

CITY OF OLDS

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

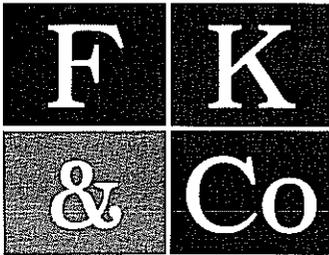
**FOR THE PERIOD
AUGUST 1, 2013 THROUGH JULY 31, 2014**

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City of Olds
Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael Reschly	Mayor	Jan 2018
Mark Fulton	Council Member	Jan 2016
Matthew Slagel	Council Member	Jan 2018
Raymond Meth	Council Member	Jan 2018
Galen Thompson	Council Member	Jan 2016
Jason Waterhouse	Council Member	Jan 2016
Brittany Davis	City Clerk	Jan 2018



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 Olds 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 Paton for the period August 1, 2013 through July 31, 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 2014 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 Olds, 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 Olds, 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 Olds and other parties to whom the City of Olds 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 Olds 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

December 12, 2014

CITY OF OLDS

DETAILED RECOMMENDATIONS

For the period August 1, 2013 through July 31, 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) Reconciliation of Utility Billings, Collections and Delinquent Accounts - Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts. The reviews should be documented by signing or initialing and dating the reconciliations.

- (C) Clerk's Report – Although monthly Clerks' reports are prepared, a budget vs actual comparison was not present.

Recommendation – The City should establish procedures to ensure the monthly Clerk's reports include a budget vs actual comparison.

CITY OF OLDS

DETAILED RECOMMENDATIONS

For the period August 1, 2013 through July 31, 2014

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

- All four City Council meetings tested were not preceded by proper notice as required by Chapter 21.4 of the Code of Iowa.
- Chapter 372.13(6) of the Code of Iowa requires the minutes of all City Council proceedings to include total disbursements from each fund. We noted that this requirement was not met by the City for the meetings tested.

Recommendation – The City should comply with Chapters 21.4 and 372.13(6) of the Code of Iowa.

(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) Surety Bond Coverage – Surety bond coverage for City officials and employees was not maintained for the year ended July 31, 2014 as required by Chapter 64 of the Code of Iowa.

Recommendation – The City should comply with Chapter 64 of the Code of Iowa and periodically review its coverage for adequacy.

CITY OF OLDS

DETAILED RECOMMENDATIONS

For the period August 1, 2013 through July 31, 2014

- (I) Local Option Sales and Services Tax – The City imposed a local option sales tax in the City with receipts to be allocated 100% for water system projects, sewer system projects and infrastructure. All of the local option sales tax receipts are recorded in the General Fund. Documentation was not maintained to demonstrate that the local option sales tax receipts were spent in accordance with the provisions of the referendum authorizing the collection of the tax.

Recommendation – The City should maintain documentation to demonstrate local option sales tax collections are in compliance with the provisions of the referendum.

- (J) 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.

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.

- (K) 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 current public debt of the City...". The City's Annual Financial Report reported receipts, disbursements, transfers 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.

- (L) Bank Reconciliations – Although monthly bank reconciliations were performed, the reconciliations were not tied back to the general ledger.

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. In addition, an independent person should review all bank reconciliations and document their review by signing or initialing and dating the reconciliations.

CITY OF OLDS

DETAILED RECOMMENDATIONS

For the period August 1, 2013 through July 31, 2014

- (M) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public works 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.”

The City’s budget documents did not list two of the City’s long-term debt issues on the budget’s long-term debt schedule filed with the State of Iowa. The listing of the City’s debt on the long-term debt schedule in the budget documents is required by the State of Iowa.

The City did not amend its budget by May 31 of the current fiscal year as required by Chapter 384.18 of the Code of Iowa.

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. Also the City should establish procedures to review the budget preparation and related documents to ensure accuracy.

- (N) Payroll – The following were identified:

- Timesheets were not maintained for employees.
- The Mayor’s and City Council’s wages were not set by ordinance.
- Annual salary increases for all City employees were approved based upon a percentage and the actual wages were not documented in the City Council Minutes.
- The City did timely file all IRS Forms 941; however, a copy of one of the quarters could not be located.

Recommendation – Timesheets should be prepared by all personnel. All timesheets should be reviewed and approved by supervisory personnel prior to processing payroll. The City Council should approve pay rates for all City employees, with the approval documented in the City Council minutes. Also the City should maintain copies of all IRS Forms 941. The City Council should also update the ordinance authorizing the wages for the Mayor and City Council.

CITY OF OLDS

DETAILED RECOMMENDATIONS

For the period August 1, 2013 through July 31, 2014

- (O) Water and Sewer Sinking Funds – The provisions of the water and sewer revenue notes require sufficient monthly transfers to be made to a separate water revenue note sinking account and sewer revenue note sinking account for the purpose of making the note principal and interest payments when due. The City has not made the required transfers to these accounts.

Recommendation – The City should ensure sufficient monthly transfers are made to the water and sewer revenue note sinking accounts as required.

- (P) Water and Sewer Revenue Notes – The City was unable to provide documentation regarding the requirements of the Water and Sewer Revenue Notes with Berkadia and the USDA. As a result, the City was unable to provide to us the continuing compliance provisions in relation to these notes.

Recommendation – The City should retain documentation relating to any bonds or notes on all future debt issuances.

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

Name, Title, and Business Connection	Transaction Description	Amount
Raymond Meth, Council Member Owner of M&M Mowing	Mowing	\$1,978

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