

CITY OF DONNELSON
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2021 THROUGH JUNE 30, 2022

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City of Donnellson

Officials

(Before January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dave Ellingboe	Mayor	Jan 2022
Brian Moeller	Council Member	Jan 2022
Kevin Schneider	Council Member	Jan 2022
Selissa Weber	Council Member	Jan 2022
Jeremy Marshall	Council Member	Jan 2024
Jennifer Estrada	Council Member	Jan 2024
Rebecca Schau	City Clerk/Treasurer	Indefinite
Elaine Fehseke Gray	City Attorney	Indefinite

(After January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dave Ellingboe	Mayor	Jan 2026
Brian Moeller	Council Member	Jan 2026
David Newton	Council Member	Jan 2026
Selissa Weber	Council Member	Jan 2026
Jeremy Marshall	Council Member	Jan 2024
Jennifer Estrada	Council Member	Jan 2024
Rebecca Schlau	City Clerk/Treasurer	Indefinite
Elaine Fehseke Gray	City Attorney	Indefinite

TED M. WIEGAND, CPA

606 E. Madison Street
Mount Pleasant, IA 52641

Telephone - (319) 385-4701 E-mail - tdwiegand@mchsi.com

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor and Members of the City Council:

I performed the procedures below, which were established at Iowa Code Chapter 11.6 to provide oversight of Iowa cities. Accordingly, I have applied certain procedures to selected accounting records and related information of the City of Donnellson for the period July 1, 2021 through June 30, 2022, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Donnellson'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 City of Donnellson's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose to report, in accordance with Chapter 11.6 of the Code of Iowa, 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 may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures I performed are summarized as follows:

1. I observed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I 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. I observed surety bond (or insurance) coverage for compliance with Chapter 64 of the Code of Iowa.
4. I 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. I 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. I observed the City's fiscal year 2021 Annual Financial Report (the Report that was due during the fiscal year under examination) to determine whether it was completed and accurately reflects the City's financial information.
7. I scanned investments to determine compliance with Chapter 12B of the Code of Iowa.
8. I 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. I 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. The City had no TIF.
11. I traced selected receipts to accurate accounting and consistency with the recommended COA.
12. The City had no voter approved levies.
13. I traced selected disbursements to 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. I traced transfers between funds to proper authorization and accurate accounting and determined whether transfers were proper.
15. I traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether payroll was proper.
16. I observed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, I identified various findings and recommendations for the City. My findings and recommendations are described in the Detailed Findings and Recommendations section of this report. Unless reported in the Detailed Findings and Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

I was engaged by the City of Donnellson's management to perform this agreed-upon procedures engagement and conducted my engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. I was not engaged to and did not conduct an examination or review engagement, 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, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

I am required to be independent of the City of Donnellson and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my agreed-upon procedures engagement.

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 findings and 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.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Donnellson during the course of the agreed-upon procedures engagement. Should you have any questions concerning any of the above matters, I would be pleased to discuss them with you at your convenience.

Ted M. Wiegand, CPA

September 23, 2022

City of Donnellson

Detailed Findings and Recommendations

For the period July 1, 2021 through June 30, 2022

(A) Segregation of Duties – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements. 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, recording, 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 recording.

Recommendation – I 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 documented by the signature or initials of the reviewer and the date of the review.

(B) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Reconciliations of utility billings, collections and delinquent accounts were not prepared all twelve months of fiscal year 2022.

Recommendation – The reconciliation of utility billings, collections and delinquent accounts should be performed each month in a timely basis, and the City Council or other independent person designated by the City Council should review the reconciliations, and document this review by signature or initials of the reviewer and the date of the review.

(C) Outstanding Obligations Report – The City's sewer revenue bonds of \$2,653,000 as of June 30, 2022 were reported on the annual outstanding obligations report to the State Treasurer as general obligation bonds rather than revenue bonds.

Recommendation – When completing the fiscal year 2023 outstanding obligations report, the Clerk should contact the State Treasurer's department to determine how the correct classification can be made.

(D) Certified Budget – Disbursements during the year ended June 30, 2022 exceeded the amounts budgeted in the culture and recreation function. 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."

Budget Amendment was not completed because it spent ok @ end of yr

Missing one month added to packet

Has always been recorded as

City of Donnellson

Detailed Findings and Recommendations

For the period July 1, 2021 through June 30, 2022

The City library was not provided with copies of the budget for public availability at least 10 days prior to the budget hearing date of March 1, 2021 as required by Chapter 384.16(2) of the Code of Iowa.

Never noted in past, league had not addressed as required, audited, just noticed in State Code

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements exceeded the budget. The City should make copies of the annual budget available at the library at least 20 days before the March 31 deadline and at least 10 days before the budget hearing date to comply with Iowa law.

- (E) Business Transactions – Business transactions between the City and City officials or employees which may represent conflicts of interest are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Dave Ellingboe, Mayor, owner of Donnellson Tire and Service	Automotive parts and services	\$ 511

same

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the above transactions do not appear to represent a conflict of interest since total transactions were less than \$6,000 during the fiscal year.

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

- (F) Change Funds reporting – The City’s change fund of \$100 has been recorded and reported as \$50, and the City library’s change fund of \$35 has not been recorded or reported.

Recommendation – An additional \$85 should be recorded in the City’s accounting system and reported on the annual financial report in the future. Because the change funds are not adding to the City’s bank account, the City Clerk should work with the software vendor to add the change fund amounts to the accounting system so as to not affect the bank reconciliation.

Has always been that way

- (G) Disbursements – In reviewing a selection of disbursements, I noted one disbursement for the water department in the amount of \$171.53 that was coded to the general government function that should have been charged to business-type expense. I also noted that sales tax of \$8.94 was paid with a disbursement that should have been sales tax-exempt because it was not associated with the utility enterprises.

B.I. coded incorrectly

Recommendation – The City should take corrective action to help ensure disbursements are properly coded to the correct function type.

The City should take steps to avoid paying sales tax on tax-exempt purchases as much as practicable.

