



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

State Capitol Building  
Des Moines, Iowa 50319-0004

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Mary Mosiman, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ May 23, 2016 \_\_\_\_\_

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Moravia, Iowa for the period July 1, 2014 through June 30, 2015. The agreed-upon procedures engagement was performed to assist the City in verifying the June 30, 2015 Special Revenue, Road Use Tax Fund balance reported in the fiscal year 2015 annual Street Finance Report.

Mosiman recommended the City establish procedures to ensure receipts and disbursements are properly recorded using the cash basis of accounting and bank account balances are reconciled to the general ledger monthly. In addition, the City should adjust the June 30, 2015 Special Revenue, Road Use Tax Fund balance recorded in the City's general ledger and reported in the 2015 Street Finance Report to the agreed-upon balance of \$0.

A copy of the agreed-upon procedures report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1522-0019-BC00>.

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

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**City of Moravia**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Irene Brooks	Mayor	Jan 2016
Mike Gray	Council Member	Jan 2016
Charles Turner	Council Member	Jan 2016
John Baty	Council Member	Jan 2018
G. E. Luse	Council Member	Jan 2018
Kenneth Martin	Council Member	Jan 2018
Sharla Stogdill	City Clerk/Treasurer	Indefinite

**City of Moravia**



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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor  
and Members of the City Council:

We have performed the procedures described below, which were agreed to by the City of Moravia, solely to assist the City in verifying the June 30, 2015 Special Revenue, Road Use Tax Fund balance reported in the City's 2015 annual Street Finance Report. The City of Moravia's management is responsible for the operating practices and procedures followed by the City, the City's fund balances and the City's annual Street Finance Report.

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 compared the fund balances reported in the City's unaudited Annual Financial Report's at June 30, 2014 and June 30, 2015 to the City's general ledger and bank balances on those dates.
2. We compared the Special Revenue, Road Use Tax Fund (RUT Fund) balances at July 1, 2014 and June 30, 2015 reported in the City's 2015 annual Street Finance Report to the respective balances in the City's unaudited Annual Finance Report for fiscal year 2015.
3. We confirmed fiscal year 2015 road use tax receipts and traced the receipts to proper recording/reporting in the City's fiscal year 2015 general ledger and annual Street Finance Report.
4. We traced disbursements reported in the City's fiscal year 2015 annual Street Finance Report to the City's accounting records.
5. We compared fiscal year 2013, 2014 and 2015 receipts in the RUT Fund to total disbursements for each of those years to determine whether disbursements exceeded receipts during those fiscal years.
6. We reviewed fiscal year 2015 transfers from the General Fund to the RUT Fund to determine the amount transferred to eliminate the RUT Fund deficit balance.


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 Moravia, 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 Moravia and other parties to whom the City of Moravia 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 Moravia during the course of our agreed-upon procedures engagement. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

December 2, 2015



## **Detailed Recommendations**

City of Moravia

Detailed Recommendations

For the period July 1, 2014 through June 30, 2015

(A) Financial Reporting – The following exceptions were noted:

Fiscal year 2014 - Adequate financial records were not available to support receipts, disbursements and fund balances reported in the City's fiscal year 2014 Annual Financial Report (AFR) and bank reconciliations were not performed for the fiscal year. Lists of outstanding checks were not prepared monthly and retained. The June 30, 2014 balance reported in the fiscal year 2014 AFR was \$226,027 more than the balance in the City's bank account at that date.

Fiscal year 2015 – Lists of outstanding checks were not prepared monthly and retained. The bank and book balances did not properly reconcile at June 30, 2015, leaving an unresolved variance of \$3,266. We were unable to determine the reason for the variance. However, although the City reports on the cash basis of accounting, certain receipts and disbursements were recorded using the accrual basis of accounting. A portion of the variance represents receivables and liabilities remaining in the "Balance Sheet" report at June 30, 2015. In addition, the bank reconciliations were not independently reviewed.

A monthly City Clerk's Report, including a summary of receipts, disbursements and ending balances by fund, is not prepared and provided to the City Council.

Recommendation – The City should establish procedures to ensure receipts and disbursements are properly recorded and reported using the cash basis of accounting and ensure bank account balances are reconciled to the general ledger monthly. Variances, if any, should be reviewed and resolved timely. Lists of outstanding checks should be prepared monthly and retained to facilitate the reconciliation process and support reconciled balances. An independent person should review all bank reconciliations and document the review by signing or initialing and dating the reconciliations.

The City Clerk should prepare a monthly City Clerk's Report which includes a summary of receipts, disbursements and ending balances by fund. The City Council should review and approve the monthly City Clerk's Report.

(B) Road Use Tax Fund Balance – Based on our review of the fiscal year 2015 Annual Financial Report, the 2015 annual Street Finance Report, the June 30, 2014 and June 30, 2015 bank account balances and the City's fiscal year 2015 general ledger receipts, disbursements, transfers and balances, we have verified the balance of the Special Revenue, Road Use Tax Fund at June 30, 2015 should be \$0.


Recommendation – The City should adjust the June 30, 2015 Special Revenue, Road Use Tax Fund balance recorded in the City's general ledger and reported in the City's 2015 annual Street Finance Report to \$0.

City of Moravia

Staff

This agreed-upon procedures engagement was performed by:

Marlys K. Gaston, CPA, Director  
Karen J. Kibbe, Senior Auditor II

  
Andrew E. Nielsen, CPA  
Deputy Auditor of State