

CITY OF SHELL ROCK, IOWA

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD
JULY 1, 2024 THROUGH JUNE 30, 2025

- Prepared By -

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CITY OF SHELL ROCK, IOWA

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CITY OF SHELL ROCK, IOWA

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Mike Klinefelter	Mayor	January 2026
Jared Krull	Mayor Pro tem	January 2026
Garrett Schuldt	Council Member	January 2026
David Beenen	Council Member	January 2028
Mark Berglund	Council Member	January 2028
Adam Fox	Council Member	January 2028
Jessica Meyer	Clerk/Treasurer	Indefinite
Karl Nelson and Bruce Toenjes	Attorney	January 2026



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 Shell Rock for the period July 1, 2024 through June 30, 2025, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Shell Rock'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 Shell Rock'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 were in place and incompatible duties, from a control standpoint, were not performed by the same employee.
3. I observed surety bond 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, journal entries 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 were properly maintained and accurately accounted for.
6. I observed the City's fiscal year 2025 Annual Financial Report to determine whether it was completed timely and accurately reflected the City's financial information.

7. I scanned investments to determine compliance with Chapter 12B of the Code of Iowa.
8. I observed 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. I scanned 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.
11. I observed 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.
12. I traced selected receipts for accurate accounting and consistency with the recommended COA.
13. The City had no voter approved levies.
14. 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.
15. I traced transfers between funds to proper authorization and accurate accounting and to determine whether transfers were proper.
16. I traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether payroll was proper.
17. 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, no exceptions were noted during the performance of the specific procedures listed above.

I was engaged by the City of Shell Rock'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 and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 Shell Rock 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 us by personnel of the City of Shell Rock during the course of my agreed-upon procedures engagement. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

A handwritten signature in cursive script that reads "Larry Pump". The signature is written in black ink and is positioned above the typed name and date.

Charles City, Iowa
September 10, 2025

Detailed Findings and Recommendations

**CITY OF SHELL ROCK, IOWA
DETAILED FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD JULY 1, 2024 THROUGH JUNE 30, 2025**

(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 petty cash, handling, collecting, depositing, reconciling and recording.
- (2) Investments - investing, detailed recordkeeping, custody and reconciling earnings.
- (3) Receipts - opening mail, collecting, depositing, journalizing, recording, reconciling and posting.
- (4) Long-term debt - recordkeeping, compliance and debt payment processing.
- (5) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (6) Payroll - entering rates in the system, recordkeeping, preparing and distributing.
- (7) Utilities - entering rates in the system, billing, collecting, depositing, recording, reconciling, posting and maintaining accounts receivable.
- (8) Financial reporting - preparing and reconciling.
- (9) 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) Excessive Balance - The balance in the General Fund at June 30, 2025 was in excess of fund disbursements for the year.

Recommendation - The City should consider the necessity of maintaining this substantial balance and, where financially feasible, consider reducing this balance in an orderly manner.

(C) Management Financial Information - The monthly City Clerk's Treasurers Report, Revenue and Expense Reports and Bank Cash Report presented to City Council do not agree with the general ledger balances.

Recommendation - The City should ensure the monthly City Clerk's reports presented to City Council for approval includes all entries for the month and agree with the general ledger amounts.

CITY OF SHELL ROCK, IOWA
DETAILED FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD JULY 1, 2024 THROUGH JUNE 30, 2025

- (D) Certified Budget - Disbursements during the year ended June 30, 2025 exceeded the amounts budgeted in the public safety, public works, culture and recreation and community and economic development 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.