



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

May 22, 2017

Contact: Marlys Gaston
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Princeton, Iowa for the period July 1, 2015 through June 30, 2016. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Mosiman recommended the City review its control procedures to obtain the maximum internal control possible. Also, the City should establish procedures to ensure bank and utility reconciliations are reviewed monthly and the Annual Financial Report is accurate. In addition, the City should comply with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed budgeted amounts.

A copy of the agreed-upon procedures report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1621-0784-BLOF>.

###

CITY OF PRINCETON

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD
JULY 1, 2015 THROUGH JUNE 30, 2016**

Table of Contents

		<u>Page</u>
Officials		3
Independent Accountant’s Report on Applying Agreed-Upon Procedures		5-6
Detailed Recommendations:	<u>Finding</u>	
Segregation of Duties	A	8
Bank Reconciliations	B	8
Financial Condition	C	8
Investment Policy	D	9
Unclaimed Property	E	9
Annual Financial Report	F	9
Reconciliation of Utility Billings, Collections and Delinquent Accounts	G	9
Certified Budget	H	10
Petty Cash	I	10
Payroll	J	10
Journal Entries	K	10
Disbursements	L	10
Receipts	M	10
City Council Meeting Minutes Publication and Claims Approval	N	11
Separately Maintained Records	O	11
Long-Term Debt Issuances	P	11
Annual Urban Renewal Report	Q	11
Staff		12

City of Princeton

Officials

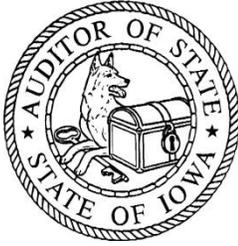
(Before January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Keith Youngers	Mayor	Jan 2016
Brian Carter	Council Member	Jan 2016
Liz Bosworth (Appointed Sept 2014)	Council Member	Nov 2015
Ann Geiger	Council Member	Jan 2016
Kevin Kernan	Council Member	Jan 2016
Karen Woomert	Council Member	Jan 2018
Katie Enloe	City Clerk/Treasurer	Indefinite
Mikkie Schiltz	Attorney	Indefinite

(After January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Roger Woomert	Mayor	Jan 2018
Brian Carter	Council Member	Jan 2018
Karen Woomert	Council Member	Jan 2018
Ann Geiger	Council Member	Jan 2020
James Greenhill	Council Member	Jan 2020
Kevin Kernan	Council Member	Jan 2020
Katie Enloe	City Clerk/Treasurer	Indefinite
Mikkie Schiltz	Attorney	Indefinite

City of Princeton



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Accountant's Report on Applying Agreed-Up Procedures

To the Honorable Mayor and Members of the City Council:

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 Princeton for the period July 1, 2015 through June 30, 2016. The City of Princeton'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 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 2016 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, 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 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 recommended COA.
12. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the 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 non-compliance were not noted during the performance of the specific procedures listed above.

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Princeton, 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 Princeton and other parties to whom the City of Princeton 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 Princeton during the course of our agreed-upon procedures engagement. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State

February 2, 2017

Detailed Recommendations

City of Princeton

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) Cash – handling, reconciling and recording.
- (2) Long-term debt – recording and reconciling.
- (3) Receipts – opening mail, collecting, depositing, posting and reconciling.
- (4) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (5) Payroll – recordkeeping, preparing, distributing, entering payroll rates and adding or removing employees from the system.
- (6) Utilities – billing, collecting, depositing, entering utility rates, posting and reconciling.

For the Princeton Fire Department, one individual has control over each of the following areas.

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, posting and reconciling.
- (3) Disbursements – preparing, recording and reconciling.

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

(B) Bank Reconciliations – The cash and investment balances in the City’s general ledger were reconciled to bank and investment account balances throughout the year using the bank statement reconciliation function within the City’s software. However for one month reviewed, the bank balance was \$20,438 higher than the book balance. The variance was not resolved. The bank reconciliations are not independently reviewed. For the Princeton Fire Department, bank reconciliations are not independently reviewed.

Recommendation – The City should establish procedures to resolve bank reconciliation variances timely. An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

(C) Financial Condition – At June 30, 2016, the City had deficit balances of \$46,281 and \$27,080 in the Debt Service Fund and the Capital Projects, Sidewalks Fund, respectively.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial condition.

City of Princeton

Detailed Recommendations

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

- (D) Investment Policy – The City has not adopted a written investment policy as required by Chapter 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 the Code of Iowa.

- (E) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires all cities to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years, to the Office of Treasurer of State annually. The City did not remit one outstanding obligation held for more than two years to the Office of Treasurer of State.

Recommendation – Outstanding obligations should be reviewed annually and amounts over two years old should be remitted to the Office of Treasurer of State annually, as required.

- (F) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City’s Annual Financial Report (AFR) contain a “summary for the preceding fiscal year of all collections and receipts, all accounts due the City, and all expenditures...” The beginning balances reported on the fiscal year 2016 AFR did not agree to the ending balances reported on the fiscal year 2015 AFR, including the proprietary funds beginning balance which was reported as zero. Additionally, receipts for water, sewer and storm water were not reported. Because the beginning balances did not agree with the prior year ending balances and water, sewer and storm water receipts were omitted, the total ending balance reported on the fiscal year 2016 AFR was understated by \$468,475 when compared to City’s general ledger.

In addition, total indebtedness reported on the fiscal year 2016 AFR was \$1,249,973 less than the indebtedness reported in the City’s financial records.

Recommendation – The City should establish procedures to ensure the Annual Financial Report reconciles to the general ledger and other City records. An independent person should review the AFR for accuracy.

- (G) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled for the months of July 2015 through January 2016. While reconciliations were performed for the remainder of the year, the reconciliations were not independently reviewed.

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 and monitor delinquent accounts. The review should be documented by the signature or initials of the reviewer and the date of the review.

City of Princeton

Detailed Recommendations

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

- (H) Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the public safety, general government and business type activities 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.

- (I) Petty Cash – Petty cash funds on hand at City Hall were not maintained on an imprest basis.

Recommendation – Petty cash funds should be maintained on an imprest basis to provide additional control over these funds. Imprest systems improve the accountability for cash and enhance reconciliation of receipts and deposits.

- (J) Payroll – Timesheets did not include evidence of supervisory review and approval.

Recommendation – All timesheets should be reviewed and approved by supervisory personnel prior to processing payroll.

- (K) Journal Entries – Journal entries are not reviewed and approved by an independent person.

Recommendation – An independent person should review and approve journal entries. The approval should be documented by signing or initialing and dating the journal entries.

- (L) Disbursements – One store credit card transaction tested included a finance and late fee charge totaling \$33. In addition, supporting documentation for certain credit card charges totaling \$227 was not retained as required by the City’s credit card policy.

Recommendation – The City should establish procedures to ensure finance and late fee charges are not paid. Also, the City should ensure supporting documentation for all credit card transactions is retained, as required.

- (M) Receipts – One road use tax receipt for \$10,885 was posted incorrectly to the Special Revenue, Local Option Sales Tax Fund.

Recommendation – The City should make a correcting transfer from the Special Revenue, Local Option Sales Tax Fund to the Special Revenue, Road Use Tax Fund. In the future, the City should ensure receipts are properly recorded.

City of Princeton

Detailed Recommendations

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

- (N) City Council Meeting Minutes Publication and Claims Approval – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting, including total disbursements from each fund and a summary of receipts. For all minutes tested, the published minutes did not include total disbursements from each fund or a summary of receipts. Also, Fire Department bills are not approved by the City Council and are not included in the list of published claims and a summary of Fire Department receipts is not published.

Recommendation – The City Council should approve all claims, including Fire Department claims. The City should ensure all claims, total disbursements from each fund and a summary of receipts, including Fire Department claims and receipts, are published, as required.

- (O) Separately Maintained Records – The Fire Department maintains separate accounting records for certain operations. These transactions and resulting balances are not included in the City’s accounting records

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 accounts should be included in the City’s accounting records and reported to the City Council on a monthly basis.

- (P) Long-Term Debt Issuances – The City filed Internal Revenue Service form 8038-G, Information Return for Tax-Exempt Governmental Obligations, indicating it has written procedures to monitor compliance with the arbitrage, yield restrictions and rebate requirements of Section 148 of the Internal Revenue Service rules. However, the City has not established these written procedures.

Recommendation – The City should establish written procedures for post issuance compliance, as required.

- (Q) Annual Urban Renewal Report – The City’s ending cash balance and receipts of the Special Revenue, Urban Renewal Tax Increment Fund reported on the Levy Authority Summary of the fiscal year 2015 Annual Urban Renewal Report did not agree with the City’s general ledger.

Recommendation – The City should ensure the cash balance and total receipts reported on the Levy Authority Summary agree with the City’s general ledger.

City of Princeton

Staff

This engagement was performed by:

Ernest H. Ruben, Jr., CPA, Manager
Alex W. Case, Staff Auditor
Robert Q. Barrett, Assistant Auditor


Marlys K. Gaston, CPA
Director