CITY OF ANITA

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD JULY 1, 2020 THROUGH JUNE 30, 2021

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City of Anita

Officials

Name	Title	Term Expires
Thomas Harris	Mayor	Resigned January 2021
John Knutson	Mayor	Appointed Mar 2021-Jan 2022
Ben Daughenbaugh	Council Member	Jan 2022
Mark Harris	Council Member	Jan 2022
John Knutson	Council Member	Appointed Mayor Mar 2021
Simon Jensen	Council Member	Appointed Apr 2021-Jan 2022
Tim Wheelock	Council Member	Jan 2022
Kevin Littleton	Council Member	Jan 2024
Kaitlin Hodges	Clerk/Treasurer	Resigned Oct 2021
Justin Hockenberry	Attorney	Indefinite

SCHROER
and associates p.c.
certified public accountants

Diane McGrain, CPA
Jim Menard, CPA
Kelsey Peterson, CPA

Independent Accountants' Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of City Council:

We performed the procedures below, which were established at Iowa Code Chapter 11.6 to provide oversight of Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Anita for the period July 1, 2020 through June 30, 2021. The City of Anita'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 observed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.

2. We obtained an understanding of 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 observed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.

4. We obtained and observed 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 scanned 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 observed the City's fiscal year 2021 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.

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7. We scanned investments to determine compliance with Chapter 12B of the Code of Iowa.

8. We scanned depository resolutions, the City's investment policy and reporting of unclaimed property to the State of Iowa to determine compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa.

9. We scanned 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 scanned 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 observed 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 traced selected receipts to accurate accounting and consistency with the recommended COA.

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

14. We traced 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 traced transfers between funds to proper authorization and accurate accounting to determine whether transfers were proper.

16. We traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether payroll was proper.

17. We observed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various findings and recommendations for the City. Our findings and 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, additional 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 requirement. 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 Anita 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.

Schroer & Associates, P.C.

Schroer and Associates, P.C.

November 8, 2021

Detailed Findings and 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 without evidence of independent review:

(1) Cash – handling, reconciling and recording.

(2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.

(3) Disbursements – invoice processing, check writing, mailing, reconciling and recording.

(4) Payroll – recordkeeping, preparation and distribution.

(5) Financial reporting – preparing and reconciling.

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

(B) City Library Department - All accounting functions are handled by one individual without adequate compensating controls.

Recommendation - The Library Department should segregate accounting duties to the extent possible.

(C) Disbursements – One disbursement out of the thirty tested included sales tax charges. The May credit card disbursement for $810.26 included $19.46 in sales tax charges on annual subscription renewals and general supplies.

Recommendation – Vendors should be contacted to request sales tax refunds on these purchases as soon as possible, and future purchases should be monitored to ensure no sales tax is paid.