

CITY OF APLINGTON, IOWA

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

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

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

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City of Aplington, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jason Mehmen	Mayor	Jan 2016
Jerry Orr	Mayor, Pro-Tem	Jan 2018
Alan Meyer	Council Member	Jan 2016
Steve Uhlenhopp	Council Member	Jan 2016
Jeff Ridder	Council Member	Jan 2018
Randy Ubben	Council Member	Jan 2018
Deb Prier	Clerk/Treasurer	Indefinite
Greg Lievens	Attorney	Indefinite

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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 Aplington for the period July 1, 2014 through June 30, 2015. The City of Aplington'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 describe 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 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 2015 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.
9. We reviewed general obligation 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 tax increment financing (TIF) transactions, included 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.
11. 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.
12. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
13. 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.
14. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. 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 of the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Aplington, 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 Aplington and other parties to whom the City of Aplington 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 Aplington 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 29, 2016

Detailed Recommendations

City of Aplington, Iowa

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 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. The city clerk gives the council a copy of the bank statement at the council meeting, but there is no written evidence of review.

- (B) Publications – It was noted that the publications of the council minutes did not list the summary of disbursements by fund.

Recommendation – City officials should contact the software company and revise the monthly report so all required information is published.

- (C) Deposits and Investments – A copy of the City’s investment policy could not be located.

Recommendation – The City Council should adopt an investment policy that is in accordance with the Code of Iowa.

City of Aplington, Iowa

Detailed Recommendations

For the Period July 1, 2014 through June 30, 2015

- (D) Financial Condition - We noted that there were three funds in a deficit position at June 30, 2015; Street Assessment Fund, the Capital Project Fund and the Water Fund.

Recommendation – City officials are planning on consulting with the audit and financial management firm to help review the deficit balances and prepare a plan to eliminate these deficits. City officials should also consult with the financial management firm to review for any violations of the water revenue bonds that were just issued.

- (E) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the health and social services and business type activity 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 sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (F) Tax Increment Financing – The balance in the Special Revenue, TIF fund was in excess of the outstanding TIF indebtedness as of June 30, 2015. It was also noted that one expenditure was made without being certified to the county as TIF debt prior to payment.

Recommendation – City officials are planning on hiring the audit and financial management firms to help them with this process and help determine what is the amount of the City’s outstanding TIF debt.

City of Aplington, Iowa

Detailed Recommendations

For the Period July 1, 2014 through June 30, 2015

- (G) Payment of General Obligation Bonds – Principal and interest on the City’s general obligation water bonds were paid from the Capital Projects Fund. Chapter 384.4 of the Code of Iowa states, in part, “Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, just be deposited in the debt service fund.”

Recommendation – The City should transfer funds to properly reflect the correct accounting and record the payments in the debt service fund in the future. The City should also consult with their financial advisors on which funds should be transferred to the debt service fund in future years so that there are funds available to make the payments.

- (H) Chart of Accounts – It was noted that the transactions for the enterprise capital projects were accounted for in a governmental capital project fund. It was also noted that local option charges on utility billings were posted to the LOST Special Revenue Fund rather than posted to the enterprise funds.

Recommendation – City officials should contact software support and set up the correct funds and account for these transactions properly in the future.

- (I) Reserve Transfer – City officials inadvertently transferred the annual reserve transfer from the Electric Fund to the General Fund twice.

Recommendation – City officials should correct this duplication with the assistance of the audit firm and software support.