



# OFFICE OF AUDITOR OF STATE

STATE OF IOWA

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834

Rob Sand  
Auditor of State

## NEWS RELEASE

Contact: Pam Bormann  
515/281-5834

FOR RELEASE

February 24, 2026

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Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Early, 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.

Sand reported sixteen findings related to the receipt and disbursement of taxpayer funds. They are found on pages 7 through 10 of this report. The findings address issues such as a lack of segregation of duties, disbursements exceeding budgeted amounts and deficit fund balances. Sand provided the City with recommendations to address each of the findings.

Eleven 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](#).

# # #

**CITY OF EARLY**  
**AUDITOR OF STATE'S INDEPENDENT REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**  
**FOR THE PERIOD**  
**JULY 1, 2024 THROUGH JUNE 30, 2025**

**City of Early**



**OFFICE OF AUDITOR OF STATE**  
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Rob Sand  
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February 13, 2026

Officials of the City of Early  
Early, 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 Early, 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 Early 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,

A handwritten signature in black ink, appearing to read "Rob Sand", written in a cursive style.

Rob Sand  
Auditor of State

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**City of Early**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
William Cougill	Mayor	Jan 2028
Becky Blackman	Council Member	Resigned Feb 2025
Cory Tiefenthaler (Appointed Mar 2025)	Council Member	Nov 2025
Tim Langner	Council Member	Jan 2026
Christine Madden	Council Member	Jan 2026
Brian Pickhinke	Council Member	Jan 2026
Brandon Scadden	Council Member	Jan 2028
Lexi Wallace	City Clerk/Treasurer	Indefinite
Dave Jennett	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 Early 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 Early'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 Early'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. The City had no TIF.
11. We traced selected receipts for accurate accounting and consistency with the recommended COA.
12. The City had no voter approved levies.
13. 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.
14. We traced transfers between funds to proper authorization and accurate accounting and to determine whether transfers were proper.
15. We traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether payroll was proper.
16. 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 Early'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 Early 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 Early 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, CPA  
Deputy Auditor of State

February 13, 2026

## **Detailed Findings and Recommendations**

City of Early

Detailed Findings and Recommendations

For the period July 1, 2024 through June 30, 2025

- (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) Investments – investing, detailed recordkeeping, custody of investments 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 – 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.

City of Early

Detailed Findings and Recommendations

For the period July 1, 2024 through June 30, 2025

- (C) Bank Reconciliations – The cash and investment balances in the City’s general ledger were reconciled to bank and investment account balances throughout the year. However, the June 30, 2025 Bank Cash Report showed an \$11,675 variance in the balance per the books between the system’s bank reconciliation and general ledger modules, which was not resolved. In addition, the outstanding transactions shown on June 30, 2025 Bank Cash Report were \$306 more than the outstanding transaction register. Also, the individual who reviewed the bank reconciliation initialed but did not document the date of the review.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly and variances, if any, are reviewed and resolved timely. An independent person should review the reconciliations and document the review by the signature or initials of the reviewer and the date of the review on the monthly reconciliations.

- (D) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were reconciled throughout the year; however, there was no evidence of independent review.

Recommendation – 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.

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

Recommendation – Journal entries should be reviewed and approved by an independent person and the approval 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 Special Revenue, Economic Development, Debt Service and the Enterprise, Water Funds had deficit balances of \$13,800, \$6,480 and \$39,359, respectively.

Recommendation – The City should investigate alternatives to eliminate the fund balance deficits to return the funds to a sound financial position.

- (G) Local Option Sales Tax (LOST) – The City’s local option sales tax (LOST) ballot requires LOST receipts to be used 20% for property tax relief and 80% for any lawful purpose. The City has passed resolutions requiring 20% of LOST receipts to be transferred monthly to the General Fund and \$1,250 to be transferred monthly to the Capital Projects, Equipment Replacement Fund. During the year ended June 30, 2025, the City transferred 9.8% of LOST receipts to the General Fund and did not transfer the authorized \$15,000 in LOST receipts to the Capital Projects, Equipment Replacement Fund.

Recommendation – The City should establish procedures to ensure transfers from the Special Revenue, Local Option Sales Tax Fund are made in accordance with the LOST ballot and City Council Resolutions.

City of Early

Detailed Findings and Recommendations

For the period July 1, 2024 through June 30, 2025

- (H) Depository Resolution – Although a resolution naming the official depository has been adopted by the City, the maximum deposited amount stated in the resolution was exceeded during the two months observed.

Recommendation – The City, by resolution, should adopt a new depository resolution and ensure approved amounts are sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

- (I) 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 ending balance reported on the fiscal year 2025 AFR was \$59,258 more than the City Clerk’s Report balance.

Recommendation – The City should establish procedures to ensure 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.

- (J) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be delivered to a newspaper within fifteen days of the meeting. Minutes observed were published; however, minutes for the August 2024 meeting were not delivered to the newspaper within fifteen days of the meeting.

Recommendation – The City should comply with the Code of Iowa and deliver to a newspaper the City Council minutes for publication within fifteen days of the meeting, as required.

- (K) Certified Budget – Disbursements during the year ended June 30, 2025, exceeded the amounts budgeted in the health and social service, culture and recreation, community and economic development, general government and capital projects functions prior to the budget amendment. In addition, disbursements exceeded the amounts budgeted in the culture and recreation and debt service functions at year end. 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.”

In addition, Chapter 384.16 of the Code of Iowa requires a notice of the public hearing on the budget to be published not less than ten nor more than twenty days before the hearing in a newspaper published at least once weekly. The City published the notice of public hearing on the budget one day before the hearing.

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. In addition, the City should publish notice of a public hearing on the budget not less than ten no more than twenty days before the meeting in a newspaper published at least once weekly, as required. The City should maintain documentation of the notice being published.

City of Early

Detailed Findings and Recommendations

For the period July 1, 2024 through June 30, 2025

- (L) Payroll – One of five timesheets observed did not have evidence of supervisory review.

Recommendation – Timesheets should be reviewed by supervisory personnel as approval of hours worked. The review should be documented by the supervisor's signature or initials and the date of the review.

- (M) Disbursements – For four of thirty-six disbursements observed there was no supporting documentation, however, based on the name of the vendor, we determined they were related to official City business and met the test of public purpose.

Recommendation – The City should ensure all payments are supported by an itemized invoice or other supporting documentation.

- (N) Debit Card – The City has a debit card available for use; therefore, there was no process for prior approval of purchases made with the debit card.

Recommendation – The City should prohibit the use of debit cards. The function of a debit card is to provide immediate access to City funds. Unlike credit cards, debit cards offer limited ability to set guidelines for access and limited, if any, repercussions for fraudulent transactions.

- (O) Revenue Bonds – The provisions of the water and sewer revenue bonds require water and sewer rates to be established at a level to produce and maintain net operating receipts at a level not less than 110% of the amount of principal and interest due in the same fiscal year on the revenue bonds. During the year ended June 30, 2025, the City did not maintain the net operating receipt requirement of the water and sewer revenue bond resolutions. In addition, the City Council passed resolutions for monthly transfers from the Enterprise, Water Utility Account and Enterprise, Sewer Utility Account to the Enterprise, Water and Sewer Sinking Accounts, however, these transfers were not made in the fiscal year.

Recommendation – The City Council should review and amend water and sewer utility rates to ensure the rates are adequate to produce the required net operating receipts. In addition, the City should ensure monthly transfers are made to the Enterprise, Water and Sewer Sinking Accounts as required by the water and sewer resolutions.

- (P) Receipts – The City recorded \$12,869 of Tier I business property tax replacement tax as property tax rather than intergovernmental receipts according to the Uniform Chart of Accounts (COA) recommended by the City Finance Committee.

Recommendation – The City should establish procedures to ensure all receipts are properly coded and recorded.

City of Early

Staff

This engagement was performed by:

Pamela J. Bormann, CPA, Deputy  
Lesley R. Geary, CPA, Manager  
Therese A. Berning, Staff Auditor