

**CITY OF DUNKERTON, IOWA
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2015 THROUGH JUNE 30, 2016**

Table of Contents ---

Officials	1
Independent Accountant's Report on Applying Agreed-Upon Procedures	2-4
Detailed Recommendations.....	5-6

Officials

Name	Title	Term Expires
Officials		
Ed Jessen	Mayor	December, 2017
Tom DeLong	Council Member	December, 2019
Tina Dalton	Council Member	December, 2019
DJ Manahl	Council Member	December, 2017
Adam Fuelling	Council Member	December, 2017
Colt Robinson	Council Member	December, 2017
Sheila Steffen	City Clerk	Indefinite

Independent Accountant's Report on Applying Agreed-Upon Procedures

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

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Dunkerton for the period July 1, 2015 through June 30, 2016. The City of Dunkerton's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

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 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 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 (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2015 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.

7. We reviewed compliance with Chapters 12C.2 and 556.1(12) of the Code of Iowa pertaining to required depository resolutions and reporting of unclaimed property to the State of Iowa.
8. 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.
9. 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.
10. 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.
11. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended COA.
12. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
13. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
14. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
15. 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 Dunkerton, 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 Dunkerton, additional matters might have come to our attention that would have been reported to you.

To the Honorable Mayor and
Members of the City Council
City of Dunkerton, Iowa
Page 3

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 Dunkerton and other parties to whom the City of Dunkerton 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

Waterloo, Iowa
August 18, 2016

Detailed Recommendations

Detailed Recommendations

For the Period July 1, 2015 through June 30, 2016

- (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) Accounting system - performing all general accounting functions, including journal entries, and having custody of assets.
- (2) Cash - handling and recording.
- (3) Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- (4) Debt - recordkeeping and debt payment processing.
- (5) Journal entries - preparing and journalizing.
- (6) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (7) Payroll - entering rates into the system, recordkeeping, preparing and distributing.
- (8) Computer system - performing all general accounting functions and controlling all data input and output.
- (9) Financial reporting - preparing and reconciling.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the City should review control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations, journal entries, timecards and payrolls should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) **Financial Condition** - As of June 30, 2016, the City had a deficit balance of \$11,851 in the Dunkerton Road Capital Project Fund.

Recommendation - The City should investigate alternatives to eliminate the deficit in order to return this fund to a sound financial position.

- (C) **Certified Budget** - Disbursements during the year ended June 30, 2016 exceeded the amount 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.

Detailed Recommendations

For the Period July 1, 2015 through June 30, 2016

- (D) **Section 148** - The City does not have written procedures to monitor compliance with the arbitrage, yield restrictions and rebate requirements under Section 148 of the Internal Revenue Code as it relates to debt obligations.

Recommendation - The City should establish written procedures to monitor compliance with the arbitrage, yield restrictions and rebate requirements under Section 148 of the Internal Revenue Code.

- (E) **Cell Phone Stipend** - Certain City officials receive a flat-dollar amount as reimbursement for the use of their personal cell phone for official City business. The City was unable to locate written approval documenting the details for this stipend.

Recommendation - The City should establish a written policy that documents the employees, the amounts and the frequency of these stipends.

- (F) **Petty Cash** - The City's petty cash funds were not included in the City's accounting records and resulting fund balances.

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 funds and accounts, including petty cash, should be included in the Clerk's accounting system.

- (G) **Monthly Clerk's Report** - The Monthly Clerk's Report provided to the City Council for approval does not contain beginning and ending fund balances or transfers in and out for each fund.

Recommendation - The beginning and ending fund balances should be included in the monthly reports provided to the City Council for approval, and the ending fund balances should be reconciled to the monthly bank reconciliations.