

CITY OF MANNING

INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT  
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD  
JULY 1, 2012 THROUGH JUNE 30, 2013

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## City of Manning

### Officials

| <u>Name</u>     | <u>Title</u>                 | <u>Term Expires</u> |
|-----------------|------------------------------|---------------------|
| Harvey Dales    | Mayor                        | January 2014        |
| Jeff Hargens    | Council Member/Mayor Pro-tem | January 2014        |
| Richard Johnson | Council Member               | January 2014        |
| Andrew Eisheid  | Council Member               | January 2014        |
| Sheryl Dammann  | Council Member               | January 2016        |
| Josh Linde      | Council Member               | January 2016        |
| Dawn Rohe       | City Clerk/Administrator     | Indefinite          |
| Robert Gaffney  | Attorney                     | Deceased July, 2013 |
| Greg Sextro     | Attorney (As of July, 2013)  | Indefinite          |

# MUXFELDT

## ASSOCIATES, CPA, P.C.

Certified Public Accountant

October 3, 2013

**Lonnie G. Muxfeldt**  
Certified Public  
Accountant

### Independent Accountant's Examination Report

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**Licensed In:**

Iowa  
Missouri

To the Honorable Mayor  
and Members of City Council:

I have performed an examination of the City of Manning pursuant to Chapter 11.6 of the Code of Iowa. Accordingly, I have applied certain tests and procedures to selected accounting records and related information of the City of Manning for the period July 1, 2012 through June 30, 2013. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The procedures I performed are summarized as follows:

1. I reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I 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. I reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. I 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. I reviewed City funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. I reviewed the City's fiscal year 2012 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.

7. I reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. I 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. I 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. I 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. I 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. I reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
13. I reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. I reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. I reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. I reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, I identified various recommendations for the City. My 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.

I was not engaged to and did not conduct an audit of the operations of the City of Manning, the objective of which is the expression of opinions on financial statements. Accordingly, I do not express opinions on the City's financial statements. Had I performed additional procedures, or had I performed an audit of the City of Manning, additional matters might have come to my 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 Manning and other parties to whom the City of Manning may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Manning during the course of my examination. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

*Murphy Associates, CPA, P.C.*

## DETAILED RECOMENDATIONS

CITY OF MANNING

DETAILED RECOMENDATIONS

FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2013

(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, preparation and distribution.
- (5) Utilities – billing, collecting, depositing and posting.
- (6) Financial reporting – preparing and reconciling.
- (7) Journal entries – preparing and journalizing.

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 evidenced by the signature or initials of the reviewer and the date of the review.

(B) Deposits and Investments – A resolution naming official depositories has not been updated since 2007 by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendations – The City Council, by resolution, should adopt and approve amounts sufficient to cover anticipated balances in all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

CITY OF MANNING

DETAILED RECOMENDATIONS

FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2013

- (C) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City did not receive an image of the back of each cancelled check for several months on one bank account.

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

- (D) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

| Name, Title and Business Connection  | Transaction Description    | Amount   |
|--|----------------------------|----------|
| Jerry Rasmussen,<br>Economic Development Agency,<br>Owner of Rasmussen Lumber    | Supplies                   | \$ 6,704 |
| Robert Ehlers and Lynn Stein,<br>Economic Development Agency,<br>Owners of NAPA  | Parts and supplies         | \$ 2,789 |
| Pam Kusel, Historic Preservation<br>Commission, Owner of Manning<br>News Journal | Subscriptions, advertising | \$ 1,238 |

In accordance with Chapter 362.5(k) of the Code of Iowa, some of above transactions may represent a conflict of interest since total transactions were more than \$2,500 during the fiscal year.

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

CITY OF MANNING

DETAILED RECOMENDATIONS

FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2013

- (E) Tax Increment Financing – Chapter 403.19 of the Code of Iowa provides a municipality shall certify indebtedness to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness. Chapter 403.19 of the Code of Iowa does not allow a municipality to set aside property tax divided for tax increment purposes for current or future urban renewal projects. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. In addition, Chapter 403.19(6)(b) of the Code of Iowa requires the City to certify the amount of reductions resulting from the reduction of debt or any other reason to the County Auditor.

The City has tax increment financing (TIF) debt of \$226,635 outstanding at June 30, 2013.

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

- (F) Separately Maintained Records – The City of Manning Fire Department's Non-Profit 501(c)3, maintains separate accounting records for certain operations. These transactions and resulting balances are not included in the City's accounting records.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and reported to the City Council on a monthly basis. The Fire Department Association's accounts should be monitored for the use of public funds, and if needed, be included in the general accounting of the City's financial records. The City should consult legal counsel on this matter.

CITY OF MANNING

DETAILED RECOMENDATIONS

FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2013

- (G) Financial Condition – The Urban Renewal Fund had deficit balances at June 30, 2013.  
Recommendation – The City should investigate alternatives to eliminate the deficit balance in order to return this fund to a sound financial condition.
- (H) Unsubstantiated Disbursement – It was noted during testing that one disbursement was not substantiated with supporting documentation .  
Recommendation – All disbursements should be substantiated with proper supporting documentation before the claim is paid.
- (I) Ending Fund Balances – It was noted that the June 30, 2013 ending checking balances did not agree with the June 30, 2013 ending fund balance.  
Recommendation – All fund balances should be reconciled to the actual cash balances and any discrepancies reconciled.
- (J) Ending Cash Balances – It was noted that the June 30, 2013 ending reconciled checking balances did not agree with the June 30, 2013 ending cash balances on the trial balance report.  
Recommendation – All cash trial balances should be reconciled to the actual reconciled cash balances and any discrepancies adjusted.

CITY OF MANNING

MANNING, IA 51455

**NEWS RELEASE**

Muxfeldt Associates, CPA, P.C., 2309 B Chatburn Avenue, Harlan, Iowa today released an examination report on the City of Manning, Iowa for the period July 1, 2012 through June 30, 2013. The examination was performed pursuant to Chapter 11.6 of the Code of Iowa.

Muxfeldt Associates, CPA, P.C. recommended the City establish segregation of duties over cash, cash receipts, disbursements, utility billing and financial reporting . Muxfeldt Associates, CPA, P.C. recommends the City comply with Chapters, 12C.2, 554D.114, 362.5(k), and 384.20. Muxfeldt Associates, CPA, P.C. also recommends that separately maintained records be included in the City's accounting records, deficit fund balances be eliminated, supporting documentation for disbursements before issuance of the claim, ending fund balances be reconciled and ending cash balances be reconciled.

A copy of the examination 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/reports.htm>.