

CITY OF DONNELSON

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

**FOR THE PERIOD
JULY 1, 2023 THROUGH JUNE 30, 2024**

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City of Donnellson

Officials

(Before January 2024)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dave Ellingboe	Mayor	Jan 2026
Brian Moeller	Council Member	Jan 2026
David Newton	Council Member	Jan 2026
Selissa Weber	Council Member	Jan 2026
Jeremy Marshall	Council Member	Jan 2024
Jennifer Estrada	Council Member	Jan 2024
Rebecca Schau	City Clerk/Treasurer	Indefinite
Steven Lidinger, Lynch Dallas, Cedar Rapids office	City Attorney	Indefinite

(After January 2024)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dave Ellingboe	Mayor	Jan 2026
Brian Moeller	Council Member	Jan 2026
David Newton	Council Member	Jan 2026
Selissa Weber	Council Member	Jan 2026
Jeremy Marshall	Council Member	Jan 2028
Erin Wagner	Council Member	Jan 2028
Rebecca Schau	City Clerk/Treasurer	Indefinite
Steven Lidinger, Lynch Dallas, Cedar Rapids office	City Attorney	Indefinite

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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor and Members of the City Council:

I performed the procedures below, which were established at Iowa Code Chapter 11.6 to provide oversight of Iowa cities. Accordingly, I have applied certain procedures to selected accounting records and related information of the City of Donnellson for the period July 1, 2023 through June 30, 2024, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Donnellson's management, which agreed to the performance of the procedures performed, is responsible for compliance with these requirements and 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 City of Donnellson's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose to report, in accordance with Chapter 11.6 of the Code of Iowa, recommendations pertaining to selected accounting records and related information of the City including the City's compliance with certain Code of Iowa requirements. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures I performed are summarized as follows:

1. I observed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I obtained an understanding of 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. I observed surety bond (or insurance) coverage for compliance with Chapter 64 of the Code of Iowa.
4. I obtained and observed 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. I scanned 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. I observed the City's fiscal year 2024 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. I scanned investments to determine compliance with Chapter 12B of the Code of Iowa.

8. I scanned depository resolutions, the City's investment policy and reporting of unclaimed property to the State of Iowa to determine compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa.
9. I scanned 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.
10. The City had no TIF.
11. I traced selected receipts to accurate accounting and consistency with the recommended COA.
12. The City had no voter approved levies.
13. I traced selected disbursements to 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.
14. I traced transfers between funds to proper authorization and accurate accounting and determined whether transfers were proper.
15. I traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether payroll was proper.
16. I observed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, I identified various findings and recommendations for the City. My findings and recommendations are described in the Detailed Findings and Recommendations section of this report. Unless reported in the Detailed Findings and Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

I was engaged by the City of Donnellson's management to perform this agreed-upon procedures engagement and conducted my engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. I was not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on specific accounting records and related information of the City, including compliance with specific Code of Iowa requirements. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

I am required to be independent of the City of Donnellson and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my agreed-upon procedures engagement.

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting findings and recommendations pertaining to selected accounting records and related information of the City, including the City's compliance with certain Code of Iowa requirements. This report is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Donnellson during the course of the agreed-upon procedures engagement.

Should you have any questions concerning any of the above matters, I would be pleased to discuss them with you at your convenience.

May 22, 2025

Ted M. Wiegand, CPA

City of Donnellson

Detailed Findings and Recommendations

For the period July 1, 2023 through June 30, 2024

- (A) Segregation of Duties – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City’s financial statements. Generally, one individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (3) Payroll – recordkeeping, preparing and distributing.
- (4) Utilities – billing, collecting, depositing and posting.
- (5) Financial reporting – preparing and reconciling.
- (6) Journal entries – preparing and recording.

Recommendation – I 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 should be documented by the signature or initials of the reviewer and the date of the review.

- (B) Certified Budget – Disbursements during the year ended June 30, 2024 exceeded the amounts budgeted in the public works, culture and recreation, and general government 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 be amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements exceed the budget.

- (C) Business Transactions – Business transactions between the City and City officials or employees which may represent conflicts of interest are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Dave Ellingboe, Mayor, owner of Donnellson Tire and Service	Automotive parts and services	\$ 1,892

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the above transactions do not appear to represent a conflict of interest since total transactions were less than \$6,000 during the fiscal year.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

- (D) Bank Reconciliation – A June 28, 2024 check run was dated in the accounting system with July dates, causing total City expenditures to be understated \$68,882 and total cash

City of Donnellson

Detailed Findings and Recommendations

For the period July 1, 2023 through June 30, 2024

balances to be overstated \$68,882. The Annual Financial Report prepared by the software company was misstated accordingly.

Recommendation – The City should have the software provider correct the dates of the June 28 checks. The City should determine the correct opening fund balances by fund for use in preparing the fiscal year 2025 AFR.

- (E) Questionable Donations – During the fiscal year ended June 30, 2024, the City donated \$500 to Donnellson Vision.

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to private, non-profit corporations. Article III, Section 31 of the Constitution of the State of Iowa states “...no public money or property shall be appropriated for local or private purposes, unless such appropriation, compensation or claim be allowed by two-thirds of the members elected to each branch of the General Assembly.”

At least six official Iowa Attorney General Opinions since 1972 have consistently concluded that “a governmental body may not donate public funds to a private entity, even if the entity is established for charitable educational purposes and performs work which the government can’t perform directly. The Opinions further state, “Even if the function of a private non-profit corporation fits within the scope of activities generally recognized as serving a public purpose, a critical question exists regarding whether funds or property transferred to a private entity will indeed be used for those public purposes.”

“Political subdivisions and municipalities, including cities, counties, schools and townships are municipal – governmental – entities. As governmental entities they are governed by elected bodies, are directly responsible to the public as a whole, and are subject to the limitations imposed on them by the state. Although a private organization may be formed to provide and support ‘public’ services which are the same or similar to the services provided by government, the private organizations are not subjected to the same degree of public accountability and oversight as governmental entities.”

Recommendation – The City should not make donations to nonprofit organizations to comply with the Constitution of the State of Iowa and the State Attorney General Opinions regarding donations to private organizations.

- (F) Questionable Disbursements – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. During the fiscal year ended June 30, 2024, the City disbursed \$90.80 for a memorial. This disbursement may not meet the requirements of public purpose as defined in the Attorney General’s opinion since the public benefits to be derived have not been clearly documented.

According to the opinion, it is possible for certain disbursements to meet the test of serving a public purpose under certain circumstances, although such items are subject to close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The City Council should determine and document the public purpose served before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper public purpose documentation.

City of Donnellson

Detailed Findings and Recommendations

For the period July 1, 2023 through June 30, 2024

- (G) Clerk's Monthly Report – The Clerk's report to Council for June 2024 did not include a report showing budget versus actual expenditures by function.
- Recommendation – The monthly Clerk's report to Council should include a report showing budget versus actual expenditures by function to enable the Council to monitor actual expenditures each month and to amend the City's budget if necessary.
- (H) Interfund Transfers – An interfund transfer resolution was not passed for the interfund transfers made on June 28, 2024.
- Recommendation – The City should create and approve an interfund transfer resolution for any interfund transfers. The resolution should show the funds involved, the purpose of the transfer, and the dollar amount to be transferred.