

CITY OF BOUTON

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

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

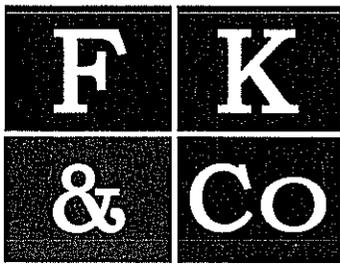
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City of Bouton

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tim Hudspeth	Mayor	Jan 2016
Sean Averill	Council Member	Jan 2016
Jon Bever	Council Member	Jan 2016
Arlene Griener	Council Member	Jan 2016
Camilla McCain	Council Member	Jan 2016
Linda Neville	Council Member	Jan 2016
Christina Perkins	Clerk	Indefinite
Betty Tingwald	Clerk (passed away Feb 2014)	



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 with the City of Bouton 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 Bouton 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 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 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 COA recommended chart of accounts.
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 Bouton, 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 Bouton, 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 Bouton and other parties to whom the City of Bouton 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 Bouton 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, PLLC

September 19, 2014

CITY OF BOUTON
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 should be evidenced by the signature or initials of the reviewer and the date of the review.

(B) City Council Minutes – The following was identified:

- Although minutes of City Council proceedings were posted, the City did not publish a summary of receipts or total disbursements by fund as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should comply with Chapter 372.13(6) of the Code of Iowa. The City should ensure the minutes posted include a summary of receipts and total disbursements by fund, as required.

(C) 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.

CITY OF BOUTON
DETAILED RECOMMENDATIONS
For the period July 1, 2013 through June 30, 2014

(D) 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.

(E) 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 beginning and ending fund balances that do not agree with the City's records.

Recommendation – The City should ensure future Annual Financial Reports agree with the City's records.

(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 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.

(G) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public safety, public works, culture and recreation, community and economic development, general government, and debt service 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.

CITY OF BOUTON
DETAILED RECOMMENDATIONS
For the period July 1, 2013 through June 30, 2014

(H) Payroll – The following was identified:

- The hiring salary and subsequent wage increases for the City Clerk were not documented in the City Council minutes.
- Timesheets are not maintained for all employees and there was no indication of the wages being reviewed and approved by appropriate supervisory personnel prior to preparation of the payroll.
- Documentation of the City's third and fourth quarter IRS Forms 941 were not able to be located by City personnel.

Recommendation – Procedures should be established to ensure timecards are maintained, reviewed and approved by supervisory personnel prior to preparation of payroll. Supervisory review/approval should be evidenced by the supervisor's initials and the date approved. Also the City should keep copies of all forms and reports filed with the IRS.

(I) Deposits – The deposits tested were not deposited in a timely manner.

Recommendation – The City should establish procedures to ensure receipts are deposited in a timely manner.

(J) Chart of Accounts – The City had 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.

(K) Local Option Sales Tax – Local option sales tax (LOST) receipts are recorded in the General Fund. The LOST ballot requires the receipts be used for specified purposes. During the year, LOST disbursements were not tracked in a manner which documented compliance with the LOST ballot referendum provisions.

Recommendation – The City should establish a Special Revenue, Local Option Sales Tax Fund to record the collection, disbursement, and balance of all LOST funds to document compliance with the LOST ballot referendum provisions.

CITY OF BOUTON
DETAILED RECOMMENDATIONS
For the period July 1, 2013 through June 30, 2014

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

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

- (M) Bank Loan Agreements – On October 31, 2009 and September 27, 2013, the City entered into bank loans for \$62,617 and \$30,000 for street projects. However, for the September 27, 2013 loan, it appears the City did not comply with the provisions of Chapters 384.24A and 384.25 of the Code of Iowa which require certain authorization procedures to be followed, including posting of a notice of intended action and the time and place of the meeting.

Recommendation – The City should comply with the Code of Iowa requirements before entering into future loan agreements.

- (N) Debt Service – For the year ended June 30, 2014, the City levied a debt service levy of \$10,000. However, there was no documentation that the City issued general obligation debt which was payable from an annual levy on all taxable property in the City.

Chapter 76.2(1)(a) of the Code of Iowa states:

“The governing authority of a political subdivision ... before issuing bonds shall, by resolution, provide for the assessment of an annual levy upon all the taxable property in the political subdivision sufficient to pay the interest and principal of the bonds within a period A certified copy of this resolution shall be filed with the county auditor or the auditors of the counties in which the political subdivision is located; and the filing shall make it a duty of the auditors to enter annually this levy for collection from the taxable property within the boundaries of the political subdivision until funds are realized to pay the bonds in full.”

As a result, pursuant to Chapter 76.2 of the Code of Iowa, a copy of the bond resolution should have been filed with Dallas County for the County Auditor to verify the debt as a general obligation subject to “the assessment of an annual levy upon all the taxable property in the political subdivision.” A representative of the Dallas County Auditor’s Office verified the County Auditor’s Office had no record of the resolution from the City of Bouton.

Recommendation – The City should consult bond legal counsel regarding this matter.

CITY OF BOUTON
DETAILED RECOMMENDATIONS
For the period July 1, 2013 through June 30, 2014

(O) Accounting Records – The City operates a softball field and related concession stand on City property. Teams pay the City to play on the softball field, and the City collects money from the sale of concessions. In October 2013, the City deposited \$2,385.64 from softball and concession collections for the period from May through October. The City does not maintain any accounting records in relation to these activities.

Recommendation – The City implement procedures to ensure accounting records are maintained for all City operations.