CITY OF CONRAD

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

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City of Conrad

Name	Title	Term Expires
Jeff Martin	Mayor	Jan 2016
Peg Brown	Council Member	Jan 2016
Ryan Callaway	Council Member	Jan 2016
Todd Schnathorst	Council Member	Jan 2016
Diane Miller	Council Member	Jan 2018
Brad Murty	Council Member	Jan 2018
Denise Hoy	City Administrator/Clerk	Indefinite
Kirby Schmidt	Attorney	Indefinite

City of Conrad

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Independent Accountants' Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of the 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 Conrad for the period July 1, 2014 through June 30, 2015. The City of Conrad'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 this 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 2015 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 Conrad, 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 Conrad, 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 Conrad and other parties to whom the City of Conrad 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 Conrad 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.

Dennis P Donovan PC

Dennis P. Donovan, P.C.
October 30, 2015

Detailed Recommendations

City of Conrad

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, 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.

(B) Financial Condition – At June 30, 2015, the City had deficit balances of $7,106 and $10,343 in the Special Revenue Fund, Tax Increment Financing and the Enterprise Fund, Water respectively.

Recommendation – The City should investigate alternatives to eliminate these deficits to return these funds to a sound financial condition.