CITY OF PEOSTA

INDEPENDENT ACCOUNTANT'S REPORT

ON APPLYING AGREED UPON PROCEDURES

FOR THE PERIOD

JULY 1, 2016 THROUGH JUNE 30, 2017
# CITY OF PEOSTA
PEOSTA, IOWA

## TABLE OF CONTENTS

| Officials                                                      | Page No. |
|                                                               |         |
| Independent Accountant’s Report on Applying Agreed-Upon Procedures | 2-4     |

### Detailed Recommendations:

<table>
<thead>
<tr>
<th>Financial Condition</th>
<th>Finding</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Council Meeting Minutes</td>
<td>B</td>
<td>5</td>
</tr>
</tbody>
</table>
## OFFICIALS

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Term Expires</th>
</tr>
</thead>
<tbody>
<tr>
<td>Larry Mescher</td>
<td>Mayor</td>
<td>December 2017</td>
</tr>
<tr>
<td>Carla Reuter</td>
<td>Council Member</td>
<td>December 2019</td>
</tr>
<tr>
<td>Gerry Hess</td>
<td>Council Member</td>
<td>December 2019</td>
</tr>
<tr>
<td>Ray Stephan</td>
<td>Council Member</td>
<td>December 2017</td>
</tr>
<tr>
<td>Jesse Begle</td>
<td>Council Member</td>
<td>December 2017</td>
</tr>
<tr>
<td>Karen Lyons</td>
<td>Council Member</td>
<td>December 2017</td>
</tr>
<tr>
<td>Karen Snyder</td>
<td>Clerk/Treasurer</td>
<td>Indefinite</td>
</tr>
<tr>
<td>C.J. May</td>
<td>Attorney</td>
<td>Indefinite</td>
</tr>
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</table>
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 Peosta for the period of July 1, 2016 through June 30, 2017, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Peosta's management, which agreed to the performance of the procedures performed, is responsible for compliance with these requirements and 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 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 2017 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 voter approved levies for proper authorization in accordance with Chapter 384.12 of the Code of Iowa.

14. 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.

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.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on specific accounting records and related information of the City, including compliance with specific Code of Iowa requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting recommendations pertaining to selected accounting records and related information of the City, including the City's compliance with certain Code of Iowa requirements. This report is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Peosta 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.

O'CONNOR, BROOKS & CO., P.C.

Dubuque, Iowa

September 13, 2017
DETAILED RECOMMENDATIONS
A. Financial Condition - At June 30, 2017, The City had deficit balances of $13,089, $148,250, $450,712, $58,964, and $40,428 in the Tax Increment, South Water Main Extension, Waste Water Collection Project, West Water Main RR Crossing, and Water Main Extension Oak Park Funds, respectively.

   Recommendation - The City should investigate alternatives to eliminate these deficits to return the funds to a sound financial position. The City should look into financing for the projects once they are complete.

B. City Council Meeting Minutes - The city council went into a closed session on July 12, 2016. The specific exemption under Chapter 21.5 of the Code of Iowa was not identified or documented as required.

   Recommendation - The City should comply with the Code of Iowa by identifying and documenting the specific exemption as required.