

CITY OF LOHRVILLE, 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 Lohrville, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Donald Hobbs	Mayor	Dec. 31, 2015
Tami Mohr	Mayor Pro-Tem	Dec. 31, 2017
Denise Brobst	Council Member	Dec. 31, 2015
Roger Christensen	Council Member	Dec. 31, 2015
Logan Mogler	Council Member	Dec. 31, 2015
Leonard Moran	Council Member	Dec. 31, 2017
Kris Kavanaugh	City Clerk	Indefinite
Eric Eide	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 Lohrville 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 Lohrville 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 GO 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 receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
10. 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.
11. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
12. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
13. 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 Lohrville, 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 Lohrville, 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 Lohrville and other parties to whom the City of Lohrville 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 Lohrville 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 19, 2015

Detailed Recommendations

City of Lohrville, 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) 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 have been done after July 1, 2014 with one of the councilperson initialing the reconciliation each month. This should help mitigate this lack of segregation.

(B) Deficit Balance – It was noted that as of June 30, 2014 that the general fund had a deficit balance of \$92,358.

Recommendation – City officials should review the expenses allocated to the general fund to see if there are alternative sources of funding for some expenses or if there is some budget cuts than can be made to return this fund to a sound financial position. Per inquiry of city officials, they have approved a gas and electric franchise tax that should help the financial condition of the general fund.

City of Lohrville, Iowa

Detailed Recommendations

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

- (C) Deficit Balance – It was also noted that the sewer fund had a negative balance of \$ 64,621 as of June 20, 2014. This appears to be a violation of the City’s bond covenants.

Recommendation – City officials should raise rates and continue to monitor this account to bring the sewer fund back into compliance with their loan agreements. It was noted that new sewer rates were adopted in February 2014. City officials could also check into the possibility of lowering the interest rates.

- (D) Disbursements – Out of the 30 invoices tested, it was noted that 2 did not have supporting documentation attached.

Recommendation – The City Clerk should insure that there is paid invoices attached to all paid bills during the year. One of the invoices was for postage and the other invoice was for rent expenses. These disbursements appear to be recurring monthly expenses and nothing unusual.

- (E) Certified Budget – Disbursements during the year ended June 30, 2014 exceed the amounts budgeted in the general government and business type activities 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 was amended, but should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the amounts budgeted.