CITY OF PRIMGHAR
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2014 THROUGH JUNE 30, 2015

Table of Contents

		Page
Officials		3
Independent Accountant's Report on Applying Agreed-Upon Procedures		4-5
Detailed Recommendations:	Finding	
Segregation of Duties	A	7
Bank Reconciliations	B	7
Petty Cash	C	7
City Council Meeting Minutes	D	7
Business Transactions	E	8
Journal Entries	F	8
Payroll	G	8
Certified Budget	H	8
Debt Service	I	8
Financial Condition	J	9
Disbursements	K	9

CITY OF PRIMGHAR

OFFICIALS

Kurt Edwards	Mayor	January, 2016
Michael Wilbur	Council Member	January, 2016
Dee VanderPol	Council Member	January, 2016
Cole Leiding	Council Member	January, 2018
Glen Schueller	Council Member	January, 2018
Brooke Stevens	Council Member	January, 2018
Marlene Anderson	City Clerk/Treasurer	Indefinite
Bruce Green	Attorney	Indefinite

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
JASON K. RAVELING
TAMMY M. CARLSON, C.P.A.
STEVE C. CAMPBELL, C.P.A.
RICHARD R. MOORE, C.P.A. (RETIRED)
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W. J. HUNZELMAN, C.P.A. 1921-1997

P.O. BOX 398
1100 WEST MILWAUKEE
STORM LAKE, IOWA 50588
712-732-3653
FAX 712-732-3662
www.hpcocpa.Com

Independent Accountant's 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 Primghar for the period July 1, 2014 through June 30, 2015. The City of Primghar'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 (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 (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 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 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.

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 voter approved levies for proper authorization in accordance with Chapter 384.12 of the Code of Iowa.

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

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

17. 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 Primghar, 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 Primghar and other parties to whom the City of Primghar may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Hunzelman, Putzier & Co., PLC

March 9, 2016

DETAILED RECOMMENDATIONS

(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 evidenced by the signature or initials of the reviewer and the date of the review.

(B) Bank Reconciliations – Although monthly bank reconciliations were prepared, unreconciled variances existed between the bank balance and the City's general ledger fund balances. In addition, the reconciliations were not reviewed by an independent person.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly and any variances are reviewed and resolved timely. In addition, an independent person should review all bank reconciliations and document their review by signing or initialing and dating the reconciliations.

(C) Petty Cash – The City's petty cash funds were not included in the City's accounting records and resulting fund balances.

Recommendation –For better accountability, financial and budgetary control, the financial activity and balances of all City funds and accounts, including petty cash, should be included in the City's accounting system.

(D) City Council Meeting Minutes – 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 of the meetings tested was not published within fifteen days. In addition, one of the minutes was not properly signed and the published minutes do not include total disbursements by fund and a summary of all receipts.

Recommendation – The City should ensure that City Council meeting minutes are properly signed and published as required by the Code of Iowa and the published minutes should include a summary of all receipts and total disbursements by fund.

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

Name, Title, and Business Connection	Transaction Description	Amount
Kurt Edwards, Mayor, Owner of Nicholson & Edwards	Purchase of generator diesel fuel	$8,903

In accordance with Chapter 362.5(k) of the Code of Iowa, the transactions with Nicholson & Edwards may represent a conflict of interest since total transactions were more than $2,500 during the fiscal year and the transactions were not competitively bid.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

(F) Journal Entries – The City Clerk has control over multiple duties within the City due to its relatively small size, including preparing and posting journal entries. It was noted that there is no independent approval of journal entries prepared and posted.

Recommendation – The City should implement a procedure to have an independent person review and authorize journal entries prepared by the City Clerk such as the Mayor or member of the City Council. Authorization should be documented by the initials of the reviewer as well as the date of the review.

(G) Payroll – Approval for the wage rates of two of the five employees tested was not noted in the City Council minutes, as required.

Recommendation –Procedures should be established to ensure that all pay rates are approved and documented in the minutes.

(H) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the public safety, public works, community and economic development, general governmental, 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.

(I) Debt Service – One of the semiannual interest payments on the City's general obligation capital loan notes was recorded in the Capital Projects Fund rather than the Debt Service Fund as required by Chapter 384.4 of the Code of Iowa.

Recommendation – General obligation note payments should be recorded in the Debt Service Fund as required by Chapter 384.4 of the Code of Iowa.

(J) Financial Condition – At June 30, 2015, the City had a deficit balances of $1,204 and $94,803 in the Local Option Sales Tax and Tax Increment Financing Fund, respectively.

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

(K) Disbursements – The following were identified:

- Invoices and other supporting documentation were not always available to support disbursements. Supporting documentation for two transactions tested could not be located.
- We noted several disbursements which were not included on the list of disbursements approved by the Council.

Recommendation – The City should ensure adequate supporting documentation is received prior to approving a claim for payment and establish procedures to ensure all disbursements are included on the list of disbursements to be approved by the Council.