CITY OF STACYVILLE

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 Stacyville

Officials

Name	Title	Term Expires
	(Before January 2014)	
Harold Isaac	Mayor	Jan 2014
Roger Brumm	Council Member	Jan 2014
Gervin Halbach	Council Member	Jan 2016
Paul Halbach	Council Member	Jan 2014
Roger Hemann	Council Member	Jan 2016
Amanda Skjeie	Council Member	Jan 2016
Harlan Bisbee	Clerk	Jan 2014
Mark Walk	Attorney	Jan 2014
	(After January 2014)	
Harold Isaac	Mayor	Jan 2018
Roger Brumm	Council Member	Jan 2018
Bert Brumm	Council Member	Jan 2016
Paul Halbach	Council Member	Jan 2018
Roger Hemann	Council Member	Jan 2016
Amanda Skjeie	Council Member	Jan 2016
Harlan Bisbee	Clerk	Jan 2015
Mark Walk	Attorney	Jan 2015

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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of City Council:

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Stacyville for the period July 1, 2013 through June 30, 2014. The City of Stacyville's management, which agreed to the performace of the procedures performed, is responsible for the City's 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 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 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 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 Stacyville, 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 Stacyville, 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 Stacyville and other parties to whom the City of Stacyville 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 Stacyville 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.

Renner & Birchem, P.C.
Mason City, Iowa

March 26, 2015

Detailed Recommendations

City of Stacyville
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 documented by the signature or initials of the reviewer and the date of the review.

(B) Bank Reconciliations – The bank reconciliations were not reviewed by an independent person. In addition, the list of outstanding checks includes only the amounts.

Recommendation – Procedures should be established to have an independent person or a Council member review the reconciliation. The review of the reconciliation should be evidenced by the signature or initials of the reviewer and the date of the review. In addition, the list of outstanding checks should include the check numbers, amounts and dates written.

(C) 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.

(D) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, a resolution naming official depositories has been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa. However, the maximum amount which may be kept on deposit in each depository is not stated in the resolution.

Recommendation – The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa. In addition, the City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

(E) City Council Minutes Publication – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting. Minutes for one meeting tested was not published within fifteen days.

Recommendation – The City should comply with the Code of Iowa and publish City Council minutes within fifteen days of the meeting, as required.

(F) 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 recommended COA, or its equivalent, should be followed.

(G) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public safety, general government, debt service, and business type 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.

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

Name, Title, and Business Connection	Transaction Description	Amount
Harlan Bisbee, City Clerk, owner of Bisbee Income Tax & Accounting	Rent	600
Roger Hemann, City Council Member, owner of Roger Hemann Construction	Repairs	1,777

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

City of Stacyville
Detailed Recommendations
For the period July 1, 2013 through June 30, 2014

(I) Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

Paid to	Purpose	Amount
Gerb's Bar & Grill	Meals for employees for training	$ 112
Gerb's Bar & Grill	Meals for employees for training	$ 84

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The City Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation.

(J) Supporting Documentation – Supporting documentation was not available to support 1 of 30 disbursements tested in the amount of $28 from the fire department account.

Recommendation – The City should maintain supporting documentation for all disbursements.

(K) City Council Disbursement Approval – The City Council approves disbursements for the library and fire department at each monthly meeting after the invoices have been paid.

Recommendation – The City could adopt a written disbursement policy to allow payment of certain bills prior to City Council approval. All City disbursements should be approved by the City Council prior to disbursement with the exception of those specifically allowed by a policy. For those disbursements paid prior to City Council approval, a listing should be provided to the City Council at the next City Council meeting for review and approval.

(L) Payroll Transactions – We noted no documentation of review and approval of time sheets of employees.

Recommendation – The City should review and initial time sheets of all employees.

(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 several 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) Transfer Documentation – Transfers were not approved by an independent person.

Recommendation – All interfund transfers should be evidenced by approval in the City Council minutes.