CITY OF NEWELL

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD JULY 1, 2014 THROUGH JUNE 30, 2015

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City of Newell

Officials

Name	Title	Term Expires
Amy Hammen	Mayor	December 31, 2017
Sandy Robinson	Council Member	December 31, 2017
Pamela Wilken	Council Member	December 31, 2017
Dana Davis	Council Member	December 31, 2017
Sylvia Nelson	Council Member	December 31, 2015
Stan Henrich	Council Member	December 31, 2015
Melinda Buchholz	City Clerk	December 31, 2017
Gary Armstrong	Attorney	Indefinite

SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

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 Newell for the period July 1, 2014 through June 30, 2015. The City of Newell's management, which agreed to the performance 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 and to determine required funds and fund balances are properly maintained and accurately accounted for.

6. We reviewed the City's fiscal year 2015 Annual Financial Report 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.

9. 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.

10. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended chart of accounts.

11. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the 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.

12. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.

13. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.

14. 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.

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Newell, 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 Newell and other parties to whom the City of Newell may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Schneun & Company, LLP

Fort Dodge, Iowa
November 4, 2015

Detailed Recommendations

CITY OF NEWELL

Detailed Recommendations
For the period July 1, 2014 through June 30, 2015

(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 that 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 – 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) Petty Cash – The City maintains a minimal petty cash account that is not included in the monthly clerk's report, general ledger or annual financial report.

Recommendation – Petty cash is a cash account of the City and should be included in the City's financial records.

(C) Monthly Treasurer's Report – The December 2014 and June 2015 Treasurer's Report and bank reconciliation are not in agreement. The General Fund balance reported on the bank reconciliation varied from the Treasurer's Report by $2,567 more in December and $1,382 less in June.

Recommendation – The City should establish procedures to ensure computer-generated reports are accurate. The City should work with its software provided to determine the cause for the report errors and take immediate action to correct the reports.

(D) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the 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.

(E) Deposits – A resolution naming official depositories is required by Chapter 12C.2 of the Code of Iowa. The City has adopted such a resolution, but it has exceeded the depository limits stated therein.

Recommendation – 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.