



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

March 23, 2017

Contact: Marlys Gaston
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Urbana, 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. The City should comply with Chapter 384.18 of the Code of Iowa by ensuring the budget is amended before disbursements are allowed to exceed the budget and review the outstanding debt and cash balances reported in the Annual Urban Renewal Report to ensure the report agrees with the City's records.

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/1621-0042-BLOF>.

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

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City of Urbana

Officials

(Before January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
E. Duane Eldred	Mayor	Jan 2016
Mike Smith (Appointed)	Council Member	Nov 2015
Jamie Duart	Council Member	Jan 2016
Gary Benson	Council Member	Jan 2016
Mike Kramer	Council Member	Jan 2018
Jacki Michael	Council Member	Jan 2018
Traci Wilson	City Clerk/Treasurer	Indefinite
Chris Nydle	Attorney	Indefinite

(After January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
E. Duane Eldred	Mayor	Jan 2018
Mike Kramer	Council Member	Jan 2018
Jacki Michael	Council Member	Jan 2018
Jamie Duart	Council Member	Jan 2020
Mike Smith	Council Member	Jan 2020
Richard Wendel	Council Member	Jan 2020
Traci Wilson	City Clerk/Treasurer	Indefinite
Chris Nydle	Attorney	Indefinite

City of Urbana



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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 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 Urbana for the period July 1, 2015 through June 30, 2016. The City of Urbana'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 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, 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 Urbana, 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 Urbana and other parties to whom the City of Urbana 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 Urbana 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

December 14, 2016

Detailed Recommendations

City of Urbana

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, reconciling and recording.
- (3) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (4) Utilities – billing, collecting, depositing, posting, and entering rates into the system.
- (5) Debt – recordkeeping, compliance and debt payment processing.
- (6) Journal entries – preparing and journalizing.
- (7) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (8) Payroll – entering rates into the system, recordkeeping, preparing and distributing.

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. Independent reviews of reconciliations and journal entries should be documented by the signature or initials of the reviewer and the date of the review.

(B) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

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 of the reconciliation should be documented by the signature or initials of the reviewer and the date of the review.

(C) Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amount budgeted in the debt service function prior to the budget amendment. At June 30, 2016, disbursements exceeded the amount budgeted in the business type activities 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.

City of Urbana

Detailed Recommendations

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

- (D) Management Financial Information – The City Clerk’s financial reports to the City Council include cash balances by fund, but do not include year-to-date receipts, disbursements and transfers for each fund or a comparison of actual disbursements to the certified budget by function.

Recommendation – To provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, the City Clerk’s monthly financial reports to the City Council should include comparisons to the certified budget by function. Also, for better financial information, the monthly City Clerk’s reports should include the beginning balance, receipts, disbursements, transfers and ending balance for each fund.

- (E) Annual Financial Report – The beginning fund balances for the governmental and proprietary activities on the fiscal year 2015 Annual Financial Report (AFR) did not agree to the ending balances reported on the fiscal year 2014 AFR. In addition, the City understated public safety function disbursements and overstated general government function disbursements by \$6,038 on the fiscal year 2015 AFR.

Recommendation – The City should ensure the current year AFR beginning balances agree with the prior year ending balances. In addition, the City should ensure receipts and disbursements included in the AFR are supported by the City’s records.

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

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

- (G) Tax Increment Financing – Based on a review of the County Auditor’s “Urban Renewal Area TIF Indebtedness/Increment Tax Reconciliation” in December 2014 and December 2015, the City certified a \$1,225,000 advance (interfund loan) from the Enterprise, Sanitary Sewer Revenue Fund (Sewer Fund) as TIF debt. Pursuant to the interfund loan agreement, repayments to the Sewer Fund are contingent upon annual appropriation by the City Council. Until appropriated, these payments do not represent debt and, accordingly, should not have been certified as debt.

Recommendation – The City should decertify the unappropriated balance of the interfund loan using Form 3.

- (H) Annual Urban Renewal Report – The City understated the amount of TIF debt outstanding on the Levy Authority Summary for the sewer revenue bond by \$351,707. In addition, the beginning and ending cash balances of the Special Revenue, Urban Renewal Tax Increment Fund reported on the December 1, 2015 Levy Authority Summary did not agree with the City’s fiscal year 2015 Annual Financial Report. The ending cash balance reported on the Levy Authority Summary was \$325,597 but the balance reported on the Annual Financial Report was \$342,789.

Recommendation – The City should ensure the TIF Debt Outstanding and the cash balances reported on the Levy Authority Summary agree with the City’s records and the Annual Financial Report.

City of Urbana

Detailed Recommendations

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

- (I) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published and include a summary of receipts and total disbursements by fund. Minutes for all meetings tested did not include a summary of receipts or total disbursements by fund.

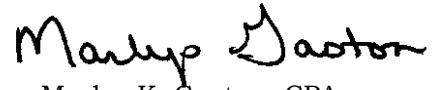
Recommendation – The City should publish a summary of receipts and total disbursements by fund, as required.

City of Urbana

Staff

This engagement was performed by:

Jennifer L. Wall, CPA, Manager
Joseph B. Sparks, Staff Auditor
Alex D. Dau, Assistant Auditor

A handwritten signature in black ink that reads "Marlys K. Gaston". The signature is written in a cursive, flowing style.

Marlys K. Gaston, CPA
Director