

**CITY OF WALFORD, IOWA  
INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES  
FOR THE PERIOD  
JULY 1, 2013 THROUGH JUNE 30, 2014**

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# Officials

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<b>Name</b>	<b>Title</b>	<b>Term Expires</b>
<b>Elected Officials</b>		
(Before January, 2014)		
Mark Carter	Mayor	January, 2016 (resigned September 4, 2014)
Jeff Kane	Mayor Pro-Tem	January, 2016
Lonny Godwin	Council Member	January, 2016
Randy Hoskins	Council Member	January, 2014
Mike Huber	Council Member	January, 2016
Brian Plogman	Council Member	January, 2014
(After January, 2014)		
Mark Carter	Mayor	January, 2016 (resigned September 4, 2014)
Jeff Kane	Mayor Pro-Tem	January, 2016
Lonny Godwin	Council Member	January, 2016
Randy Hoskins	Council Member	January, 2018
Mike Huber	Council Member	January, 2016
Brian Plogman	Council Member	January, 2018
<b>Appointed Officials</b>		
Janet Gann	City Clerk/Treasurer	Indefinite

## **Independent Accountant's Report on Applying Agreed-Upon Procedures** —

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

We have performed an agreed-upon procedures engagement of the City of Walford pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide certain minimum oversight of Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Walford for the period July 1, 2013 through June 30, 2014. 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 procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 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 surety 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 2014 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 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 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 City of Walford, the objective of which is the expression of opinions on the City's 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 Walford, 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 Walford and other parties to whom the City of Walford may report. This report is not intended to be and should not be used by anyone other than these specified parties.

*HOGAN - HANSEN*

HOGAN - HANSEN  
Mason City, Iowa  
December 22, 2014

## Detailed Recommendations

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## Detailed Recommendations

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For the Period July 1, 2013 through June 30, 2014

- (A) **Segregation of Duties** - One important aspect of internal control is segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that incompatible duties are being performed by the same person.

**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.

- (B) **Reconciliation of Utility Billing, Collections and Delinquent Accounts** - While a delinquent account listing and a utility balancing report were printed each month, there was no reconciliation performed of utilities billed, utilities paid and delinquent utility accounts. For the month tested, a variance of \$251.20 could not be reconciled.

**Recommendation** - Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations, document their review and monitor delinquent accounts.

- (C) **Certified Budget** - We tested the Annual Financial Report for the year ended June 30, 2014. Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the community and economic development function. Chapter 384.20 of the Code of Iowa states, in part, "Public moneys 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.

- (D) **Monthly Disbursement Review** - The City Council is provided a listing of receipts by fund and disbursements by vendor at each month meeting. We noted one disbursement in September, 2013 was not included on the monthly listing for approval.

**Recommendation** - The City should consider establishing procedures to reconcile the monthly disbursement listing to the Clerk's monthly report to ensure no disbursements are missing from the listing.

- (E) **Account Coding** - Two disbursements tested were improperly coded to an incorrect function within the correct fund, based on the Uniform Chart of Accounts for City Governments in Iowa.

**Recommendation** - The City should follow the Uniform Chart of Accounts for City Governments in Iowa for account coding.

- (F) **Clerk's Report** - A comparison of actual disbursements to budget, by function, is not included in the monthly Clerk's report given to the City Council for review.

**Recommendation** - The City should establish procedures to include a comparison of actual disbursements, by function, to the budget in each monthly report. The City Council should review this report monthly for propriety and possible budget amendments.

## Detailed Recommendations

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For the Period July 1, 2013 through June 30, 2014

- (G) **Annual Financial Report** - The City's Annual Financial Report for the year ended June 30, 2014 did not agree to the City's general ledger due to the City improperly combining the Debt Service Fund with the General Fund and recording several amounts on incorrect lines of the Annual Financial Report. In addition, the schedule of debt outstanding, issued and retired in Part V of the City's June 30, 2014 Annual Financial Report, did not agree to the actual debt outstanding due to the City's development agreements being improperly reported as outstanding debt.

**Recommendation** - The City should establish procedures to ensure all transactions are properly recorded in the general ledger and that all transactions agree to the Annual Financial Report. The City should also report the Debt Service Fund in a separate column in the Annual Financial Report.

- (H) **Payment of General Obligation Bonds** - Principal and interest on the City's general obligation bonds were paid from the Special Revenue, Tax Increment Financing Fund. Chapter 384.4 of the Code of Iowa states, in part, "Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund."

**Recommendation** - The City should have transferred from the Special Revenue, Tax Increment Financing Fund to the Debt Service Fund and then payments on the bonds should have been made from the Debt Service Fund.