



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE June 11, 2003

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Auditor of State David A. Vaudt today released an audit report on the City of Walker, Iowa for the two years ended June 30, 2003.

The City's receipts totaled \$402,107 for the year ended June 30, 2003, and included \$101,794 in property tax, \$62,185 in local option sales tax, \$93,141 from other governments and \$2,935 in interest on investments. For the year ended June 30, 2002, the City's receipts totaled \$330,898, and included \$95,581 in property tax, \$18,390 in local option sales tax, \$90,890 from other governments and \$2,814 in interest on investments.

Disbursements for the year ended June 30, 2003 totaled \$428,833, and included \$192,349 for public safety, \$98,660 for public works and \$82,475 for business type activities. For the year ended June 30, 2002, disbursements totaled \$316,946, and included \$99,356 for community protection, \$12,680 for human development, \$176,857 for home and community environment and \$28,053 for policy and administration.

The report contains recommendations to the City Council and other City officials. For example, the City should segregate accounting duties to the extent possible to ensure maximum control over receipts, disbursements, investments, long-term debt and payroll. To strengthen control over utility collections and to provide better financial information, the City should reconcile utility billings, collections and delinquencies and maintain and retain monthly receipt ledgers. City officials have responded to each item in the report and stated that corrective action is being taken.

A copy of the audit report is available for review in the Office of Auditor of State and the City Clerk's office.

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CITY OF WALKER
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2003 AND JUNE 30, 2002

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City of Walker

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2002)		
Connie Helms	Mayor	Jan 2002
Doug Doyl	Mayor pro tem	Jan 2004
Allen Krob	Council Member	Jan 2002
Marguerite Andrews	Council Member	Jan 2002
Kari Hromidko	Council Member	Jan 2004
John Zlabek	Council Member	Jan 2004
Julie A. Cook	Clerk	Indefinite
Erva Kelso	Treasurer	Indefinite
Robert Hatala	Attorney	Indefinite
(After January 2002)		
Connie Helms	Mayor	Jan 2004
Doug Doyl	Mayor Pro tem	Jan 2004
Kari Hormidko	Council Member	Resigned
Chris Happ (Appointed)	Council Member	Nov 2003
John Zlabek	Council Member	Jan 2004
Allen Krob	Council Member	Jan 2006
Marguerite Andrews	Council Member	Jan 2006
Julie A. Cook	City Clerk	Resigned
Tamera Coleman (Appointed)	City Clerk	Indefinite
Erva Kelso	City Treasurer	Indefinite
Robert Hatala	City Attorney	Indefinite

City of Walker



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the City of Walker, Iowa, as of and for the years ended June 30, 2003 and June 30, 2002. These financial statements are the responsibility of the City of Walker's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the results of the cash transactions of the funds of the City of Walker as of and for the years ended June 30, 2003 and June 30, 2002, and its indebtedness at June 30, 2003 and June 30, 2002, on the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued our report dated February 5, 2004 on our consideration of the City of Walker's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. The supplemental information included in Schedules 1 through 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 5, 2004

City of Walker

Financial Statements

City of Walker
 Combined Statement of Cash Transactions
 All Funds
 Year ended June 30, 2003

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Receipts:			
Property tax	\$ 97,412	2,543	-
Other city tax	5,990	62,340	-
Licenses and permits	2,291	-	-
Use of money and property	4,956	-	-
Intergovernmental	32,081	61,060	-
Charges for service	1,388	-	-
Miscellaneous	15,629	336	-
Total receipts	159,747	126,279	-
Disbursements:			
Public safety	190,333	-	-
Public works	27,769	70,891	-
Culture and recreation	16,937	-	-
General government	38,412	-	-
Business type activities	-	-	-
Total disbursements	273,451	70,891	-
Excess (deficiency) of receipts over (under) disbursements	(113,704)	55,388	-
Other financing sources (uses):			
General obligation note proceeds (net of \$1,170 discount)	115,830	-	-
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	115,830	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,126	55,388	-
Balance beginning of year	150,791	115,924	892
Balance end of year	\$ 152,917	171,312	892

See notes to financial statements.

Capital Projects	Proprietary Fund Type Enterprise	Total (Memorandum Only)
1,839	-	101,794
116	-	68,446
-	-	2,291
-	-	4,956
-	-	93,141
-	113,451	114,839
-	675	16,640
1,955	114,126	402,107
2,016	-	192,349
-	-	98,660
-	-	16,937
-	-	38,412
-	82,475	82,475
2,016	82,475	428,833
(61)	31,651	(26,726)
-	-	115,830
-	11,190	11,190
-	(11,190)	(11,190)
-	-	115,830
(61)	31,651	89,104
-	231,516	499,123
(61)	263,167	588,227

City of Walker
 Combined Statement of Cash Transactions
 All Funds
 Year ended June 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Receipts:			
Property tax	\$ 92,600	2,981	-
Other city tax	5,718	18,574	-
Licenses and permits	1,330	-	-
Use of money and property	3,943	-	-
Intergovernmental	30,817	60,073	-
Charges for service	802	-	-
Miscellaneous	10,755	-	-
Total receipts	145,965	81,628	-
Disbursements:			
Community Protection Program	98,125	1,231	-
Human Development Program	12,412	268	-
Home and Community Environment Program	46,540	55,610	-
Policy and Administration Program	27,722	331	-
Total disbursements	184,799	57,440	-
Excess (deficiency) of receipts over (under) disbursements	(38,834)	24,188	-
Other financing sources (uses):			
Sale of general fixed assets	6,810	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	6,810	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(32,024)	24,188	-
Balance beginning of year	182,815	91,736	892
Balance end of year	\$ 150,791	115,924	892

See notes to financial statements.

Proprietary Fund Type	Total (Memorandum Only)
Enterprise	
-	95,581
-	24,292
-	1,330
-	3,943
-	90,890
103,060	103,862
245	11,000
<u>103,305</u>	<u>330,898</u>
-	99,356
-	12,680
74,707	176,857
-	28,053
<u>74,707</u>	<u>316,946</u>
<u>28,598</u>	<u>13,952</u>
-	6,810
12,370	12,370
(12,370)	(12,370)
-	<u>6,810</u>
28,598	20,762
202,918	<u>478,361</u>
<u>231,516</u>	<u>499,123</u>

Exhibit C

City of Walker

Comparison of Receipts, Disbursements and Changes in Balances-

Actual to Budget

Year ended June 30, 2003

	Actual	Amended Budget	Variance Favorable (Unfavorable)	Actual as % of Amended Budget
Receipts:				
Property tax	\$ 101,794	102,323	(529)	99%
Other city tax	68,446	75,662	(7,216)	90%
Licenses and permits	2,291	1,000	1,291	229%
Use of money and property	4,956	6,000	(1,044)	83%
Intergovernmental	93,141	79,496	13,645	117%
Charges for service	114,839	106,490	8,349	108%
Miscellaneous	16,640	8,000	8,640	208%
Total receipts	402,107	378,971	23,136	106%
Disbursements:				
Public safety	192,349	246,741	54,392	78%
Public works	98,660	125,311	26,651	79%
Culture and recreation	16,937	21,497	4,560	79%
Community and economic development	-	250	250	-
General government	38,412	33,218	(5,194)	116%
Business type activities	82,475	131,290	48,815	63%
Total disbursements	428,833	558,307	129,474	77%
Deficiency of receipts under disbursements	(26,726)	(179,336)		
Other financing sources, net	115,830	179,336		
Excess of receipts and other financing sources over disbursements and other financing uses	89,104	-		
Balance beginning of year	499,123	424,727		
Balance end of year	\$ 588,227	424,727		

See notes to financial statements

City of Walker

Comparison of Receipts, Disbursements and Changes in Balances-

Actual to Budget

Year ended June 30, 2002

	Actual	Amended Budget	Variance Favorable (Unfavorable)	Actual as % of Amended Budget
Receipts:				
Property tax	\$ 95,581	96,723	(1,142)	99%
Other city tax	24,292	5,344	18,948	455%
Licenses and permits	1,330	1,000	330	133%
Use of money and property	3,943	6,000	(2,057)	66%
Intergovernmental	90,890	86,702	4,188	105%
Charges for service	103,862	108,986	(5,124)	95%
Miscellaneous	11,000	8,000	3,000	138%
Total receipts	330,898	312,755	18,143	106%
Disbursements:				
Community Protection Program	99,356	122,346	22,990	81%
Human Development Program	12,680	13,951	1,271	91%
Home and Community Environment Program	176,857	204,563	27,706	86%
Policy and Administration Program	28,053	31,255	3,202	90%
Total disbursements	316,946	372,115	55,169	85%
Excess (deficiency) of receipts over (under) disbursements	13,952	(59,360)		
Other financing sources, net	6,810	8,500		
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	20,762	(50,860)		
Balance beginning of year	478,361	363,121		
Balance end of year	\$ 499,123	312,261		

See notes to financial statements.

City of Walker
Statement of Indebtedness
Year ended June 30, 2003

Obligation	Date of Issue	Interest Rates
General obligation capital loan notes:		
Fire truck	Mar 1, 2003	3.00-3.80%
Revenue notes:		
Sewer revenue refunding notes	Apr 1, 1989	7.90-8.00%
Lease purchase agreement:		
Tractor	Oct 30,2001	6.90%
Road construction agreement:		
Linn County	Jun 11, 2001	-

See notes to financial statements.

Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 117,000	-	117,000	-	117,000	-
\$ 115,000	20,000	-	10,000	10,000	1,590
\$ 29,900	24,691	-	5,569	19,122	1,704
\$ 34,275	22,850	-	11,425	11,425	-

City of Walker
Statement of Indebtedness
Year ended June 30, 2002

Obligation	Date of Issue	Interest Rates
Revenue notes: Sewer revenue refunding notes	Apr 1, 1989	7.8-8.0%
Lease purchase agreement: Tractor	Oct 30, 2001	6.90%
Road construction agreement: Linn County	Jun 11, 2001	-

See notes to financial statements.

	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$	115,000	30,000	-	10,000	20,000	2,370
\$	29,900	-	29,900	5,209	24,691	2,064
\$	34,275	34,275	-	11,425	22,850	-

City of Walker

Notes to Financial Statements

June 30, 2003 and 2002

(1) Summary of Significant Accounting Policies

The City of Walker is a political subdivision of the State of Iowa located in Linn County. It was first incorporated in 1881 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture, recreation, public improvements and general administrative services.

A. Reporting Entity

For financial reporting purposes, the City of Walker has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Walker has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations for which the City is not financially accountable or the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. The Mayor or Council are members of or appoint representatives to the following boards and commissions: Linn County Assessor's Conference Board, Linn County Emergency Management Agency and Linn County Joint E911 Service Board.

B. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements and balances. The various funds and their designated purposes are as follows:

Governmental Funds

General Fund – The General Fund is the general operating fund of the City. All general tax receipts and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid through other funds.

Special Revenue Funds – The Special Revenue Funds are utilized to account for receipts derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

Debt Service Fund – The Debt Service Fund is utilized to account for the payment of interest and principal on the City’s general obligation long-term debt.

Capital Projects Fund – The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through Enterprise Funds.

Proprietary Funds

Enterprise Funds – The Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

C. Basis of Accounting

The City of Walker maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

D. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

For the year ended June 30, 2002, formal and legal budgetary control was based upon four major classes of disbursements, known as programs, not by fund. These four programs are community protection, human development, home and community environment and policy and administration.

For the year ended June 30, 2003, formal and legal budgetary control was based upon nine major classes of disbursements, known as functions, not by fund. These functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities.

E. Total (Memorandum Only)

The total column on the combined statement of cash transactions is captioned “Memorandum Only” to indicate it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2003 and at June 30, 2002 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

(3) Notes Payable

At June 30, 2003, annual debt service requirements to maturity for the general obligation and the sewer revenue notes are as follows:

Year Ending June 30,	General Obligation Notes			Revenue Notes		
	Fire Truck Capital Loan			Sewer Refunding		
	Issued Mar 1, 2003			Issued Apr 1, 1989		
	Interest		Interest	Interest		Interest
	Rates	Principal		Rates	Principal	
2004	3.00%	\$ 10,000	3,958	8.00%	\$ 10,000	800
2005	3.00	12,000	3,658	-	-	-
2006	3.00	13,000	3,298	-	-	-
2007	3.00	13,000	2,908	-	-	-
2008	3.00	13,000	2,518	-	-	-
2009	3.80	14,000	2,128	-	-	-
2010	3.80	14,000	1,596	-	-	-
2011	3.80	14,000	1,064	-	-	-
2012	3.80	14,000	532	-	-	-
Total		\$ 117,000	21,660		\$ 10,000	800

The resolution providing for the issuance of the sewer revenue refunding notes includes the following provisions.

- (a) The refunding notes will only be redeemed from future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to the sewer revenue sinking account for the purpose of making the note and interest payments when due.
- (c) Additionally, \$11,500 shall be set aside into a sewer reserve account. The account is restricted for the purpose of paying principal and interest when and if funds are not available in the sewer revenue sinking account.

(4) Lease Purchase Agreement

On October 30, 2001, the City entered into a lease purchase agreement to lease a tractor under a non-cancelable capital lease. The following is a schedule of future minimum lease payments, including interest at 6.90% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2003.

Year Ending June 30,	Amount
2004	\$ 7,273
2005	7,273
2006	7,273
Total minimum lease payments	21,819
Less amount representing interest	(2,697)
Present value of net minimum lease payments	\$ 19,122

Payments under the lease purchase agreement for the years ended June 30, 2003 and June 30, 2002 totaled \$7,273 for each year.

(5) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2003, 2002 and 2001 were \$2,745, \$2,697 and \$2,432, respectively, equal to the required contribution for each year.

(6) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed appropriations at the budgetary control level. During the year ended June 30, 2003, disbursements in the general government function exceeded the amount budgeted.

(7) Related Party Transactions

The City had business transactions between the City and a relative of a City official totaling \$19,044 during the year ended June 30, 2002.

(8) Risk Management

The City of Walker is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Interfund Loan

During the year ended June 30, 2001, the Enterprise Fund, Water Account loaned \$27,000 to the Enterprise Fund, Sewer Operation and Maintenance Account for sewer improvements incurred in prior fiscal years. The loan is interest free and will be repaid over a six-year period beginning September 2000. Payments of \$4,500 were made during each of the years ended June 30, 2001, 2002 and 2003, leaving a balance of \$13,500 at June 30, 2003. The balance is to be repaid in three equal installments over the next three fiscal years.

(10) Linn County Road Construction Agreement

On June 11, 2001, the City entered into an interest free road construction agreement with Linn County for Betty's Grove road repairs. The City will reimburse Linn County for actual costs, not to exceed \$45,000. The first installment was required upon completion and acceptance of the work in 2001. The first and second payments of the three remaining installments were paid in October 2001 and October 2002 and totaled \$22,850. The balance of \$11,475 outstanding at June 30, 2003 was paid on July 28, 2003.

(11) Deficit Balances

At June 30, 2003, the City had deficit balances of \$67,046 and \$61 in the General Fund, Fire Truck Reserve Account and Capital Projects Fund, Fire Truck Account, respectively. The deficit balances were a result of costs incurred prior to the receipt of bond proceeds. The deficits will be eliminated upon receipt of the bond proceeds and through a transfer of available funds.

Supplemental Information

City of Walker
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	General	Walker Volunteer Fire Department	Walker Fire Honor Guard
Receipts:			
Property tax	\$ 97,412	-	-
Other city tax:			
Utility tax replacement excise tax	5,990	-	-
Licenses and permits	2,291	-	-
Use of money and property:			
Interest on investments	2,935	-	-
Rent	2,021	-	-
	4,956	-	-
Intergovernmental:			
State allocation	8,665	-	-
Bank franchise tax	2,801	-	-
Fire protection	20,615	-	-
	32,081	-	-
Charges for services:			
Park and recreation	1,388	-	-
Miscellaneous:			
Fund raisers and donations	-	10,658	300
Accrued interest on capital loan notes sold	-	-	-
Refunds and reimbursements	385	-	-
Miscellaneous	4,154	-	-
	4,539	10,658	300
Total receipts	148,657	10,658	300

Historical Fire Truck	Fire Truck Reserve	Total
-	-	97,412
-	-	5,990
-	-	2,291
-	-	2,935
-	-	2,021
-	-	4,956
-	-	8,665
-	-	2,801
-	-	20,615
-	-	32,081
-	-	1,388
-	-	10,958
-	132	132
-	-	385
-	-	4,154
-	132	15,629
-	132	159,747

City of Walker
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	General	Walker Volunteer Fire Department	Walker Fire Honor Guard
Disbursements:			
Public safety:			
Police:			
Services and commodities	13,832	-	-
Fire protection:			
Services and commodities	28,843	8,051	-
Capital outlay	1,859	4,960	-
	<u>30,702</u>	<u>13,011</u>	<u>-</u>
Animal control:			
Services and commodities	640	-	-
	<u>45,174</u>	<u>13,011</u>	<u>-</u>
Public works:			
Street lighting:			
Services and commodities	8,281	-	-
Roadway maintenance:			
Personal services	4,110	-	-
Services and commodities	8,105	-	-
Lease purchase agreement:			
Principal redeemed	5,569	-	-
Interest paid	1,704	-	-
	<u>19,488</u>	<u>-</u>	<u>-</u>
	<u>27,769</u>	<u>-</u>	<u>-</u>
Culture and recreation:			
Library:			
Services and commodities	1,600	-	-
Cemetery:			
Services and commodities	400	-	-
Parks:			
Personal services	1,928	-	-
Services and commodities	10,759	-	-
Capital outlay	2,250	-	-
	<u>14,937</u>	<u>-</u>	<u>-</u>
	<u>16,937</u>	<u>-</u>	<u>-</u>

Historical Fire Truck	Fire Truck Reserve	Total
-	-	13,832
-	-	36,894
-	132,148	138,967
-	132,148	175,861
-	-	640
-	132,148	190,333
-	-	8,281
-	-	4,110
-	-	8,105
-	-	5,569
-	-	1,704
-	-	19,488
-	-	27,769
-	-	1,600
-	-	400
-	-	1,928
-	-	10,759
-	-	2,250
-	-	14,937
-	-	16,937

City of Walker
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	General	Walker Volunteer Fire Department	Walker Fire Honor Guard
Disbursements (continued):			
General government:			
Mayor and council members:			
Personal services	2,455	-	-
Legal services:			
Services and commodities	3,022	-	-
City hall and general buildings:			
Personal services	12,568	-	-
Services and commodities	20,367	-	-
	32,935	-	-
	38,412	-	-
Total disbursements	128,292	13,011	-
Excess (deficiency) of receipts over (under) disbursements	20,365	(2,353)	300
Other financing sources:			
General obligation note proceeds (net of \$1,170 discount)	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements	20,365	(2,353)	300
Balance beginning of year	189,027	11,707	-
Balance end of year	\$ 209,392	9,354	300

See accompanying independent auditor's report.

Historical Fire Truck	Fire Truck Reserve	Total
-	-	2,455
-	-	3,022
-	-	12,568
-	-	20,367
-	-	32,935
-	-	38,412
-	132,148	273,451
-	(132,016)	(113,704)
-	115,830	115,830
-	(16,186)	2,126
917	(50,860)	150,791
917	(67,046)	152,917

Schedule 2

City of Walker
Schedule of Cash Transactions
General Fund
Year ended June 30, 2002

	Walker General	Walker Volunteer Fire Department	Historical Fire Truck	Fire Truck Reserve	Total
Receipts:					
Property tax	\$ 92,600	-	-	-	92,600
Other city tax:					
Utility tax replacement excise tax	5,718	-	-	-	5,718
Licenses and permits	1,330	-	-	-	1,330
Use of money and property:					
Interest on investments	2,814	-	-	-	2,814
Rent	1,129	-	-	-	1,129
	3,943	-	-	-	3,943
Intergovernmental:					
State allocation	9,137	-	-	-	9,137
Fire protection	21,027	-	-	-	21,027
Bank franchise tax	653	-	-	-	653
	30,817	-	-	-	30,817
Charges for service:					
Park and recreation	802	-	-	-	802
Miscellaneous:					
Fund raisers and donations	-	8,610	-	-	8,610
Refunds and reimbursements	2,145	-	-	-	2,145
	2,145	8,610	-	-	10,755
Total receipts	137,355	8,610	-	-	145,965
Disbursements:					
Community Protection Program:					
Police:					
Contractual services	13,832	-	-	-	13,832
Fire:					
Contractual services	14,227	-	-	-	14,227
Commodities	1,954	9,555	-	-	11,509
Capital outlay	208	-	-	50,860	51,068
	16,389	9,555	-	50,860	76,804

City of Walker
 Schedule of Cash Transactions
 General Fund
 Year ended June 30, 2002

	Walker General	Walker Volunteer Fire Department	Historical Fire Truck	Fire Truck Reserve	Total
Disbursements (continued):					
Community Protection Program:					
Animal control:					
Contractual services	206	-	-	-	206
Street lighting:					
Contractual services	7,283	-	-	-	7,283
	37,710	9,555	-	50,860	98,125
Human Development Program:					
Library:					
Contractual services	1,200	-	-	-	1,200
Park:					
Personal services	2,010	-	-	-	2,010
Contractual services	7,402	-	-	-	7,402
Commodities	600	-	-	-	600
Capital outlay	1,200	-	-	-	1,200
	11,212	-	-	-	11,212
	12,412	-	-	-	12,412
Home and Community Environment Program:					
Cemetery:					
Contractual services	400	-	-	-	400
Street maintenance:					
Personal services	13,255	-	-	-	13,255
Contractual services	3,313	-	-	-	3,313
Commodities	7,005	-	-	-	7,005
Capital outlay	15,294	-	-	-	15,294
Lease purchase agreement:					
Principal redeemed	5,209	-	-	-	5,209
Interest paid	2,064	-	-	-	2,064
	46,140	-	-	-	46,140
	46,540	-	-	-	46,540

Schedule 2

City of Walker
Schedule of Cash Transactions
General Fund
Year ended June 30, 2002

	Walker General	Walker Volunteer Fire Department	Historical Fire Truck	Fire Truck Reserve	Total
Disbursements (continued):					
Policy and Administration Program:					
Mayor/Council:					
Personal services	2,150	-	-	-	2,150
Planning and zoning:					
Contractual services	11	-	-	-	11
City hall:					
Personal services	6,436	-	-	-	6,436
Contractual services	18,061	-	-	-	18,061
Commodities	1,064	-	-	-	1,064
	<u>25,561</u>	-	-	-	<u>25,561</u>
	<u>27,722</u>	-	-	-	<u>27,722</u>
Total disbursements	<u>124,384</u>	<u>9,555</u>	-	<u>50,860</u>	<u>184,799</u>
Excess (deficiency) of receipts over (under) disbursements	12,971	(945)	-	(50,860)	(38,834)
Other financing sources:					
Sale of general fixed assets	6,810	-	-	-	6,810
Excess (deficiency) of receipts and other financing sources over (under) disbursements	19,781	(945)	-	(50,860)	(32,024)
Balance beginning of year	169,246	12,652	917	-	182,815
Balance end of year	<u>\$ 189,027</u>	<u>11,707</u>	<u>917</u>	<u>(50,860)</u>	<u>150,791</u>

See accompanying independent auditor's report.

City of Walker
 Schedule of Cash Transactions
 Special Revenue Funds
 Year ended June 30, 2003

	Road Use Tax	Local Option Sales Tax	Employee Benefits	Total
Receipts:				
Property tax	\$ -	-	2,543	2,543
Other city tax:				
Local option sales tax	-	62,185	-	62,185
Utility tax replacement excise tax	-	-	155	155
	-	62,185	155	62,340
Intergovernmental:				
Road use tax allocation	61,060	-	-	61,060
Miscellaneous	336	-	-	336
Total receipts	61,396	62,185	2,698	126,279
Disbursements:				
Public works:				
Roadway maintenance:				
Personal services	4,041	-	5,345	9,386
Services and commodities	50,080	-	-	50,080
	54,121	-	5,345	59,466
Debt service:				
Linn County road construction agreement	11,425	-	-	11,425
Total disbursements	65,546	-	10,690	130,357
Excess (deficiency) of receipts over (under) disbursements	(4,150)	62,185	(7,992)	(4,078)
Balance beginning of year	82,373	18,390	15,161	115,924
Balance end of year	\$ 78,223	80,575	7,169	165,967

See accompanying independent auditor's report.

Schedule 4

City of Walker
 Schedule of Cash Transactions
 Special Revenue Funds
 Year ended June 30, 2002

	Road Use Tax	Local Option Sales Tax	Employee Benefits	Total
Receipts:				
Property tax	\$ -	-	2,981	2,981
Other city tax:				
Local option sales tax	-	18,390	-	18,390
Utility tax replacement excise tax	-	-	184	184
	-	18,390	184	18,574
Intergovernmental:				
Road use tax allocation	60,073	-	-	60,073
Total receipts	60,073	18,390	3,165	81,628
Disbursements:				
Community Protection Program:				
Personal services	-	-	1,231	1,231
Human Development Program:				
Personal services	-	-	268	268
Home and Community Environment Program:				
Street maintenance:				
Personal services	4,572	-	3,136	7,708
Contractual services	5,195	-	-	5,195
Commodities	5,315	-	-	5,315
Capital outlay	25,967	-	-	25,967
	41,049	-	3,136	44,185
Debt service:				
Linn County road construction agreement	11,425	-	-	11,425
	52,474	-	3,136	55,610
Policy and Administration Program:				
Personal services	-	-	331	331
Total disbursements	52,474	-	4,966	57,440
Excess (deficiency) of receipts over (under) disbursements	7,599	18,390	(1,801)	24,188
Balance beginning of year	74,774	-	16,962	91,736
Balance end of year	\$ 82,373	18,390	15,161	115,924

See accompanying independent auditor's report.

City of Walker
Schedule of Cash Transactions
Debt Service Fund
Year ended June 30, 2003

Receipts:	
None	\$ -
Disbursements:	
None	-
Excess of receipts over disbursements	-
Balance beginning of year	<u>892</u>
Balance end of year	<u><u>\$ 892</u></u>

See accompanying independent auditor's report.

Schedule 6

City of Walker
Schedule of Cash Transactions
Debt Service Fund
Year ended June 30, 2002

Receipts:		
None	\$	-
Disbursements:		
None		-
Excess of receipts over disbursements		-
Balance beginning of year		892
Balance end of year	\$	<u>892</u>

See accompanying independent auditor's report.

City of Walker
 Schedule of Cash Transactions
 Capital Projects Fund
 Year ended June 30, 2003

	Fire Truck
Receipts:	
Property tax	\$ 1,839
Other city tax:	
Utility tax replacement excise tax	116
Total receipts	1,955
Disbursements:	
Public safety:	
Capital outlay	2,016
Deficiency of receipts under disbursements	(61)
Balance beginning of year	-
Balance end of year	\$ (61)

See accompanying independent auditor's report.

City of Walker
Schedule of Cash Transactions
Enterprise Funds
Year ended June 30, 2003

	Water	Sewer Operation and Maintenance	Sewer Revenue Note Sinking
Receipts:			
Charges for service:			
Sale of water	\$ 49,731	-	-
Sewer rental fees	-	62,316	-
Miscellaneous	-	1,389	-
	<u>49,731</u>	<u>63,705</u>	<u>-</u>
Miscellaneous:			
Customer deposits	-	-	-
Total receipts	<u>49,731</u>	<u>63,705</u>	<u>-</u>
Disbursements:			
Business type activities:			
Personal services	14,284	12,500	-
Services and commodities	32,543	11,373	-
Debt service:			
Principal redeemed	-	-	10,000
Interest paid	-	-	1,590
Total disbursements	<u>46,827</u>	<u>23,873</u>	<u>11,590</u>
Excess (deficiency) of receipts over (under) disbursements	<u>2,904</u>	<u>39,832</u>	<u>(11,590)</u>
Other financing sources (uses):			
Interfund loan repayment	4,500	(4,500)	-
Operating transfers in (out):			
Enterprise:			
Sewer Operation and Maintenance	-	-	11,190
Sewer Revenue Note Sinking	-	(11,190)	-
Total other financing sources (uses)	<u>4,500</u>	<u>(15,690)</u>	<u>11,190</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>7,404</u>	<u>24,142</u>	<u>(400)</u>
Balance beginning of year	<u>123,917</u>	<u>87,420</u>	<u>734</u>
Balance end of year	<u>\$ 131,321</u>	<u>111,562</u>	<u>334</u>

See accompanying independent auditor's report.

Sewer Reserve	Sewer Surplus	Water/ Sewer Deposits	Total
-	-	-	49,731
-	-	-	62,316
-	-	15	1,404
-	-	15	113,451
-	-	675	675
-	-	690	114,126
-	-	-	26,784
-	-	185	44,101
-	-	-	10,000
-	-	-	1,590
-	-	185	82,475
-	-	505	31,651
-	-	-	-
-	-	-	11,190
-	-	-	(11,190)
-	-	-	-
-	-	505	31,651
11,500	5,277	2,668	231,516
11,500	5,277	3,173	263,167

City of Walker
Schedule of Cash Transactions
Enterprise Funds
Year ended June 30, 2002

	Water	Sewer Operation and Maintenance	Sewer Revenue Note Sinking
Receipts:			
Charges for service:			
Sale of water	\$ 45,005	-	-
Sewer rental fees	-	58,055	-
	<u>45,005</u>	<u>58,055</u>	<u>-</u>
Miscellaneous:			
Deposits	-	-	-
Total receipts	<u>45,005</u>	<u>58,055</u>	<u>-</u>
Disbursements:			
Home and Community Environment Program:			
Personal services	14,324	14,436	-
Contractual services	13,749	10,859	-
Commodities	5,364	876	-
Capital outlay	2,329	-	-
Debt service:			
Principal redeemed	-	-	10,000
Interest paid	-	-	2,370
Total disbursements	<u>35,766</u>	<u>26,171</u>	<u>12,370</u>
Excess (deficiency) of receipts over (under) disbursements	<u>9,239</u>	<u>31,884</u>	<u>(12,370)</u>
Other financing sources (uses):			
Interfund loan repayment	4,500	(4,500)	-
Operating transfers in (out):			
Enterprise:			
Sewer Operation and Maintenance	-	-	12,370
Sewer Revenue Note Sinking	-	(12,370)	-
Total other financing sources (uses)	<u>4,500</u>	<u>(16,870)</u>	<u>12,370</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	13,739	15,014	-
Balance beginning of year	<u>110,178</u>	<u>72,406</u>	<u>734</u>
Balance end of year	<u>\$ 123,917</u>	<u>87,420</u>	<u>734</u>

See accompanying independent auditor's report.

Sewer Reserve	Sewer Surplus	Water/ Sewer Deposits	Total
-	-	-	45,005
-	-	-	58,055
-	-	-	103,060
-	-	245	245
-	-	245	103,305
-	-	-	28,760
-	-	400	25,008
-	-	-	6,240
-	-	-	2,329
-	-	-	10,000
-	-	-	2,370
-	-	400	74,707
-	-	(155)	28,598
-	-	-	-
-	-	-	12,370
-	-	-	(12,370)
-	-	-	-
-	-	(155)	28,598
11,500	5,277	2,823	202,918
11,500	5,277	2,668	231,516

Schedule 10

City of Walker

Comparison of Taxes and Intergovernmental Receipts

	Years ended June 30,		
	2003	2002	2001
Property tax	\$ 101,794	95,581	93,381
Other city tax:			
Utility tax replacement excise tax	6,261	5,902	5,168
Local option sales tax	62,185	18,390	-
	68,446	24,292	5,168
Intergovernmental:			
Road use tax allocation	61,060	60,073	55,434
State allocation	8,665	9,137	9,070
Bank franchise tax	2,801	653	2,810
Fire protection	20,615	21,027	19,607
	93,141	90,890	86,921
Total	\$ 263,381	210,763	185,470

See accompanying independent auditor's report.



**OFFICE OF AUDITOR OF STATE
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Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Walker, Iowa, as of and for the years ended June 30, 2003 and June 30, 2002, and have issued our report thereon dated February 5, 2004. Our report expressed an unqualified opinion on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Walker's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the years ended June 30, 2003 and June 30, 2002 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior audit statutory comments have been resolved except for items (5), (7), (8), (9) and (10).

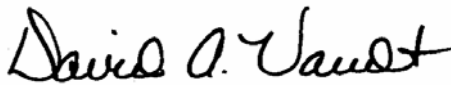
Internal Control Over Financial Reporting

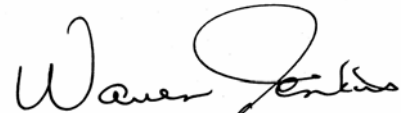
In planning and performing our audit, we considered the City of Walker's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Walker's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items (A) and (B) are material weaknesses. Prior audit reportable conditions have been resolved except for items (A), (B), (C), (D) and (E).

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 Walker and other parties to whom the City of Walker 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 Walker during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 5, 2004

City of Walker

Schedule of Findings

Years ended June 30, 2003 and 2002

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

(A) Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the City's financial statements. One individual has control over the following areas for which no compensating controls exist:

- (1) Accounting system – performing all general accounting functions and having custody of assets.
- (2) Cash – reconciling bank accounts, initiating cash receipts and disbursement transactions, handling and recording cash.
- (3) Investments – detailed recording keeping, custody of investments, inspection of investments and reconciling investment earnings.
- (4) Receipts – collecting, depositing, journalizing and posting.
- (5) Utility receipts – billing, collecting, depositing, posting and reconciling.
- (6) Disbursements – purchasing, preparing, recording and reconciling.
- (7) Payroll – preparing and disbursing.
- (8) Financial reporting – preparing, posting and reconciling.
- (9) Information system (computer usage) – performing all general accounting functions and controlling data input and output.

For the Walker Volunteer Fire Department, one individual has control over each of the following areas:

- (1) Cash – reconciling bank accounts, initiating cash receipts and disbursement transactions, handling and recording cash.
- (2) Receipts – collecting, depositing, posting and reconciling.
- (3) Disbursements – authorizing, preparing, posting and reconciling.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City and the Walker Volunteer Fire Department should review their operating procedures to obtain the maximum internal control possible under the circumstances.

Response – The mayor or finance council member will review all bank reconciliations and investments monthly. The clerk will provide the council and mayor with accurate monthly reports on receipts, disbursements, financial reporting, and software functions. The mayor has access to the computer system through her (his) own password. A new system of checks and balances will be reviewed and implemented by the City. The City has purchased new financial software.

City of Walker

Schedule of Findings

Years ended June 30, 2003 and 2002

The Walker Voluntary Fire Department – The department has a 3 person finance committee. Person A makes financial report and disburses monies; person B must also sign the checks and makes deposits in the checkbook, savings account and has primary control of petty cash; person C makes deposits in checking and savings accounts and has secondary control over petty cash. Person A reconciles the bank statements monthly. A committee of 8 department member (Officer's staff) reconciles the bank statements quarterly.

Conclusion – Response accepted.

- (B) Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquencies were not reconciled.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies each month. The Council should review the reconciliations and monitor delinquencies.

Response – The City Clerk will establish procedures that include a monthly reconciliation of the utility billing, collections, and delinquencies. The Council will be provided with this information at the last meeting of each month. Account numbers will be used in place of names for confidentiality. The Council is currently reviewing the ordinances pertaining to utility billing and collection. A new software program has recently been purchased and is now in service.

Conclusion – Response accepted.

- (C) Separately Maintained Records – The Walker Volunteer Fire Department maintains separate accounting records pertaining to its operations. The individual transaction activity is not included in the City's accounting records. Also, prenumbered receipts were not issued.

Recommendation – Chapter 384.20 of the Code of Iowa states in part that a City shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any purpose. For better accountability, financial and budgetary control, the financial activity and balances of the Walker Volunteer Fire Department should be included in the City's accounting records and reported to the City Council monthly.

Prenumbered receipts should be issued at the time of collection to provide additional control over the proper collection and recording of all collections.

Response – Prenumbered receipts have been purchased for the recording of monies received by the City Clerk.

The Chief of the Walker Fire Department will make a monthly report of the activity in its Donations/Fund Raising checking Account. This report will be filed with the City's fire department records. Prenumbered receipts will be purchased for use at the Walker Volunteer Fire Department.

Conclusion – Response accepted.

City of Walker

Schedule of Findings

Years ended June 30, 2003 and 2002

- (D) Payroll – Time cards/timesheets are not required for City employees. Additionally, the City did not maintain vacation, sick leave and/or overtime or comp hour records to support hours actually used and/or paid. Also, the City did not approve actual salary or hourly pay rates other than incorporating the amounts in the City annual budget.

Recommendation – Time cards/timesheets should be prepared for all City employees to support actual hours worked. Additionally time cards/timesheets should be approved and initialed by the employee’s supervisor or by an independent City official who is not involved with payroll functions.

Vacation, sick leave, overtime/comp hour records should be maintained to support hours accumulated, hours used and/or paid.

Employee salaries/hourly pay rates should be approved and documented as part of the Council minutes record and then be incorporated into the City annual budget.

Response – City employees are currently required to report all time on timesheets. The mayor must approve the timesheets before payroll checks may be issued. Vacation, sick leave, overtime/comp hour records will be established for each City employee. These records will be updated each payroll period. The Council will establish through resolution employee salaries/pay rates. The resolution will be incorporated into the minutes of the Council meeting and the City’s annual budget.

Conclusion – Response accepted.

- (E) Electronic Data Processing System – The following weaknesses in the City’s computer based system were noted:

The City does not have written policies for:

- Maintaining password privacy.
- Requiring password changes every 60 to 90 days.
- Running an anti-virus program.
- Use of the internet.

Also, the City does not have a disaster recovery plan and does not require backup tapes/disks to be stored off site in a fire proof vault or safe.

Recommendation – The City should develop written policies addressing the above items in order to improve the City’s control over computer based systems. A disaster recovery plan should be developed and backup tapes/disks should be stored off site in a fire proof vault or safe.

Response – The City Clerk and Council members are in the process of developing written policies for the electronic data processing system. The policy will include password privacy, the changing of passwords every 60 days, and the use of the internet by City employees. Currently, the anti-virus program is set to update every

City of Walker

Schedule of Findings

Years ended June 30, 2003 and 2002

morning when the computer is turned on. The City is working with the software company to install a backup tape program. A written policy is being established to put a disaster recovery plan in place. The Walker Volunteer Fire Department is working on a written policy for its disaster recovery of or its computer system.

Conclusion – Response accepted.

- (F) Monthly Financial Reports, Accounting Records and Computer Records – Monthly financial reports were not prepared, and any supporting manually prepared accounting records were either not kept at all or were not kept current or up-to-date. Although computer financial accounting software was available, it was not used in either of the years ended June 30, 2002 and 2003. As a result of the above, monthly bank to book reconciliations were not prepared.

Recommendation – Monthly financial reports should be prepared from the accounting records maintained and the amount of cash in bank and investments should be reconciled to the accounting records each month and provided to City officials along with the monthly financial reports. One of the purposes of such a reconciliation is to determine whether the actual assets agree with the recorded accountability. Also, to provide better financial information and control and to assist in locating and correcting errors in a timely manner, the accounting ledgers, manually prepared or computerized, should be reconciled to receipt and disbursement journals and/or computer printouts/spread sheets monthly.

Chapter 384.20 of the Code of Iowa states in part that a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any City purpose.

Response – The City Clerk is working on reconciliation policies and reports of financial records that will be given to the council each month.

Conclusion – Response accepted.

- (G) Transfers – Fund/account transfers were approved as part of the annual budget process. However, the individual transfers were not approved by the City Council as each transfer was to be made. City Council approval of each fund/account transfer(s) was not documented in the City Council minutes record.

Recommendation – All individual fund/account transfers should be approved by the City Council prior to making the transfer and approval should be documented in the City Council minutes record.

Response – The Council is working on a policy for individual fund/account transfers. The policy will require all future Councils to approve the transfers by resolution and must be documented in the Council minutes.

Conclusion – Response accepted.

City of Walker

Schedule of Findings

Years ended June 30, 2003 and 2002

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming an official depository has been approved by the City. The maximum deposit amount stated in the resolution was not exceeded during the years ended June 30, 2003 and June 30, 2002.
- (2) Certified Budget – Disbursements during the year ended June 30, 2002 did not exceed the amounts budgeted. Disbursements during the year ended June 30, 2003 exceeded the amount budgeted in the general government function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in sufficient amount in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – This problem should be alleviated with the financial policies that are being put in place. The Council will have a better analysis of the financial status of the City and be made aware of the status of where the budget stands each month.

Conclusion – Response accepted.

- (3) Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (4) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (5) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Doug Doyl, Council Member, father owns and operates McCright Agency	Insurance for year ended June 30, 2002	\$19,044
	Insurance for year ended June 30, 2003	186

In accordance with Chapter 362.5(11) of the Code of Iowa, the transaction for the fiscal year ended June 30, 2002 may represent a conflict of interest since the cumulative amount was greater than \$2,500 during the year. The transaction for the year ended June 30, 2003 does not represent a conflict of interest since the cumulative amount was less than \$2,500 during the year.

Recommendation – The City should consult legal counsel to determine the disposition of this matter for the fiscal year ended June 30, 2002.

Response – The Council has consulted legal council with this matter. Mr. Doyl is no longer on the council.

Conclusion – Response accepted.

City of Walker

Schedule of Findings

Years ended June 30, 2003 and 2002

- (6) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (7) Council Minutes – Except as previously noted, no transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of the Council proceedings were published, they did not include total disbursements by fund and a summary of receipts. Also, the City did not publish individual gross salaries in accordance with an Attorney General's opinion dated April 12, 1978.

The Walker Volunteer Fire Department minutes were not signed.

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

The minutes for the meetings of the Walker Volunteer Fire Department should be signed by a responsible individual to support actions taken by the department.

Response – The Council will set a policy in place that disbursements and receipts be published by fund and individual gross annual salaries be published at the end of each fiscal year. The Walker Volunteer Fire Department will set a policy in place stating all minutes be signed by the department secretary and chief.

Conclusion – Response accepted.

- (8) Deposits and Investments – Except that the City has not established a written investment policy required by Chapter 12B.10B of the Code of Iowa, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa were noted.

Recommendation – The City should adopt a written investment policy that complies with the requirements of the Code of Iowa.

Response – The Council will write and adopt a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Conclusion – Response accepted.

- (9) Sewer Revenue Refunding Notes – Resolution Number 3279 requires the City to establish, impose, adjust and provide for the collection of rates to be charged to customers of the Utility, including the City, to produce gross revenues at least sufficient to pay the expenses of operation and maintenance of the Utility. During the fiscal years ended June 30, 2003 and 2002, the City did not pay sewer utility charges required by the resolution. Additionally, previous City Clerk Julie A. Cook and retired Public Works Director Kenneth Shaffer did not pay sewer charges in the years ended June 30, 2003 and 2002. Also, the resolution contains a call provision to call the notes early, which the City has not considered.

City of Walker

Schedule of Findings

Years ended June 30, 2003 and 2002

Recommendation – The City should review the resolution to ensure sewer utility charges are paid as required by Resolution Number 3279. Additionally, the City should consult legal counsel for additional guidance on this matter. Also, the City should consider exercising the call option available.

Response – The Council has consulted with the city attorney on this matter. We will exercise the call provision on the sewer revenue refunding notes.

Conclusion – Response accepted.

- (10) City Code of Ordinances – Chapter 380.80 of the Code of Iowa states “At least once every five years a city shall compile a code of ordinances containing all of the city ordinances in effect.” The City has not compiled the City ordinances since July 10, 1995.

Recommendation – The City should compile the city ordinances as required.

Response – Council is in the process of re-codification.

Conclusion – Response accepted.

- (11) Accrued Interest on the Sale of General Obligation Capital Loan Notes – The note resolution authorizing and providing for the issuance of the general obligation capital loan notes requires any accrued interest on the sale of notes be recorded in the Debt Service Fund. The accrued interest received was recorded in the General Fund, Fire Truck Account.

Recommendation – The City should transfer \$132 from the General Fund, Fire Truck Account to the Debt Service Fund to comply with the note resolution.

Response – The Council will adopt a resolution to transfer \$132 to the Debt Service Fund from the General Fund, Fire Truck Account.

Conclusion – Response accepted.

- (12) Mayor and City Clerk Additional Compensation – After Julie A. Cook resigned as City Clerk, she worked for the City on a part-time basis until a new City Clerk could be hired. The City paid \$292 for these services. However, the compensation was not included in payroll and, accordingly, no withholdings were withheld or reported to the appropriate authorities. Also, the City’s match for Social Security and IPERS was not paid as required.

On January 13, 2003, the City approved paying Mayor Connie Helms for additional work while the City Clerk position was vacant from November 5, 2002 through January 4, 2003. The City paid for 65 hours of additional time at a rate of \$9 per hour, for total additional compensation of \$585. The additional compensation was not included in payroll and, accordingly, no withholdings were withheld or reported to the appropriate authorities. Also, the City’s match for Social Security and IPERS was not paid as required.

City of Walker

Schedule of Findings

Years ended June 30, 2003 and 2002

Recommendation – The City should contact the Internal Revenue Service and other federal and state authorities in order to resolve these matters.

Chapter 372.13(8) of the Code of Iowa states a City officer (Mayor) shall not receive any other compensation for any other City office or employment during that officer's tenure in office. The City should consult legal counsel to determine the disposition of the Mayor's additional compensation.

Response – The Mayor reported the \$585.00 as other income to the Internal Revenue Service and the clerk will contact other federal and state agencies as to the disposition of the Mayor's additional compensation. The Clerk will notify the previous clerk that the income was not included in her W-2 form and that she must include this in her tax statements as "Other Income" because she was working as an independent contractor.

Conclusion – Response acknowledged. The City should consult legal counsel to determine the disposition of the Mayor's additional compensation.

- (13) City Water Ordinance – Late fees/penalties, delinquency notices and shut-off notices were not applied or sent as required by the City's water ordinance.

Recommendation – The City should apply penalty, send out delinquency notices and shut-off notices as detailed in Sections 92.04 and 92.05 of City's water ordinance.

Response – The new City Clerk is currently following the ordinance on penalties, notices, and shut-offs.

Conclusion – Response accepted.

- (14) Capital Improvement Levy – During the year ended June 30, 2003, the City received \$1,955 in property tax for a capital improvement levy provided for in Chapter 384.7 of the Code of Iowa. However, this levy requires voter approval prior to certifying the budget to the County Auditor. Neither the Linn County Auditor or the City could produce evidence of voter approval for the capital improvement levy.

Recommendation – Although the County actually collected the capital improvement levy and paid the collections to the City of Walker, the City should consult with legal counsel to resolve this matter since the measure was not approved by a vote of the citizens of Walker.

Response – The Council is consulting with legal counsel to resolve this matter.

Conclusion – Response accepted.

- (15) Financial Condition - At June 30, 2002, the City had a deficit balance in the General Fund, Fire Truck Reserve account of \$50,860. Also, at June 30, 2003 the City had deficit balances of \$67,046 in the General Fund, Fire Truck Reserve Account and \$61 in the Capital Projects Fund, Fire Truck Account.

City of Walker

Schedule of Findings

Years ended June 30, 2003 and 2002

Recommendation – The City should investigate alternatives to eliminate the deficits in order to return the accounts to a sound financial position.

Response – Council members will investigate the alternatives and eliminate the deficits.

Conclusion – Response accepted.

- (16) Free Utilities – Former Public Works Director Kenneth Shaffer and former City Clerk Julie A. Cook received free utilities. On January 2, 1974, the Council minutes indicate approval as a benefit for Shaffer of “quarterly minimum water bills, monthly minimum sewer bills.” The Council minutes do not include the Council’s approval of this type of benefit subsequent to the year ended June 30, 1975 for any City employee.

We reviewed the Public Works Director’s utilities account from July 1, 1993 through his retirement on September 1, 2001 and identified \$2,528 of recorded utility billings/collections for which no deposits were made. We also reviewed the City Clerk’s utilities account from February 29, 1996 through her resignation on November 1, 2002 and identified \$3,477 of recorded utility billings/collections for which no deposits were made.

<u>Period</u>	<u>Free Utilities</u>	
	<u>Kenneth Shaffer</u>	<u>Julie A. Cook</u>
Prior to July 1, 2001	\$ 2,456	2,636
Year ended June 30, 2002	72	611
Year ended June 30, 2003	-	230
Totals	<u>\$ 2,528</u>	<u>3,477</u>

The City has not withheld payroll taxes or IPERS on those additional benefits. In addition, providing free utilities does not appear to comply with Chapter 388.6 of the Code of Iowa which prohibits a City Utility from providing use or services at a discriminatory rate, except to the City or its agencies.

Recommendation – The Council should review the propriety of providing free utilities for compliance with Chapter 388.6 of the Code of Iowa. In addition, the City should consult legal counsel to determine the disposition of this matter, including seeking payment of past utility billings from the former Public Works Director and former City Clerk.

Response – Council is consulting with legal counsel on this matter.

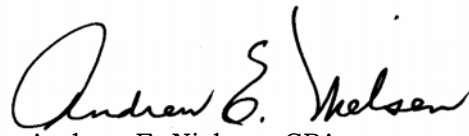
Conclusion – Response accepted.

City of Walker

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager
John G. Vanis, CGFM, Senior Auditor
Daniel L. Grady, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State