OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834
www.auditor.iowa.gov

Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE: July 17, 2026

Contact: Pam Bormann – (515) 281-5834

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Mount Ayr, Iowa, for the period July 1, 2024 through June 30, 2025. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

AUDIT FINDINGS:

Sand reported sixteen findings related to the receipt and disbursement of taxpayer funds. They are found on pages 8 through 12 of this report. The findings address issues such as a lack of segregation of duties, incomplete bank reconciliations, lack of utility reconciliations and a deficit fund balance. Sand provided the City with recommendations to address each of the findings.

Eight of the findings discussed above are repeated from the prior year. The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the agreed-upon procedures report is available for review on the Auditor of State's website at Audit Reports - Auditor of State.

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CITY OF MOUNT AYR

**AUDITOR OF STATE'S INDEPENDENT REPORT
ON APPLYING AGREED-UPON PROCEDURES**

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

2521-0758-BL0F

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Rob Sand
Auditor of State

June 15, 2026

Officials of the City of Mount Ayr
Mount Ayr, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the agreed-upon procedures report for the City of Mount Ayr, Iowa, for the period July 1, 2024 through June 30, 2025. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa and 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.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Mount Ayr throughout the agreed-upon procedures engagement. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

Rob Sand
Auditor of State

Table of Contents

City of Mount Ayr

Officials

Name	Title	Term Expires
Steven Fetty	Mayor	Jan 2028
Matt Henle (Appointed Jul 2024)	Council Member	Nov 2025
Mack Greene	Council Member	Jan 2026
Jessica Murphy	Council Member	Jan 2028
Chandra Poore	Council Member	Jan 2028
Michael Wik	Council Member	Jan 2028
Brent Wise	City Clerk/Administrator	Indefinite
Nicole Swank	Deputy City Clerk	(Resigned Aug 2025)
Jason Palmer	Attorney	Indefinite

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Auditor of State's Independent Report on Applying Agreed-Upon Procedures

To the Honorable Mayor and Members of the City Council:

We performed the procedures below, which were established at Iowa Code Chapter 11.6, to provide oversight of Iowa cities. Accordingly, we have applied certain procedures to selected accounting records and related information of the City of Mount Ayr 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 Mount Ayr'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 Mount Ayr'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 we performed are summarized as follows:

1. We observed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We 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. We observed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We 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. We 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. We 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. We scanned investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We 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. We 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. We scanned selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. We 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. We traced selected receipts for accurate accounting and consistency with the recommended COA.
13. The City had no voter approved levies.
14. We 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. We traced transfers between funds to proper authorization and accurate accounting and to determine whether transfers were proper.
16. We traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether payroll was proper.
17. We observed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various findings and recommendations for the City. Our 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.

We were engaged by the City of Mount Ayr's management to perform this agreed-upon procedures engagement and conducted our 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. We were 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, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City of Mount Ayr and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our 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.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Mount Ayr 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.

Pam Bormann

Pam Bormann, CPA
Deputy Auditor of State

June 15, 2026

Detailed Findings and Recommendations

A. Fiduciary Oversight – The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity. Many of the findings included in this report indicate the City Council needs to exercise additional fiduciary oversight.

   Recommendation – Oversight by the City Council is essential and should be an ongoing effort. In the future, the City Council should provide appropriate oversight, including exercising due care and requiring and reviewing pertinent information and documentation prior to making decisions affecting the City. Appropriate policies and procedures should be adopted, implemented, and monitored to ensure compliance.

B. 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, collecting, depositing, reconciling and recording.
   2. Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
   3. Utilities – entering rates in the system, billing, collecting, depositing, recording, reconciling, posting and maintaining accounts receivable and write-off records.
   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.

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

C. Disbursements – One of five Library disbursements observed was not adequately supported. This disbursement was a credit card payment totaling $14, which included sales tax of $1. As a government entity, the Library maintains a tax-exempt status. As a result, the Library should not incur sales tax.

   Recommendation – The Library should establish procedures to maintain invoices or other appropriate supporting documentation for all disbursements and establish procedures to ensure all payments are reviewed to prevent the payment of sales tax.

D. Credit Card Policy – The Library has a credit card for use by library employees while on City business. The Library did not adopt a formal policy regulating the use of credit cards and establish procedures for the proper accounting of credit card charges.

Recommendation – The Library Board and City Council should adopt a formal written policy regulating the use of the Library's credit card. The policy, at a minimum, should address who controls the credit card, who is authorized to use the credit card and for what purposes, as well as the types of supporting documentation required to substantiate the charges.

E. Reconciliation of Utility Billings, Collections, and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year, and a delinquent account listing was not prepared monthly.

Recommendation – A listing of delinquent accounts should be prepared monthly. 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.

F. Financial Condition – At June 30, 2025, the City had a deficit fund balance in the Debt Service Fund in the amount of $160,485.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return the fund to a sound financial condition.

G. Bank Reconciliations – The cash balances in the City's general ledger were reconciled to the bank account balances throughout the year. However, according to the City's June 30, 2025 bank reconciliation, the general ledger exceeded the bank balance by $241. The reconciliation did not document any reason or investigation into the variance. The June 2025 bank reconciliation did not include a date of review by the Mayor. In addition, the Mayor also can sign checks, so therefore, the review is not performed by an independent person.

In addition, the November 2024 and June 2025 outstanding transaction registers noted outstanding deposits totaling $5,557 and $953, respectively, which could not be traced to the subsequent month's bank statements.

Also, the Library cash and investment balances were not included as part of the City's monthly reconciliations throughout the year; however, were performed separately. The Library's bank balance exceeded the book balance by $463. Upon further observation, CD interest of $295 was identified which was not recorded by the Library, reducing the unidentified variance to $168. The Library bank reconciliations were not reviewed by an independent person.

Recommendation – The City should establish procedures to ensure a complete bank reconciliation is performed monthly, which includes the Library's accounts, ensure all variances are investigated in a timely manner and the resulting adjustments are documented. The City should also establish procedures to ensure the monthly bank reconciliations are reviewed timely by an independent person. The independent reviews should be documented by the signature or initials of the reviewer and the date of the review.

H. Tax Increment Financing – Chapter 403.19 of the Code of Iowa provides a municipality shall certify indebtedness to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness. Chapter 403.19 of the Code of Iowa does not allow a municipality to set aside property tax divided for tax increment purposes for current or future urban renewal projects. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. In addition, Chapter 403.19(6)(b) of the Code of Iowa requires the City to certify the amount of reductions resulting from the reduction of debt or any other reason to the County Auditor.

On September 5, 2018, the City entered into a development agreement for the renovation of the Mount Ayr Inn. The City agreed to make eight annual economic development tax increment payments during the term of the agreement not to exceed $90,000. The payments are to be made on June 1st of each fiscal year, beginning June 1, 2020, and continuing through and including June 1, 2027, or until such earlier date upon which total payments equal the maximum payment. The agreement required annual appropriations by the City Council.

We noted the following regarding the City's tax increment financing (TIF) obligations, certification to the County Auditor and the Special Revenue, Urban Renewal Tax Increment Financing Fund (TIF Fund) disbursements:

- The City certified the entire $90,000 on September 5, 2018 to the County Auditor instead of the annual appropriation required by the agreement.
- Under the agreement the Company agrees to certify to the City each year the estimated incremental property tax revenues anticipated to be paid in the fiscal year with respect to the taxable valuation of the property. The Developer has not submitted annual certification to the City.
- The City is accumulating TIF receipts collected pursuant to this development agreement and has remitted seven payments to the developer totaling $45,778. Based on discussion with the current City Clerk, the first five payments and the seventh payment made in fiscal year 2025 were based on the actual receipts collected rather than the amount certified by the developer. The sixth payment on June 19, 2023 appeared to have been based on the estimated incremental property tax receipts which were budgeted. A payment of $10,994 was made in fiscal year 2025. The balance remaining in the Special Revenue, Mount Ayr Inn TIF Fund at June 30, 2025 was $6,237.

Recommendation – The City should establish procedures to ensure the City properly certifies the annual appropriation each year. The City should also establish procedures to ensure the certification from the developer is received when required (October 15th of each year) and ensure the certification received is used as a basis to make the final payments to the developer. In addition, the City should consult legal counsel to determine proper compliance with the development agreement.

I. Journal Entries – Journal entries were not reviewed and approved by an independent person.

Recommendation – The City should establish procedures to ensure journal entries are reviewed and approved by an independent person. The review and approval should be documented by the signature or initials of the reviewer and date of review.

J. Annual Urban Renewal Report – The beginning cash balance for the TIF Fund on the Levy Authority Summary in the Annual Urban Renewal Report (AURR) was understated by $96,400 when compared to the City's records.

Recommendation – The City should ensure the amounts reported on the AURR Levy Authority Summary agree with the City's records.

K. Payment of General Obligation Debt – Chapter 384.4 of the Code of Iowa states, in part, "Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund." Principal and interest on the City's general obligation booster pump relocation bonds were paid from the Enterprise, Water Fund, rather than the Debt Service Fund, as required by the Code of Iowa.

Recommendation – The City should transfer from the Enterprise, Water Fund to the Debt Service Fund for future funding contributions. Payments on the bonds should be made from the Debt Service Fund, as required.

L. City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa required minutes of all City Council proceedings be delivered to a newspaper within fifteen days of the meeting, including total disbursements from each fund, a list of all claims allowed, including the reason for each claim, a summary of all receipts and a list of ordinances or amendments adopted. For the four meetings observed, the minutes did not include a summary of all receipts and for three of the four meetings observed, the minutes did not include total disbursements from each fund.

Recommendation – The City should comply with the Code of Iowa and ensure a summary of all receipts and total disbursements from each fund are included in the City Council minutes.

M. Monthly City Clerk's Report – At June 30, 2025, the City Clerk's report was understated by $174,350 due to the bank balances for the Library accounts and a City savings account not being included in the City's bank cash report. In addition, the monthly City Clerk's report includes beginning and ending fund balances, receipts and disbursements; however, it does not report transfers separate from receipts and disbursements. Also, the monthly reports did not include a comparison of actual disbursements for all funds to the certified budget by function.

Recommendation – The City Clerk should prepare a monthly City Clerk's report which includes all accounts, including a summary of receipts, disbursements, transfers and beginning and ending balances by fund. In addition, to provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, the reports should include a comparison of total disbursements for all funds to the certified budget by function.

N. Receipts – Receipts of $9,844 related to the Mount Ayr Industrial Park were recorded in the General Fund as commercial/industrial replacement tax, rather than to the Special Revenue, Industrial Park TIF Fund as tax increment financing receipts.

Recommendation – The City should establish procedures to ensure all receipts are properly coded and recorded to the proper fund and source code in accordance with the recommended chart of accounts. In addition, a corrective transfer should be made from the General Fund to the Special Revenue, Industrial Park TIF Fund.

O. Annual Financial Report (AFR) – Chapter 384.22 of the Code of Iowa states in part, "a city shall publish an annual financial report as provided in section 362.3 containing a summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures…". The following were noted regarding the City's fiscal year 2025 AFR when compared to City records:

- Receipts were understated by $176.
- Disbursements were understated by $2,511.
- Ending fund balance was overstated by $4,347.

Recommendation – The City should establish procedures to ensure the amounts reported in the AFR are accurate and properly supported by the City's records. An independent person should review the AFR for accuracy and document the review by the signature or initials of the reviewer and the date of the review.

P. Library Money Market Account – The Library Board opened a money market account on December 2, 2024; however, the new account was not properly authorized in accordance with the City's investment policy.

Recommendation – The Library Board and City Council should ensure all new accounts are authorized in accordance with the City's investment policy.

Staff

This engagement was performed by:

Pamela J. Bormann, CPA, Deputy
Tammy A. Hollingsworth, CIA, Manager
Maria R. Collins, Staff Auditor
Bryce L. Rasmussen, Staff Auditor
Jennifer H. Wagner, Staff Auditor