

CITY OF MONONA

**INDEPENDENT ACCOUNTANT'S
EXAMINATION REPORT**

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

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CITY OF MONONA

OFFICIALS

Title	Name	Term Expires
Mayor	Fran Passmore	December 31, 2013
Council Member	Dari Colsch	December 31, 2013
Council Member	Daniel Havlicek	December 31, 2015
Council Member	Randee Blietz	December 31, 2015
Council Member	Andrew Meyer	December 31, 2015
Council Member	Patricia Martin	December 31, 2013
City Clerk	Dan Canton	Appointed
Deputy City Clerk	Linda Gullickson	Appointed

INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT

To the Honorable Mayor and Members of the City Council
City of Monona
Monona, Iowa

We have performed an examination of the City of Monona pursuant to Chapter 11.6 of the Code of Iowa. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Monona 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 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 Chapter 21.372.13(6) and Chapter 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 (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2013 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 CFC recommended chart of accounts.
13. We 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. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. 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 noncompliance were not noted during the performance of the specific procedures listed above.

We were not engaged to, and did not conduct an audit of the operations of the City of Monona, the objective of which is the expression of opinions on financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Monona, 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 Monona and other parties to whom the City of Monona may report. This report is not intended to be, and should not be, used by anyone other than those specified parties.

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

Hacker, Nelson & Co., P.C.

Decorah, Iowa
January 13, 2014

CITY OF MONONA

DETAILED RECOMMENDATIONS
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 - 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 reconciliations and journal entries should be evidenced by the signature or initials of the reviewer and date of the review.

B. Certified Budget - Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the culture and recreation, community and economic development, general government, debt service and enterprise functions. 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."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

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 does not receive an image of the back of each cancelled check for their 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. Payroll - During our testing of payroll, we found no supervisor approval indicated on any of the time cards to show approval of the hours worked.

Recommendation - The City should make sure that a supervisor signs off on all time cards prior to paying employees.

CITY OF MONONA

DETAILED RECOMMENDATIONS
For the Period July 1, 2012 through June 30, 2013

- E. Tax Increment Financing (TIF) - We noted the following related to the City's urban renewal report:
- a. The City mistakenly included debt related to a non-TIF capital improvement project on the annual urban renewal report because it was located within the City's urban renewal area, overstating the TIF debt outstanding by \$1,017,057.
 - b. The City mistakenly reported the July 1, 2012 balance of the TIF debt outstanding for the Davis Street Extension general obligation bond; understating the City's TIF debt outstanding by \$90,722.
 - c. The City's TIF debt outstanding was overstated by \$33,945 for a development agreement.
 - d. The City did not include debt outstanding related to a development agreement in the urban renewal area understating TIF debt outstanding by \$324,379.
 - e. The City did not include debt outstanding related to a TIF project in the urban renewal area understating TIF debt outstanding by \$25,000.

We also noted the following related to the City's TIF indebtedness certification: Per IA Code 403.19(6) if the amount of TIF indebtedness certified to the County Auditor is reduced by reasons other than the application of TIF revenues received the City should decertify the amount of the reduction on or before December 1 of the year action was taken which resulted in the reduction. During the 2013 fiscal year a portion of the Davis Street Extension general obligation bond was repaid with funds from the debt service levy, but the City did not decertify this amount to the County Auditor by December 1, 2012 as required by the Code of IA.

Recommendation - The City should take steps to ensure that the urban renewal report reflects the actual debt outstanding. The City should also consult their TIF legal counsel to determine the amount, if any, that should be decertified to the County Auditor due to repayment of TIF obligations from other revenue sources.

- F. City Council Minutes - Chapter 372.13(6) of the Code of Iowa requires publication of all claims allowed by City Council. The June 2013 warrants were not published.

Recommendation - The City should comply with the Code of Iowa and publish all claims allowed by City Council.

- G. Annual Financial Report - The City's Annual Financial Report for the fiscal year June 30, 2013, did not include debt outstanding for the City's sewer revenue bond. The Annual Financial Report also did not include a transfer from the TIF special revenue fund to the debt service fund.

Recommendation - The City should include all debt outstanding at the end of the fiscal year and all transfers made during the fiscal year on the Annual Financial Report.

- H. Deposits and Investments - The City has not adopted a written investment policy that complies with the provisions of Chapters 12B.10B of the Code of Iowa.

Recommendation - The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of Code of Iowa.

CITY OF MONONA

DETAILED RECOMMENDATIONS
For the Period July 1, 2012 through June 30, 2013

- I. Transfers - Total transfers for the fiscal year ended June 30, 2013, exceeded the sum of the amount budgeted and an additional approved transfers.

Recommendation - The City should approve all additional transfers needed beyond those that are budgeted.