



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

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NEWS RELEASE

FOR RELEASE April 26, 2007

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released a report on applying agreed-upon procedures for the City of Linden's compliance with road use tax requirements. The report covers the period July 1, 1999 through June 30, 2004.

Vaudt recommended the City consult with the Iowa Department of Transportation (IDOT) regarding corrections to the balances reported in the City's Street Finance Report filed with IDOT. Also, the City should reimburse the Road Use Tax Fund for questionable disbursements for City police protection made from the Road Use Tax Fund and for road use tax deposits credited to other City accounts. Vaudt also recommended the City correct reporting errors and improve Council minutes documentation. The City responded favorably to the recommendations contained in the report.

Copies of the report are 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 <http://auditor.iowa.gov/reports/reports.htm>.

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CITY OF LINDEN

INDEPENDENT ACCOUNTANT'S REPORT

ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD

JULY 1, 1999 THROUGH JUNE 30, 2004

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City of Linden

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Doyle Leon Daggett (Appointed)	Mayor Mayor	(Resigned Jan 2007) Nov 2007
Keith Simmons	Council Member	Jan 2008
Lillian Kirk	Council Member	Jan 2008
Joe Norka	Council Member	Jan 2008
Don Finnell	Council Member	Jan 2010
Dave Hutchins	Council Member	Jan 2010
Teresa Sloan	City Clerk	Indefinite

City of Linden



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Independent Accountant's Report
on Applying Agreed-Upon Procedures

To the Honorable Mayor and
Members of the City Council:

We have performed the following procedures, which were agreed to by the City of Linden, solely to assist the City in evaluating its compliance with certain road use tax requirements for the period July 1, 1999 through June 30, 2004. The City's management is responsible for the City's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the 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.

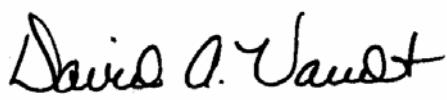
The procedures we performed are summarized as follows:

- (1) We obtained an understanding of the City's accounting procedures and reviewed documentation for the Road Use Tax Fund for the period July 1, 1999 through June 30, 2004, including the recording of receipts, disbursements and balances.
- (2) We obtained and reviewed copies of minutes of City Council meetings for the period July 1, 1999 through June 30, 2004 pertaining to Road Use Tax Fund disbursements.
- (3) We obtained copies of the monthly Clerk/Treasurer monthly financial reports provided for City Council meetings for the period July 1, 1999 through June 30, 2004.
- (4) We reviewed Road Use Tax Fund disbursements reported on the Clerk/Treasurer monthly financial reports provided for City Council meetings to determine whether road use tax funds were spent for the purpose of construction, maintenance and supervision of public streets as required by Chapter 312.6 of the Code of Iowa.
- (5) We obtained a listing of the road use tax allocations from the Iowa Treasurer of State to compare to the amounts reported in the Road Use Tax Fund on the Clerk/Treasurer monthly financial reports provided for City Council meetings.
- (6) We obtained and reviewed copies of the annual Street Finance Reports submitted to the Iowa Department of Transportation (IDOT) for the five years ended June 30, 2004.
- (7) We compared the amounts reported on the City's Clerk/Treasurer monthly financial reports to the annual IDOT Street Finance Reports.
- (8) We obtained and reviewed copies of the City's Annual Financial Reports for the five years ended June 30, 2004.

We identified exceptions to statutory requirements for road use tax funds as a result of performing the procedures described above, which are described as findings (A), (B), (C) and (D) in the Detailed Recommendations section of this report. We also identified other recommendations, which are described in the Detailed Recommendations section of this report.

We were not engaged to conduct an examination, the objective of which is the expression of an opinion on the City's compliance with the statutory requirements for road use tax funds. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. A copy of this report has been filed with the Iowa Department of Transportation.

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 Linden and other parties to whom the City of Linden may report. This report is not intended to be and should not be used by anyone other than those specified parties.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 16, 2007

Detailed Recommendations

City of Linden

Detailed Recommendations

July 1, 1999 through June 30, 2004

- (A) Street Finance Report Errors – The City is required to submit a Street Finance Report (SFR) annually to the Iowa Department of Transportation (IDOT). The SFR provides information related to the City's receipts, disbursements and balances of road use tax funds available for street purposes. The SFR should be based upon actual receipt and disbursement activity and should agree with the City's financial records. The City's reported balance of \$50,906 on the SFR submitted to IDOT at June 30, 2004 did not agree with the \$29,601 reported in the City's financial accounting records at June 30, 2004 for the Road Use Tax Fund.

The balances reported in the SFRs submitted to IDOT did not agree to the City's financial accounting records at June 30 for any of the previous four years. Variances were noted when comparing receipts, disbursements and balances reported for the SFR to the Clerk/Treasurer's financial reports. Also, as indicated in the findings which follow, certain questionable disbursements were made from the City's Road Use Tax Fund but were not reported on the annual SFRs for the years ended June 30, 2000 through 2002. Based upon corrected receipt and disbursement amounts, the Road Use Tax Fund balance at June 30, 2004 should have been \$61,038.

Recommendation – The City should consult with IDOT regarding corrections or amendments to the Street Finance Report balances submitted. Adjustments or revisions to financial reports should be presented to the City Council for approval. If the Council concurs with the adjustments and revisions, the Council should approve a resolution to authorize the adjustments and revisions.

Response – The Linden City Clerk has worked with the IDOT on this issue. The report was completed to the satisfaction of the IDOT. Adjustments were made to the report reflecting corrections from past reports. Any further questions in regards to this matter should be addressed to the DOT.

Conclusion – Response accepted.

- (B) Questionable Disbursements – The City contracted with the City of Redfield for police protection during the fiscal years ended June 30, 2000 through 2002. The City paid \$8,250, \$9,000 and \$4,500, respectively, for those fiscal years, totaling \$21,750, for these services. Each of the payments was incorrectly disbursed from the Road Use Tax Fund rather than from the General Fund. Chapter 312.6 of the Code of Iowa states "funds received by cities from the (state) road use tax fund, shall be used for any purpose relating to the construction, maintenance, and supervision of public streets." Disbursements for police protection do not meet this criteria.

Disbursements for contracted police protection during the fiscal years ended June 30, 2003 and 2004 were appropriately paid from the General Fund of the City.

City of Linden

Detailed Recommendations

July 1, 1999 through June 30, 2004

Recommendation – The City should ensure the Road Use Tax Fund is used for the purposes allowed by Chapter 312.6 of the Code of Iowa. The City should transfer \$21,750 from the General Fund to the Road Use Tax Fund for these unallowable disbursements. Additionally, the City should contact the IDOT and the City Attorney, if necessary, to resolve this issue.

Response – We will propose a new resolution at the next City Council meeting to address repayment to our Road Use Tax Fund. We plan to work with our General Fund budget to make repayment of a minimum of \$2,000 per year, or more if our budget allows, in order to get the amount of questioned disbursements and receipts repaid to the Road Use Tax Fund. We will also review prior fiscal year City records for Road Use Tax Fund related costs paid from the City's General Fund that can be applied toward the Road Use Tax Fund balance. During 2006 we paid for \$4,146 of Road Use Tax Fund related costs from the City's General Fund that reduces the balance owed. We will track the balance monthly.

The Linden City Clerk has also worked with the IDOT on this issue.

Conclusion – Response accepted.

- (C) Receipts Incorrectly Credited – During the fiscal years ended June 30, 2000 and 2001, the City was provided road use tax allocations of \$16,304 and \$16,593, respectively, from the Iowa Treasurer of State. However, during the period October 1999 through June 2000, six of the nine monthly allocations received, totaling \$8,460, were incorrectly credited to the General Fund of the City rather than to the Road Use Tax Fund. During the period July 2000 through January 2001, five of the seven monthly allocations, totaling \$6,680, were incorrectly credited to the General Fund of the City. The amount incorrectly allocated totaled \$15,140. The road use tax allocations have been properly credited to the Road Use Tax Fund since February 2001.

In addition, the City credited certain General Fund receipts to the Road Use Tax Fund during fiscal years 2000 through 2002. Receipts of \$3,898, \$1,064 and \$279, respectively, for these fiscal years, totaling \$5,241, should have been credited to the General Fund.

Recommendation – The City should make a corrective transfer of \$9,899 from the General Fund to the Road Use Tax Fund.

Response – We will propose a new resolution at the next City Council meeting to address repayment to our Road Use Tax Fund. We plan to work with our General Fund budget to make repayment of a minimum of \$2,000 per year, or more if our budget allows, in order to get the amount of questioned disbursements and receipts repaid to the Road Use Tax Fund. We will also review prior fiscal year City records for Road Use Tax Fund related costs paid from the City's General Fund that can be applied toward the Road Use Tax Fund balance. During 2006 we paid for \$4,146 of Road Use Tax Fund related costs from the City's General Fund that reduces the balance owed. We will track the balance monthly.

City of Linden

Detailed Recommendations

July 1, 1999 through June 30, 2004

The Linden City Clerk has also worked with the IDOT on this issue.

Conclusion – Response accepted.

- (D) Interest Income Incorrectly Credited – During the fiscal years ended June 30, 2002 through 2004, interest earnings totaling \$381 received from certificates of deposit accounted for on the Clerk/Treasurer monthly financial reports as Road Use Tax Fund investments were credited to the Road Use Tax Fund of the City rather than to the General Fund. Chapter 12C.7(2) of the Code of Iowa requires interest or earnings on investments and time deposits to be credited to the General Fund of the governmental body.

Recommendation – The City should make a corrective transfer of \$381 from the Road Use Tax Fund to the General Fund.

Response – A transfer totaling \$381 from the Road Use Tax Fund to the General Fund of the City was completed on June 15, 2006. All further interest will be credited to the proper funds.

Conclusion – Response accepted.

- (E) Minutes – Chapter 21.3 of the Code of Iowa states, in part, “Each governmental body shall keep minutes of all its meetings showing the date, time and place, the members present, and the action taken at each meeting. The minutes shall show the results of each vote taken and information sufficient to indicate the vote of each member present. The vote of each member present shall be made public at the open session. The minutes shall be public records open to public inspection.”

Chapter 372.13(6) of the Code of Iowa states, in part, “Within fifteen days following a regular or special meeting of the council, the clerk shall cause the minutes of the proceedings of the council, including the total expenditure from each city fund, to be published in a newspaper of general circulation in the city. The publication shall include a list of all claims allowed and a summary of all receipts and shall show the gross amount of the claims. The list of claims allowed shall show the name of the person or firm making the claim, the reason for the claim, and the amount of the claim.”

Based on our review of the minutes record of the City:

- The minutes record was not always properly retained or signed by the City Clerk or Mayor to authenticate the record as required by Chapter 380.7(4) of the Code of Iowa.
- The minutes record was not available for meetings held in November 1998 and January through March 2001.
- The minutes record did not include a summary of receipts and disbursements by fund.

City of Linden

Detailed Recommendations

July 1, 1999 through June 30, 2004

Recommendation – All minutes should be signed to authenticate the record and they should be retained as required. The minutes record should also document approval for significant City transactions or purchases. The City should ensure the minutes include a summary of receipts and disbursements by fund.

Response – The Mayor of Linden has changed the procedures involved in recording the minutes. These procedures involve adding the summary of receipts and disbursements of funds. The City Clerk and Mayor will sign all minutes to authenticate the records. The records will be kept at City Hall.

To note the dates mentioned above, November 1998 and January to March 2001 were due to the open City Clerk position. A council member agreed to keep the minutes, but failed to follow through with completing the minutes. The Mayor has taken steps to ensure this does not happen in the future.

Conclusion – Response accepted.

- (F) Financial Information – The Clerk/Treasurer monthly financial reports provided to the City Council primarily consisted of a cash report for the month, including beginning and end of month balances, total receipts and most of the disbursements during the month by individual fund. Also included were profit and loss statements which provided a summary of the categories of receipts and disbursements for each fund for the month. The Clerk/Treasurer monthly financial reports did not include summary totals of receipts and disbursements for the year or comparisons to the certified budget by disbursement function.

Recommendation – To provide better control over budgeted disbursements and provide the opportunity for timely amendment to the budget, the Clerk/Treasurer monthly financial reports to the Council should include comparisons to the certified budget by function with complete and reconciled financial data.

Response – Starting in fiscal year 2007 the cash reports will include the beginning and ending balance of the account for the month. In addition, this report will also show the budgeted amount, amount spent for the month and the available balance. This will be a beneficial visual aid to assist the Council in more timely amendments to the budget and assist the Council in preparing a more accurate and complete projected budget for the following year. This has taken place and has shown marked improvements in understanding and following the financial information.

Conclusion – Response acknowledged. Reports should also include complete and reconciled financial data.

City of Linden

Staff

This agreed-upon procedures engagement was performed by:

Ronald D. Swanson, CPA, Manager
Paul F. Kearney, CGFM, Senior Auditor
Brad T. Holton, Staff Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State