# CITY OF LAKE PARK, IOWA
# INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES FOR THE YEAR ENDED JUNE 30, 2015

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CITY OF LAKE PARK, IOWA

OFFICIALS

| NAME | TITLE | TERM EXPIRES |
|---|---|---|
| John Engel | Mayor | January 2016 |
| Lance Heikens | Council Member | January 2018 |
| Clark Reekers | Council Member | January 2018 |
| Julie Baumgarn | Council Member | January 2018 |
| Art Schumacher | Council Member | January 2016 |
| Gary Taber | Council Member | January 2016 |
| Wade Wagoner (through March 2015) | City Administrator | |
| Marie Matthiesen (effective April 2015) | City Administrator | January 2016 |
| Marie Matthiesen | City Clerk | January 2016 |
| Lonnie Sanders | Attorney | January 2016 |

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# INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Officials of the City of Lake Park, Iowa (City):

We have performed the procedures listed in the attached schedule, which were agreed to by the Officials of the City of Lake Park, Iowa and the Iowa Office of the Auditor of State (the specified parties), to the applicable financial and accounting records of the City solely to assist the City in meeting the requirements of Chapter 11.6 of the Code of Iowa for the year ended June 30, 2015. Management of the City is responsible for the financial and accounting records of the City. 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 this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached schedule either for the purpose for which this report has been requested or for any other purpose.

Our procedures, findings, and recommendations are listed in the attached schedule.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the financial and accounting records of the City. Accordingly, we do not express such an opinion. Had we performed additional procedures, other 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 of the City of Lake Park, Iowa and the Iowa Office of Auditor of State, and is not intended to be and should not be used by anyone other than these specified parties.

Winther, Stave & Co., LLP

November 30, 2015
Milford, Iowa



Member Private Companies Practice Section,
American Institute of Certified Public Accountants

CITY OF LAKE PARK, IOWA
AGREED-UPON PROCEDURES PERFORMED
FOR THE YEAR ENDED JUNE 30, 2015

| GENERAL PROCEDURES | FINDINGS | RECOMMENDATIONS |
|---|---|---|
| A. Minutes: | | |
| 1. Read minutes for the fiscal year ended June 30, 2015. | No exceptions noted. | |
| 2. Select four (4) meetings during the year being examined and determine whether:<br>a. Minutes were properly signed as required by Chapter 380.7 of the Code of Iowa. | No exceptions noted. | |
| b. Meetings were preceded by proper notice. (Chapter 21.4 of the Code of Iowa). | No exceptions noted. | |
| c. The minutes show information sufficient to indicate the vote of each member present as required by Chapter 21.3 of the Code of Iowa. | No exceptions noted. | |
| d. The passage of ordinances, amendments or resolutions were by a majority vote of all the members of the City Council rather than a majority vote of a quorum of the City Council as required by Chapter 380.4 of the Code of Iowa. | No exceptions noted. | |
| e. Minutes document the City Council followed proper proceedings for any closed sessions in accordance with Chapter 21.5 of the Code of Iowa. | | |
| i. The session was closed by affirmative roll call vote of at least two-thirds of the members.<br>ii. The specific exemption under Chapter 21.5 of the Code of Iowa was identified.<br>iii. Final action was taken in open session. | No closed sessions selected for testing. | |
| f. Minutes were published (or posted) within 15 days of the meeting as required by Chapter 372.13(6) of the Code of Iowa and included: | No exceptions noted. | |

CITY OF LAKE PARK, IOWA
AGREED-UPON PROCEDURES PERFORMED
FOR THE YEAR ENDED JUNE 30, 2015

| GENERAL PROCEDURES | FINDINGS | RECOMMENDATIONS |
|---|---|---|
| i. Total disbursements from each fund.<br>ii. A list of all claims allowed (including the reason for the claim).<br>iii. A summary of all receipts.<br>iv. A summary of ordinances or amendments adopted. | No exceptions noted. | |
| B. Obtain copy of City's June 30 financial statement(s) and/or reports. | No exceptions noted. | |
| C. Obtain a listing of the surety bond coverage for all officials and employees required by Chapters 64.13 and 64.15 of the Code of Iowa. | No exceptions noted. | |
| D. Internal Control<br>1. Request the City Clerk complete an internal control checklist (ICC). | See step D.3. | |
| 2. Discuss with City Clerk the City's internal control procedures and processes documented in the completed ICC. | See step D.3. | |
| 3. Document findings identified. | We noted an overall lack of adequate segregation of duties due to small staff size. We noted written approval is not required for adding or deleting employees from the payroll system, or for modifying related payroll information. | The City Council should consider additional steps which may be needed to mitigate the effects of the lack of adequate segregation of duties due to limited number of staff. We also recommend the addition or deletion of employees from the payroll system, along with changes to related payroll information, require written approval. |

CITY OF LAKE PARK, IOWA
AGREED-UPON PROCEDURES PERFORMED
FOR THE YEAR ENDED JUNE 30, 2015

| GENERAL PROCEDURES | FINDINGS | RECOMMENDATIONS |
|---|---|---|
| E. Inquire of the City's management about whether it is aware of actual or suspected fraud or any allegations (e.g. communications from employees or others). | No such circumstances noted. | |
| F. Immediately contact the Manager/Partner if fraud or embezzlement is suspected. Ensure the appropriate officials are notified after contacting the Manager/Partner. Chapter 11.6 of the Code of Iowa requires a CPA firm and the City to notify the Auditor of State immediately regarding any suspected embezzlement, theft or other significant financial irregularities. If federal funds are involved, the appropriate U.S. Regional Inspector General should be notified. | No such circumstances noted. | |
| | | |

CITY OF LAKE PARK, IOWA
AGREED-UPON PROCEDURES PERFORMED
FOR THE YEAR ENDED JUNE 30, 2015

| CASH AND INVESTMENTS PROCEDURES | FINDINGS | RECOMMENDATIONS |
|---|---|---|
| A. Observe cash on hand, if any. | We noted the cash on hand at the Library exceeded the $125 limit approved by the Council. | We recommend that the City reconcile the library petty cash fund on a regular basis to restore petty cash to approved level of $125. |
| B. Obtain one (1) monthly Clerk's report provided to the City Council and determine the report foots and trace ending fund balances to the general ledger. | No exceptions noted. | |
| C. Cash In Bank and Investments: | | |
| 1. Inquire whether bank reconciliations are performed monthly. | No exceptions noted. | |
| 2. Inquire whether bank reconciliations are reviewed by an independent person. | We noted bank reconciliations are not reviewed by an independent person. | We recommend the monthly bank reconciliations be reviewed by an independent person. |
| 3. Obtain bank reconciliations for two (2) months and perform the following: | | |
| a. Agree reconciling items other than outstanding checks to supporting documentation. | No exceptions noted. | |
| b. Recalculate the bank reconciliation(s). | No exceptions noted. | |
| c. Not used. | | |
| d. Obtain a list of outstanding checks at the end of the selected month(s). Determine the list of outstanding checks includes check number, amount and date written for each listed check and the listed outstanding checks subsequently cleared the bank. | No exceptions noted. | |
| e. Trace reconciled balance for selected months to general ledger account balances and to monthly reports provided to the City Council. | No exceptions noted. | |

CITY OF LAKE PARK, IOWA
AGREED-UPON PROCEDURES PERFORMED
FOR THE YEAR ENDED JUNE 30, 2015

| CASH AND INVESTMENTS PROCEDURES | FINDINGS | RECOMMENDATIONS |
|---|---|---|
| 4. Inquire whether the unclaimed property report per Chapter 556.1(12) of the Code of Iowa has been submitted to the State Treasurer annually before November 1 as required by Chapter 556.11 of the Code of Iowa. | No exceptions noted. | |
| 5. Obtain a copy of the current depository resolution and inquire whether the depository resolution includes all depositories used by the City and has been approved as required by Chapter 12C.2 of the Code of Iowa. | No exceptions noted. | |
| 6. Obtain a copy of the City's adopted written investment policy as required by the provisions of Chapter 12B.10B of the Code of Iowa. | No exceptions noted. | |
| 7. Obtain a schedule of investment transactions and balances for the same two (2) months (selected in procedure 3 above) and trace applicable investment balances to the bank reconciliations. | No exceptions noted. | |
| 8. Determine investments held at the end of the selected months were allowed by the City's adopted investment policy and statutory provisions of Chapter 12B.10 of the Code of Iowa, as applicable. | No exceptions noted. | |
| | | |

CITY OF LAKE PARK, IOWA
AGREED-UPON PROCEDURES PERFORMED
FOR THE YEAR ENDED JUNE 30, 2015

| LONG-TERM DEBT PROCEDURES | FINDINGS | RECOMMENDATIONS |
|---|---|---|
| A. Inquire whether long-term debt exists (bonds, notes, lease-purchase agreements, deferred payment contracts, real estate contracts, loans, TIF development agreements, local option sales tax debt). | | |
| 1. Inquire whether the debt is accounted for accurately. | No exceptions noted. | |
| 2. Determine general obligation debt payments were recorded in the Debt Service Fund as required by Chapter 384.4 of the Code of Iowa. | No exceptions noted. | |
| B. Issuance of Debt: | | |
| 1. Read authorization in Minutes for any debt issuances during the year. | No exceptions noted. | |
| 2. Obtain documentation of procedures for bonds or notes sold during the current year and determine compliance with Chapter 75, 384, and 403.9 of the Code of Iowa. | No exceptions noted. | |
| 3. Determine debt proceeds were recorded in the City's general ledger and trace proceeds to cash receipts record and bank statement. | No exceptions noted. | |
| | | |

CITY OF LAKE PARK, IOWA
AGREED-UPON PROCEDURES PERFORMED
FOR THE YEAR ENDED JUNE 30, 2015

| TAX INCREMENT FINANCING PROCEDURES | FINDINGS | RECOMMENDATIONS |
|---|---|---|
| A. Determine tax increment financing (TIF) collections were recorded in a separate Special Revenue Fund (TIF fund) as required by Chapter 403.19 of the Code of Iowa. | No tax increment financing collections or balances were noted. | |
| B. Determine the TIF collections in the TIF fund, if paid out, 1) were disbursed or transferred to pay TIF obligations that, per inquiry of client, qualify for payment (within the urban renewal plan) from TIF collections and 2) such obligations were previously certified to the County Auditor as TIF debt and/or LMI. | No payment of tax increment financing collections was noted. | |
| C. Obtain a copy of the Urban Renewal Area TIF Indebtedness/Increment Tax Reconciliation prepared by the County Auditor. | We noted the County Auditor has not prepared and cannot provide an Urban Renewal Area TIF Indebtedness/Increment Tax Reconciliation. | We recommend the City request the County Auditor prepare and provide an Urban Renewal Area TIF Indebtedness/Increment Tax Reconciliation. |
| 1. Determine the Reconciliation identifies the City's certified TIF obligations. | See above. Reconciliation not available. | |
| 2. Determine whether the Reconciliation includes unauthorized obligations. | See above. Reconciliation not available. | |
| D. Determine the following regarding the Tax Increment Debt Certificate due December 1 of the most recent fiscal year ended obtained from client: | | |
| 1. A) The amounts certified (Form 1 and Form 1.1 for TIF debt not previously certified – or equivalent document) were agreed to supporting documentation and, per inquiry of client, represent loans, advances, or other qualified indebtedness or bonds which qualify for payment from the TIF revenues for each urban renewal area in the City as required by Chapter 403.19(5)(a) of the Code of Iowa and B) the certificate was filed by December 1. | No exceptions noted. | |

| TAX INCREMENT FINANCING PROCEDURES | FINDINGS | RECOMMENDATIONS |
|---|---|---|
| 2. The City used Form 2 (or an equivalent document) to properly reduce TIF request if/when the total amount of the legally available TIF increment tax was not wanted. | No such reductions were noted. | |
| 3. The City certified (Form 3 or an equivalent document) a reduction to the amount previously certified by December 1 in the year action was taken, if any, which resulted in the reduction, as required by Chapter 403.19(5)(b) of the Code of Iowa. | No such reductions were noted. | |
| E. Annual Urban Renewal Report<br>1. Obtain the urban renewal report due December 1st of the fiscal year under examination and determine the:<br>a. Report was approved by the City Council and completed/filed on or before December 1st. | No exceptions noted. | |
| b. Report was filed on or before December 1st. | No exceptions noted. | |
| c. Amounts reported on the Levy Authority Summary agree or were reconciled with City records. | No exceptions noted. | |
| 2. Obtain the City's detailed TIF obligations (debt) listings and determine "TIF Debt Outstanding" on the Levy Authority Summary includes the following:<br>a. Certified Debt - TIF obligations outstanding, including principal and interest, certified to the County Auditor as of July 1st of the period covered by the urban renewal report **and**, | No exceptions noted. | |
| b. Certifiable Debt - Outstanding TIF obligations incurred during the fiscal year covered by the urban renewal report, including annual appropriation debt not yet certified. | No additional TIF obligations were noted. | |

CITY OF LAKE PARK, IOWA
AGREED-UPON PROCEDURES PERFORMED
FOR THE YEAR ENDED JUNE 30, 2015

| TAX INCREMENT FINANCING PROCEDURES | FINDINGS | RECOMMENDATIONS |
|---|---|---|
| 3. Inquire whether rebate agreements, if any, have been properly reported as project(s), including total debt and expense. | No exceptions noted. | |
| 4. Inquire whether TIF collections remaining after an urban renewal area is no longer active, if any, were returned to the County Treasurer as required by Chapter 24.21 of the Code of Iowa. | No such circumstances were noted. | |
| E. For urban renewal areas with public improvements related to housing and residential development, inquire whether assistance for low and moderate income (LMI) housing was provided in accordance with Chapter 403.22 of the Code of Iowa. | No such funds were noted. | |
| | | |

CITY OF LAKE PARK, IOWA
AGREED-UPON PROCEDURES PERFORMED
FOR THE YEAR ENDED JUNE 30, 2015

| FUND BALANCE PROCEDURES | FINDINGS | RECOMMENDATIONS |
|---|---|---|
| A. Inquire whether the City is using fund accounting and each fund is properly classified in accordance with the City Finance Committee's recommended Uniform Chart of Accounts (COA). | No exceptions noted. | |
| B. Determine and document the financial information provided to the City Council monthly. Determine whether the information provided includes: | No exceptions noted. | |
| 1. A City Clerk's report showing receipts, disbursements, transfers, and balances for each fund. | No exceptions noted. | |
| 2. Comparison of actual disbursements to budget by function. | No exceptions noted. | |
| C. For enterprise funds with deficit balances, inquire if there is a net earnings violation (book transfers are made to sinking accounts per the bond/note resolution, but if the operating accounts are in a deficit position, the sinking accounts are not backed by cash). | No such funds noted. | |
| D. Determine if deficits exist in other funds. | No such deficits noted. | |
| E. Inquire whether projects are appropriately accounted for in separate capital projects accounts. | No exceptions noted. | |
| F. Inspect journal entries and/or other adjustments made directly to the general ledger. | | |
| 1. Select two journal entries and determine whether: | | |
| a. The journal entries/adjustments are supported by documentation. | No exceptions noted. | |
| b. The journal entries/adjustments are approved by an independent person and there is documented evidence of the approval. | We noted journal entries are not approved by an independent person. | We recommend journal entries be approved by an independent person and that evidence of the approval be documented. |

CITY OF LAKE PARK, IOWA
AGREED-UPON PROCEDURES PERFORMED
FOR THE YEAR ENDED JUNE 30, 2015

| FUND BALANCE PROCEDURES | FINDINGS | RECOMMENDATIONS |
|---|---|---|
| G. For the Annual Financial Report (AFR) for the most recent fiscal year ended: | | |
| 1. Compare AFR to City's general ledger to determine if the following amounts agree.<br>a. Beginning and ending fund balances.<br>b. Road Use Tax transactions reported in the Special Revenue fund.<br>c. Total receipts and disbursements. | No exceptions noted. | |
| H. Transfers:<br>1. Obtain a list of all fund transfers during the year. | No exceptions noted. | |
| 2. Select two transfers and agree to supporting documentation. | No exceptions noted. | |
| 3. Determine transfers were recorded in the general ledger in the intended fund. | No exceptions noted. | |
| 4. Trace transfers above to approval in the minutes or budget, as applicable. | No exceptions noted. | |

CITY OF LAKE PARK, IOWA
AGREED-UPON PROCEDURES PERFORMED
FOR THE YEAR ENDED JUNE 30, 2015

| RECEIPTS PROCEDURES | FINDINGS | RECOMMENDATIONS |
|---|---|---|
| A. Inquire whether the City is using the Uniform Chart of Accounts (COA) to classify receipts in the general ledger. | No exceptions noted. | |
| B. For one month during the fiscal year, reconcile deposits per the bank statement to general ledger receipts and discuss with client the possibility of undeposited receipts. | No exceptions noted. | |
| C. Property Tax: | | |
| 1. Observe that electronic deposit of twelve monthly property tax payments during the year are listed on bank statements. | No exceptions noted. | |
| 2. Trace one month's property tax collections to general ledger posting. | No exceptions noted. | |
| 3. Total property tax collection for the fiscal year and compare the total to the final budget. | Excluding special assessments, we noted total property tax collections for the fiscal year exceeded final budgeted amounts by $9,492. | |
| D. Governmental Revenue: | | |
| 1. Obtain copy of State confirmation from the Auditor of State's Office and obtain from client a reconciliation of amounts per confirmation with the general ledger. | No exceptions noted. | |
| E. Enterprise Revenues (Water, Sewer, Electric, etc.): | | |
| 1. Obtain a copy of a year-end list of delinquent accounts. | No exceptions noted. | |

| RECEIPTS PROCEDURES | FINDINGS | RECOMMENDATIONS |
|---|---|---|
| 2. Obtain a copy of one monthly reconciliation of billings, collections, and delinquent accounts. | | |
| a. If not available, compare total amounts billed per billings register to amounts deposited in the bank account in following month. | We noted total amounts billed through Lake Park Municipal Utilities (LPMU) per June 2015 billing register were $2,170 more than amounts deposited by the City in August 2015 from LPMU for amounts collected by LPMU in July 2015. | |
| b. If available: | | |
| 1) Agree total billings to billings register and collections to amounts deposited in the bank account. | Monthly reconciliation was not available. | |
| 2) Not used. | | |
| 3. Obtain listing of all City officials' accounts (including the Utility Clerk's account). For Utility Clerk and one other official, trace billing from a selected month to collection/deposit in the bank account. | No exceptions noted. | |
| F. General: | | |
| 1. Obtain receipts detail for miscellaneous receipts during one month of fiscal year and agree to supporting documentation. | No exceptions noted. | |
| 2. Obtain deposit tickets for one month and list the amounts of currency deposited by types of receipts received in currency. | No exceptions noted. | |
| G. Inquire whether local option sales tax receipts were expended as required by local ballot provisions. Obtain a copy of the ballot authorizing the local option tax. | No exceptions noted. | |
| H. Inquire whether voter approved levies were properly authorized in accordance with Chapter 384.12 of the Code of Iowa. Obtain a copy of authorization. | No such levies noted. | |

CITY OF LAKE PARK, IOWA
AGREED-UPON PROCEDURES PERFORMED
FOR THE YEAR ENDED JUNE 30, 2015

| DISBURSEMENTS PROCEDURES | FINDINGS | RECOMMENDATIONS |
|---|---|---|
| A. Obtain a schedule of all related party transactions with officials or employees and inquire whether transactions were entered into in compliance with Chapter 362.5 of the Code of Iowa. | No exceptions noted. | |
| B. Obtain disbursement journal or detail for miscellaneous disbursements during one month of fiscal year and agree to supporting documentation. | No exceptions noted. | |
| C. From a list of all cancelled checks/images: | | |
| 1. Request a list of all checks to City personnel (non-payroll), occasional or one-time vendors, and "Cash", and inspect checks payable to the City Clerk and other personnel authorized to issue/sign checks. | No exceptions noted. | |
| a. Total amount and frequency of inspected checks. | We noted 4 such checks totaling $5,084. | |
| b. Trace inspected checks to supporting documentation. | No exceptions noted. | |
| 2. Select five (5) consecutive checks including ACH payments from alternating months and agree: | | |
| a. The disbursement to supporting documentation. | No exceptions noted. | |
| b. The amount and payee on the check to the general ledger posting. | No exceptions noted. | |
| c. Disbursement to authorization by the City Council. | No exceptions noted. | |
| d. Credit card transactions to approval and supporting documentation. | No such transactions were noted. | |
| e. Disbursement to function classification in COA. | No exceptions noted. | |
| f. The disbursement to documentation as to how the expenditure meets the test of public purpose, if any. | No disbursements requiring specific documentation of public purpose were noted. | |
| D. Inspect all bank statements for erasures/alterations. | No exceptions noted. | |

CITY OF LAKE PARK, IOWA
AGREED-UPON PROCEDURES PERFORMED
FOR THE YEAR ENDED JUNE 30, 2015

| DISBURSEMENTS PROCEDURES | FINDINGS | RECOMMENDATIONS |
|---|---|---|
| E. If canceled checks are not received with bank statements, determine whether both the front and back of electronic check images are received as required by Chapter 554D.114(5) of the Code of Iowa. | No exceptions noted. | |
| F. Inquire whether the City applied for and received sales tax refunds on completed projects unless an exemption certificate was issued by the City for the contractor as required by Chapter 423.3(80)(b) of the Code of Iowa. | No exceptions noted. | |
| G. Budgets | | |
| 1. Determine City Council authorized and certified the annual budget and amendments, if any. | No exceptions noted. | |
| 2. Obtain a schedule of disbursements by function and compare with the budget or amended budget. | No exceptions noted. | |
| H. Inquire of management and/or those charged with governance as to the existence of any agreement(s) containing confidentiality clauses. | No such clauses noted. No exceptions noted related to these procedures. | |
| 1. Determine if legal counsel agreed to insertion of the clause(s). | | |
| 2. Determine if agreement(s) were properly approved by the City Council. | | |
| 3. Determine the funding source for the payment(s) made under the agreement(s). | | |
| | | |

CITY OF LAKE PARK, IOWA
AGREED-UPON PROCEDURES PERFORMED
FOR THE YEAR ENDED JUNE 30, 2015

| PAYROLL PROCEDURES | FINDINGS | RECOMMENDATIONS |
|---|---|---|
| A. Select five (5) payroll transactions from throughout the year to determine: | | |
| 1. Authorization for gross pay or hourly rate by City Council. | No exceptions noted. | |
| 2. Approval of hours worked is documented. | We noted approval of hours worked is not documented. | We recommend approval of hours worked be documented. |
| 3. The number of hours paid per the payroll journal agrees to hours worked per approved timesheets (for hourly employees). | No exceptions noted. | |
| B. City Clerk and/or Payroll Clerk Pay: | | |
| 1. If salaried, reconcile the approved salary for the City Clerk to the City Council approved salary. | City Clerk was paid salary starting in April of 2015. No exceptions noted. | |
| 2. If hourly, test one selected paycheck for the City Clerk to determine the hourly rate paid agrees to the Council approved hourly rate. | No exceptions noted. | |
| C. Obtain documentation showing wage increases are approved by the City Council as an hourly rate or salary and not just a percentage increase. | No exceptions noted. | |
| D. Inspect copies of Forms 941, W-2, and 1099 filed with the IRS. | No exceptions noted. | |
| | | |