

**CITY OF TITONKA, 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

Name	Title	Term Expires
(Before January, 2014)		
Elected Officials		
Aaron Boyken	Mayor	December 31, 2015
Gail Hamilton	Council Member	December 31, 2013
Burdette Petersen	Council Member	December 31, 2013
Arnold Johnson	Council Member	December 31, 2015
Ben Lee	Council Member	December 31, 2015
Mike Etherington	Council Member	December 31, 2015
Appointed Officials		
Karen Hamilton	City Clerk	December 31, 2016
(After January, 2014)		
Elected Officials		
Aaron Boyken	Mayor	December 31, 2015
Gail Hamilton	Council Member	December 31, 2017
Barbara Zwiefel	Council Member	December 31, 2017
Arnold Johnson	Council Member	December 31, 2015
Ben Lee	Council Member	December 31, 2015
Mike Etherington	Council Member	December 31, 2015
Appointed Officials		
Karen Hamilton	City Clerk	December 31, 2016

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

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

We have performed an agreed-upon procedures engagement of the City of Titonka 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 Titonka 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 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 City of Titonka, 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 Titonka, 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 Titonka and other parties to whom the City of Titonka 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

Algona, Iowa
August 26, 2014

Detailed Recommendations

Detailed Recommendations

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

- (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. We noted that several incompatible duties are being performed by the same employee.

Recommendation - We realize that 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) **Journal Entries** - The City Clerk makes journal entries to the general ledger as needed. The journal entries are not consistently reviewed by a second person or by the City Council.

Recommendation - We recommend that the City establish procedures for a second person to review journal entries on a monthly basis and document that review by initialing or signing the journal entries.

- (C) **Certified Budget** - Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the debt service 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."

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

Name, Title and Business Connection	Transaction Description	Amount
Karen Hamilton, City Clerk, part owner of Titonka Food Center	Supplies	\$3,836
Aaron Boyken, Mayor, Vice President and Chief Technology Officer at Titonka Savings Bank	Deposits and loans	Deposits as of 6/30/14 - \$851,562 Loans as of 6/30/14 - \$168,067

In accordance with Chapter 362.5(k) of the Code of Iowa, the above transactions may represent a conflict of interest since total transactions were more than \$2,500 during the fiscal year and the transactions were not competitively bid.

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

- (E) **Annual Financial Report** - Budget amounts reported on the Annual Financial Report (AFR) were the amounts from the original budget, not the amended budget.

Recommendation - The budget column in the AFR should agree with the City's amended budget.

Detailed Recommendations

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

- (F) **Financial Reporting** - State Revolving Fund (SRF) loan proceeds of \$49,989 were incorrectly coded as reimbursements rather than as debt proceeds.

Recommendation - The City should implement procedures to ensure receipts are properly coded.

- (G) **Timesheets** - Timesheets did not include evidence of supervisory review and approval.

Recommendation - All timesheets should be reviewed and approved by the employee's supervisor or by an independent official prior to processing payroll. The approval should be evidenced by the reviewer's signature or initials and the date approved.

- (H) **Utility Receipts** - Utility receipts did not reconcile to the general ledger by less than \$100.

Recommendation - Utility receipts reconciliation should be reviewed by a second person to ensure that they agree to the general ledger each month.