Repair services	\$153

In accordance with Chapter 362.5(k) of the Code of Iowa, the above transactions do not appear to represent a conflict of interest since the total transactions were less than \$2,500 during the fiscal year.

CITY OF BRIDGEWATER

DETAILED RECOMMENDATIONS

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

(L) Payroll – Social Security and Medicare payroll taxes are not paid for the Mayor and City Council members.

Recommendation – Social Security and Medicare tax should be paid for the Mayor and City Council members.

(M) 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 its bank accounts.

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.

(N) Disbursements – For one invoice tested, there was no indication that the invoice was approved by the City Council. Five disbursements tested were not properly supported by an invoice.

Recommendation – All invoices should be approved by the City Council. The City should also retain original invoices for all disbursements.