

**CITY OF CALLENDER, IOWA**  
**INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT**  
**FOR THE PERIOD**  
**JULY 1, 2013 THROUGH JUNE 30, 2014**

**Cornwell, Frideres, Maher & Associates, P.L.C.**  
**Certified Public Accountants**

## Table of Contents

	<u>Page</u>
Officials	1
Independent Accountant's Examination Report	2-3
Detailed Recommendations:	<u>Finding</u>
Segregation of Duties	A 4
City Council Minutes	B 4
Cash and Investments	C 5
Reconciliation of Utility Billing and Collections	D 5
Disbursements	E 5
Deficit Balance	F 5

## City of Callender, Iowa

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Randy Hanson	Mayor	Dec 2015
Don Weston	Mayor Pro Tem	Dec 2015
Darrell Shirbroun	Council Member	Dec 2015
Kim Jondle	Council Member	Dec 2017
David Lee	Council Member	Dec 2017
Wanda Martens	Council Member	Dec 2017
Denita Lee-Luke	City Clerik	Indefinite
Eric Eide	Attorney	Indefinite

# **Cornwell, Frideres, Maher & Associates, P.L.C.**

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### Independent Accountant's Examination Report

To the Honorable Mayor  
and Members of City Council:

We have performed an examination of the City of Callender 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 Callender 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.

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 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 2014 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. 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.
8. 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 related proceeds and repayments were properly accounted for.

9. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
10. 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.
11. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
12. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
13. 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 non-compliance 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 Callender, 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 Callender, 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 Callender and other parties to whom the City of Callender may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Callender 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.

*Cornwell, Frideres, Maher & Associates, P.L.C.*

Cornwell, Frideres, Maher & Associates, P.L.C.  
Certified Public Accountants

March 10, 2015

## **Detailed Recommendations**

City of Callender, Iowa

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. 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) Financial reporting – preparing and reconciling.
  - (6) 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. Upon inquiry, it was noted that the Mayor and Council review certain items however, their review was not documented. The Mayor and/or Council should initial items they have reviewed such as claims, bank reconciliations, etc. This will help mitigate the lack of segregation of duties.

- (B) City Council Minutes – Chapter 372.13(6) of the Code of Iowa requires that the minutes of all City Council proceedings include publication of a summary of receipts. It was noted that this was not done for the fiscal year ended June 30, 2014. Chapter 21.3 of the Code of Iowa requires that the minutes show information sufficient to indicate the vote of each member present. It was noted that while the resolutions and ordinances indicated the vote of each member, the motions by the council did not indicate how each member voted. It was also noted that the February 2014 minutes were not published in the paper, but posted in town

Recommendation – City officials should review their procedures and insure that the published minute include a summary of receipts and the vote of each council member. Also, City officials should review the paper to make sure all minutes were published.

(C) Cash and Investments – It was noted that the City did not have a Depository Resolution on file.

Recommendation – City officials should pass a Depository Resolution as soon as possible to be in compliance with Chapter 12C of the Code of Iowa. Per inquiry, City officials will take care of this as soon as possible.

(D) Reconciliation of Utility Billings and Collections – Utility billings and collections were reconciled throughout the year. However, the trial balance was not printed, so the reconciliation could not be totally verified.

Recommendation – Procedures should be established so that a trial balance is printed when the reconciliation is printed, so the reconciliation can be verified. Per inquiry, the City Clerk will start this procedure the next quarter.

(E) Disbursements – Out of 30 invoices testes, we could not find the back up for 2 of them. These two invoices were immaterial amounts and did not appear to be extraordinary transactions.

Recommendation – City officials should take care to make sure all invoices are filed properly. Per inquiry, this appeared to be an isolated incident, as the majority of the invoices are filed properly.

(F) Deficit Balance - As of June 30, 2014, the City's Water Enterprise Fund and the Debt Service Fund had deficit balances of \$26,301.09 and \$823.52 respectively.

Recommendation – City officials should investigate alternatives to eliminate these deficits to return the funds to sound financial positions. Per inquiry, City officials have plans to increase the water rates to help eliminate this deficit.