

CITY OF PRAIRIEBURG
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
APRIL 1, 2015 THROUGH MARCH 31, 2016

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City of Prairieburg

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Arlene Holub	Mayor	Dec 2019
Donald R. Holub	Council Member (Resigned August 2016)	Dec 2019
Mark Holub	Council Member	Dec 2019
Tom Kluesner	Council Member	Dec 2017
Elizabeth Kluesner	Council Member	Dec 2017
Steven LeClere	Council Member	Dec 2019
Karen Bixler	City Clerk	Indefinite

City of Prairieburg

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 Prairieburg for the period April 1, 2015 through March 31, 2016. The City of Prairieburg'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 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 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 COA.
11. 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.
12. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
13. 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 Prairieburg, 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 Prairieburg and other parties to whom the City of Prairieburg 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 Prairieburg 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.

Community CPA

Community CPA & Associates Inc

July 25, 2016

Detailed Recommendations

City of Prairieburg
Detailed Recommendations
For the period April 1, 2015 through March 31, 2016

- (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 and journal entries should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) City Treasurer's Report – The City Clerk's monthly reports presented to the City Council do not show summaries of receipts and disbursements for the period and do not compare approved budgets to actual receipts and disbursements.

Recommendation – The City should implement fund accounting to emphasize accountability rather than profitability and to comply with Governmental Accounting Standards. Also, City Clerk's reports presented to the City Council should show the opening balance for each fund, receipts and disbursements for the period, period end fund balance and the total balance for all funds. It should also compare the fund activity to the approved budget. The City Council should review and approve the Clerk's report monthly.

- (C) Financial Condition – For fiscal year 2015 ended June 30, 2015, the City's total fund balances were in deficit by \$8,776. Total fund balances in FY 2014 ended June 30, 2014 were also in deficit by \$13,337.

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

City of Prairieburg
Detailed Recommendations
For the period April 1, 2015 through March 31, 2016

- (D) Reconciliation of Enterprise Revenues (Water and Sewer) – The City does not perform a reconciliation of Enterprise Revenues on a periodic basis. Errors and misstatements on these account balances would remain undetected. We performed analytical procedures over Enterprise Revenues and no material differences were identified.

Recommendation –Each fund balance should be reconciled monthly. The reconciliation should be reviewed by a qualified City official. The review should be documented by the signature or initials of the reviewer and the date of the review.

- (E) Transactions and Reconciliations – There is no detailed level review of accounting entries and investments reconciliations prepared by the City Clerk. Additionally, no third party review over utilities rates entered in the system.

Recommendation – The City should implement procedures to ensure that detailed accounting transactions, journal entries and reconciliations prepared by the City Clerk are reviewed, dated and signed-off by a qualified City official.

- (F) Payroll – The City of Prairieburg has five staff (excluding City Mayor and Council members), four of whom are part-time employees. Timesheets did not include evidence of supervisory review.

Recommendation – All time sheets should be reviewed and approved by supervisory personnel prior to processing payroll.

- (G) Vendor Payments – Two vendor payments on October 22nd, 2015 were not approved by the City Council.

Recommendation – All reimbursements should be subject to City approval.

- (H) Deposit and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, a resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa. No new bank accounts were opened during the examination period.

Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. Also, the City Council should approve, by resolution, amounts sufficient to cover anticipated balances at all approved depositories as required by Iowa Code section 12C.2.

City of Prairieburg
Detailed Recommendations
For the period April 1, 2015 through March 31, 2016

- (I) Investments Reconciliation– the City’s investments in Certificates of Deposit, as of March 31, 2016, had an accounting balance of \$236,720. We noted that an unreconciled difference of \$1,348.47 between the accounting balance and bank confirmation for Certificate of Deposit # 885994.

Recommendation – All bank and cash accounts should be reconciled on a monthly basis, and any differences should be properly accounted for. These reconciliation statements should be reviewed and signed off by a qualified City official.

- (J) Accounting/Register for Investments –The City does not maintain an accounting record or register for the investments.

Recommendation –A register should be maintained for all investments showing the cost, the description, the date the investment is purchased, the interest rate, maturity date and identifying number.