



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE _____ June 23, 2005 _____ Contact: Andy Nielsen
(515/281-5834)

Auditor of State David A. Vaudt today released an audit report on the Capitalization Grants for Clean Water State Revolving Funds (CWSRF) program of the City of Walford, Iowa.

The City's CWSRF program disbursements totaled \$586,701 for the year ended June 30, 2004.

This report contains recommendations to the City Council to review accounting and operating procedures to obtain the maximum internal control possible under the circumstances.

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

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**CITY OF WALFORD
CAPITALIZATION GRANTS FOR CLEAN WATER
STATE REVOLVING FUNDS**

**INDEPENDENT AUDITOR'S REPORTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED JUNE 30, 2004

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City of Walford

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2004)		
Randy Bauer	Mayor	Jan 2005
Dennis Peiffer	Mayor Pro tem	Jan 2007
Doug Dvorak	Council Member	Jan 2003
Jan Johnson	Council Member	Jan 2005
Patrick Mahoney	Council Member	Jan 2005
Neil Schulte	Council Member	Jan 2007
Janet Gann	Clerk/Treasurer	Indefinite
Elizabeth Jacobi	Attorney	Indefinite
(After January 2004)		
Randy Bauer	Mayor	Jan 2005
Dennis Peiffer	Mayor Pro tem	Jan 2007
Jan Johnson	Council Member	Jan 2005
Patrick Mahoney	Council Member	Jan 2005
Jeff Kane	Council Member	Jan 2007
Neil Schulte	Council Member	Jan 2007
Janet Gann	Clerk/Treasurer	Indefinite
Elizabeth Jacobi	Attorney	Indefinite

City of Walford
Capitalization Grants for Clean Water State Revolving Funds



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying schedule of expenditures of federal awards for the City of Walford's Capitalization Grants for Clean Water State Revolving Funds program for the year ended June 30, 2004. This financial statement is the responsibility of the City of Walford's management. Our responsibility is to express an opinion on the financial statement of the program based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 our audit provides a reasonable basis for our opinion.

As described in note 1, this schedule was 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 schedule of expenditures of federal awards referred to above presents fairly, in all material respects, the expenditures of federal awards under the City of Walford's Capitalization Grants for Clean Water State Revolving Funds program on the basis of accounting described in note 1.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 10, 2005

City of Walford
Capitalization Grants for Clean Water State Revolving Funds

City of Walford
Capitalization Grants for Clean Water State Revolving Funds

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Disbursements
Indirect:			
U.S. Environmental Protection Agency:			
Iowa Department of Natural Resources:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS19222301	<u>\$ 586,701</u>

See note to schedule of expenditures of federal awards.

City of Walford
Capitalization Grants for Clean Water State Revolving Funds

Note to Schedule of Expenditures of Federal Awards

June 30, 2004

(1) Summary of Significant Accounting Policies

The City of Walford is a political subdivision of the State of Iowa located in Linn and Benton counties. It was first incorporated in 1954 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, health and social services, culture and recreation, community and economic development and general government services. The City also provides sewer utilities for its citizens.

A. Reporting Entity

The schedule of expenditures of federal awards includes only the program disbursements of the City's Capitalization Grants for Clean Water State Revolving Funds program.

B. Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of the City of Walford and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

C. Basis of Accounting

The City of Walford maintains its financial records on the basis of cash receipts and disbursements and the schedule of expenditures of federal awards is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the schedule of expenditures of federal awards is not presented in accordance with U.S. generally accepted accounting principles.

**Independent Auditor's Report on Compliance with Requirements
Applicable to the Federal Program and Internal Control over Compliance**

City of Walford
Capitalization Grants for Clean Water State Revolving Funds



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Independent Auditor's Report on Compliance with Requirements
Applicable to the Federal Program and Internal Control over Compliance

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Walford, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to the Capitalization Grants for Clean Water State Revolving Funds program for the year ended June 30, 2004. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City of Walford's management. Our responsibility is to express an opinion on the City of Walford's compliance based on our audit.

We conducted our audit of compliance 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, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on the Capitalization Grants for Clean Water State Revolving Funds program occurred. An audit includes examining, on a test basis, evidence about the City of Walford's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Walford's compliance with those requirements.

In our opinion, the City of Walford complied, in all material respects, with the requirements referred to above that are applicable to its Capitalization Grants for Clean Water State Revolving Funds program for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the City of Walford is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Walford's internal control over compliance with requirements that could have a direct and material effect on its Capitalization Grants for the Clean Water State Revolving Funds program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Walford's ability to administer its major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in Part II of the accompanying Schedule of Findings and Questioned Costs.

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 non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to the federal program 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 compliance 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, we believe the reportable condition described above is a material weakness.

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 Walford and other parties to whom the City of Walford may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 10, 2005

City of Walford
Capitalization Grants for Clean Water State Revolving Funds

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the schedule of expenditures of federal awards which was prepared in conformity with an other comprehensive basis of accounting.
- (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the schedule of expenditures of federal awards, which was considered to be a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the schedule of expenditures of federal awards.
- (d) A reportable condition in internal control over the Capitalization Grants for Clean Water State Revolving Funds program was disclosed by the audit of the schedule of expenditures of federal awards. The reportable condition is considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the Capitalization Grants for Clean Water State Revolving Funds program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 66.458 – Capitalization Grants for Clean Water State Revolving Funds.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Walford did not qualify as a low-risk auditee.

City of Walford
Capitalization Grants for Clean Water State Revolving Funds

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Part II: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

II-A-04 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent employees from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. One person had control over each of the following areas for the City:

- (1) Information system/computer usage – performing all general accounting functions and controlling all data input and output.
- (2) Receipts – collecting, depositing, journalizing and posting.
- (3) Disbursements – purchasing, check signing, recording and reconciling.
- (4) Financial reporting – preparing, posting and reconciling.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response and Planned Corrective Action – The City shall immediately review its control procedures to obtain required maximum internal control.

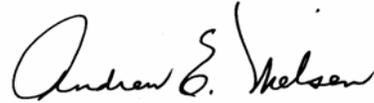
Conclusion – Response accepted.

City of Walford

Staff

This audit was performed by:

Cynthia L. Weber, CPA, Manager
John G. Vanis, CGFM, Senior 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