



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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**NEWS RELEASE**

FOR RELEASE

June 25, 2007

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Walker, Iowa.

The City has implemented new reporting standards for the year ended June 30, 2006, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City as a whole. Also included is Management's Discussion and Analysis of the City's financial statements.

The City's receipts totaled \$447,583 for the year ended June 30, 2006. The receipts included \$117,729 in property tax, \$89,355 from local option sales tax, \$123,474 from charges for service, \$94,372 from operating grants, contributions and restricted interest, \$9,191 from unrestricted interest on investments and \$13,462 from other general receipts.

Disbursements for the year totaled \$364,999, and included \$143,395 for public works, \$59,733 for public safety and \$46,787 for general government. Also, disbursements for business type activities totaled \$80,412.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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**CITY OF WALKER**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2006**

## Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	14-15
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	17
Notes to Financial Statements		18-23
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		26-27
Notes to Required Supplementary Information – Budgetary Reporting		28
Other Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	31
Schedule of Indebtedness	2	32-33
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		35-36
Schedule of Findings		37-44
Staff		45

**City of Walker**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2006)</b>		
Rozena McVey (Resigned)	Mayor	Nov 2005
Joel Van Etten (Appointed)	Mayor	Jan 2006
Marguerite Andrews	Council Member	Jan 2006
Mary Ann Burke	Council Member	Jan 2006
Bill Smith (Appointed)	Council Member	Jan 2006
Matt Meisheid	Council Member	Jan 2008
John Zlabek	Council Member	Jan 2008
Tamara Coleman	Clerk	Indefinite
<b>(After January 2006)</b>		
Joel Van Etten	Mayor	Jan 2008
Matt Meisheid	Council Member	Jan 2008
Bill Smith	Council Member	Jan 2008
John Zlabek	Council Member	Jan 2008
Mary Ann Burke	Council Member	Jan 2010
Margaret Moore	Council Member	Jan 2010
Tamara Coleman (Resigned)	Clerk	Jun 2006
Connie Helms	Treasurer	Appointed

**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 of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Walker, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Walker's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards 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 our audit provides a reasonable basis for our opinions.

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. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2005.

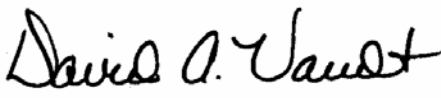
In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2005, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Walker as of June 30, 2006, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.


As described in Note 10, during the year ended June 30, 2006, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated April 4, 2007 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 26 through 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Walker's basic financial statements. Other supplementary information included in Schedules 1 and 2 are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2005, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

April 4, 2007



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The City of Walker provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, and since the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

### **2006 FINANCIAL HIGHLIGHTS**

- The cash basis net assets of the City's governmental activities increased approximately \$42,000, due primarily to an overall decrease in disbursements.
- The cash basis net assets of the City's business type activities increased approximately \$41,000, due primarily to an overall decrease in disbursements.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term, as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

The City 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. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information that helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government and debt service. Property taxes finance most of these activities.
- Business Type Activities include the waterworks and sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

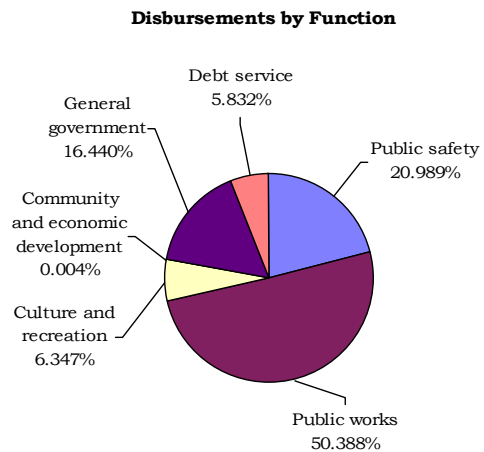
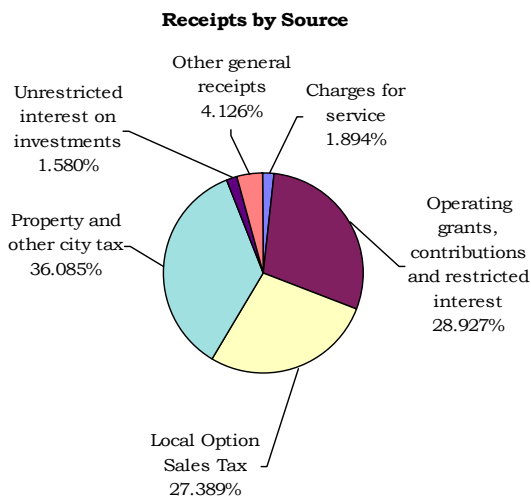
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sanitary sewer operations. The Water and Sewer Funds are considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities is \$385,598 at June 30, 2006. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2006
Receipts:	
Program receipts:	
Charges for service	\$ 6,179
Operating grants, contributions and restricted interest	94,372
General receipts:	
Property and other city tax	117,729
Local option sales tax	89,355
Unrestricted interest on investments	5,154
Other general receipts	13,462
Total receipts	<u>326,251</u>
Disbursements:	
Public safety	59,733
Public works	143,395
Culture and recreation	18,062
Community and economic development	12
General government	46,787
Debt service	16,598
Total disbursements	<u>284,587</u>
Increase in cash basis net assets	41,664
Cash basis net assets beginning of year	<u>343,934</u>
Cash basis net assets end of year	<u>\$ 385,598</u>



Changes in Cash Basis Net Assets of Business Type Activities	
	Year ended June 30, 2006
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 53,913
Sewer	63,382
Interest on investments	4,037
Total receipts	<u>121,332</u>
Disbursements:	
Water	48,359
Sewer	32,053
Total disbursements	<u>80,412</u>
Increase in cash basis net assets	40,920
Cash basis net assets beginning of year	<u>322,755</u>
Cash basis net assets end of year	<u>\$ 363,675</u>

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Walker completed the year, its governmental funds reported a combined fund balance of \$385,598, an increase of \$41,664 over the June 30, 2005 balance of \$343,934. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased slightly, \$221, over the prior year to a year-end balance of \$170,870.
- The Road Use Tax Fund cash balance decreased \$9,444 to \$111,449 during the fiscal year because the City increased street repairs, including bridge repairs on Rowley Street, during the fiscal year.
- The Local Option Sales Tax Fund was established to account for a local sales and services tax in the City of Walker at the rate of 1% which was effective January 1, 2004 through December 31, 2005. At the end of the fiscal year, all funds were transferred as required by the official ballot, which states the revenues will be expended as follows: 30% to the Capital Projects Fund, 30% to the Road Use Tax Fund and 40% to the General Fund for property tax relief.
- The Capital Projects Fund cash balance increased \$27,283 over the prior year to a year-end balance of \$76,800. Most of the increase is due to transfers from the Local Option Sales Tax Fund and interest on investments.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased \$12,224 to \$120,632, which was due primarily to a decrease in disbursements.
- The Sewer Fund cash balance increased \$28,696 to \$243,043, which was due primarily to a decrease in disbursements.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on June 26, 2006. Intergovernmental receipts increased \$12,081 due to anticipated FEMA Fire Grant proceeds. Correspondingly, public safety disbursements also increased \$8,981 for the grant disbursements. Public works disbursements also increased \$16,571 due to necessary bridge repairs on Rowley Street.

The City's actual receipts were \$79,040 more than budgeted receipts. This was primarily due to receiving more local option sales tax than anticipated in the year.

This City's actual disbursements were \$34,859 in total less than budgeted disbursements. This was primarily due to less disbursements in the business type activities and general government functions than anticipated.

## DEBT ADMINISTRATION

At June 30, 2006, the City had \$82,000 in a general obligation note outstanding, compared to \$101,803 last year, as shown below:

	Outstanding Debt at Year End	
	June 30,	
	2006	2005
General obligation note	\$ 82,000	95,000
Lease purchase agreement	-	6,803
Total	\$ 82,000	101,803

Additional information about the City's long-term debt is presented in Notes 3 and 4 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Walker's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates and fees charged for various City activities. The City's fiscal year 2007 assessed taxable valuation increased approximately 1.7%, or \$240,014, from the fiscal year 2006 level.

The fiscal year 2007 budget includes total receipts of \$328,141 and disbursements of \$299,543.

The fiscal year 2007 levy is \$8.10 per \$1,000 of taxable valuation, which is unchanged from fiscal year 2006.

These parameters were taken into account when adopting the budget for fiscal year 2007.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Judy Lahue, City Clerk, 408 Rowley Street, Walker, Iowa 52352.

## **Basic Financial Statements**

City of Walker

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2006

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 59,733	1,557	31,578
Public works	143,395	-	62,794
Culture and recreation	18,062	3,238	-
Community and economic development	12	-	-
General government	46,787	1,384	-
Debt service	16,598	-	-
Total governmental activities	284,587	6,179	94,372
Business type activities:			
Water	48,359	53,913	-
Sewer	32,053	63,382	-
Total business type activities	80,412	117,295	-
Total	\$ 364,999	123,474	94,372

**General Receipts:**

Property and other city tax levied for:  
    General purposes  
    Employee benefits  
    Debt service  
Local option sales tax  
Unrestricted interest on investments  
Miscellaneous

Total general receipts

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

**Cash Basis Net Assets**

Restricted:

    Streets  
    Debt service  
    Capital projects  
    Other purposes

Unrestricted

**Total cash basis net assets**

See notes to financial statements.



Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(26,598)	-	(26,598)
(80,601)	-	(80,601)
(14,824)	-	(14,824)
(12)	-	(12)
(45,403)	-	(45,403)
(16,598)	-	(16,598)
(184,036)	-	(184,036)
-	5,554	5,554
-	31,329	31,329
-	36,883	36,883
(184,036)	36,883	(147,153)
90,379	-	90,379
11,142	-	11,142
16,208	-	16,208
89,355	-	89,355
5,154	4,037	9,191
13,462	-	13,462
225,700	4,037	229,737
41,664	40,920	82,584
343,934	322,755	666,689
\$ 385,598	363,675	749,273
\$ 111,449	-	111,449
8,097	5,277	13,374
76,800	49,657	126,457
18,382	-	18,382
170,870	308,741	479,611
\$ 385,598	363,675	749,273

**Exhibit B**

## City of Walker

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2006

	Special Revenue					Total
	General	Road Use Tax	Local Option Sales Tax	Capital Projects	Nonmajor	
Receipts:						
Property tax	\$ 90,379	-	-	-	27,350	117,729
Other city tax	-	-	89,355	-	-	89,355
Licenses and permits	1,971	-	-	-	-	1,971
Use of money and property	7,916	-	-	476	-	8,392
Intergovernmental	20,039	62,794	-	-	11,539	94,372
Charges for service	214	-	-	-	-	214
Miscellaneous	756	4,882	-	-	8,580	14,218
Total receipts	121,275	67,676	89,355	476	47,469	326,251
Disbursements:						
Operating:						
Public safety	34,236	-	-	-	25,497	59,733
Public works	39,469	103,926	-	-	-	143,395
Culture and recreation	18,062	-	-	-	-	18,062
Community and economic development	12	-	-	-	-	12
General government	46,787	-	-	-	-	46,787
Debt service	-	-	-	-	16,598	16,598
Total disbursements	138,566	103,926	-	-	42,095	284,587
Excess (deficiency) of receipts over (under) disbursements	(17,291)	(36,250)	89,355	476	5,374	41,664
Other financing sources (uses):						
Operating transfers in	35,742	26,806	-	26,807	18,230	107,585
Operating transfers out	(18,230)	-	(89,355)	-	-	(107,585)
Total other financing sources (uses)	17,512	26,806	(89,355)	26,807	18,230	-
Net change in cash balances	221	(9,444)	-	27,283	23,604	41,664
Cash balances beginning of year	170,649	120,893	-	49,517	2,875	343,934
Cash balances end of year	\$ 170,870	111,449	-	76,800	26,479	385,598
<b>Cash Basis Fund Balances</b>						
Reserved for debt service	\$ -	-	-	-	8,097	8,097
Unreserved:						
General fund	170,870	-	-	-	-	170,870
Special revenue funds	-	111,449	-	-	18,382	129,831
Capital projects fund	-	-	-	76,800	-	76,800
Total cash basis fund balances	\$ 170,870	111,449	-	76,800	26,479	385,598

See notes to financial statements.

City of Walker

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances -  
Proprietary Funds

As of and for the year ended June 30, 2006

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 53,304	63,382	116,686
Miscellaneous	609	-	609
Total operating receipts	53,913	63,382	117,295
Operating disbursements:			
Business type activities	48,359	32,053	80,412
Excess of operating receipts over operating disbursements	5,554	31,329	36,883
Non-operating receipts:			
Interest on investments	2,170	1,867	4,037
Excess of receipts over disbursements	7,724	33,196	40,920
Operating transfers in (out)	4,500	(4,500)	-
Net change in cash balances	12,224	28,696	40,920
Cash balances beginning of year	108,408	214,347	322,755
Cash balances end of year	\$ 120,632	243,043	363,675
<b>Cash Basis Fund Balances</b>			
Reserved for:			
Capital projects	\$ -	49,657	49,657
Debt service	5,277	-	5,277
Unreserved	115,355	193,386	308,741
Total cash basis fund balances	\$ 120,632	243,043	363,675

See notes to financial statements.

City of Walker

Notes to Financial Statements

June 30, 2006

**(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, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

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.

These financial statements present the City of Walker (the primary government) and the GCW Mutual Aid Society Incorporated (Volunteer Fire Department), a component unit. This component unit is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

The Volunteer Fire Department is an entity which is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the nonmajor governmental funds.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Linn County Assessor's Conference Board, Linn County Emergency Management Agency and Linn County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts 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 not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for receipts of the local option sales tax which provided for a 1% local sales and services tax in the City, effective January 1, 2004 through December 31, 2005.

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 financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and 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.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the public works, culture and recreation and debt service functions.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2006 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, as amended by Statement No. 40.

**(3) Notes Payable**

Annual debt service requirements to maturity for the general obligation note are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2007	3.0%	\$ 13,000	2,908	15,908
2008	3.0	13,000	2,518	15,518
2009	3.8	14,000	2,128	16,128
2010	3.8	14,000	1,596	15,596
2011	3.8	14,000	1,064	15,064
2012	3.8	14,000	532	14,532
Total		\$ 82,000	10,746	92,746

**(4) Lease Purchase Agreement**

On October 30, 2001, the City entered into a lease purchase agreement to lease a tractor under a non-cancelable lease. The lease payments included interest at 6.90% per annum. Payments under the lease purchase agreement for the year ended June 30, 2006 totaled \$7,273, including interest of \$470. The agreement was paid in full at June 30, 2006.

**(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.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2006 was \$3,874, equal to the required contribution.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and personal leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and personal leave payable to employees at June 30, 2006, primarily relating to the Enterprise funds, was \$1,400. This liability has been computed based on rates of pay in effect at June 30, 2006.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 35,742
Special Revenue:	Special Revenue:	
Road Use Tax	Local Option Sales Tax	26,806
2005 FEMA Fire Grant	General	3,431
Capital Projects	Special Revenue:	
	Local Option Sales Tax	26,807
Debt Service	General	14,799
		<u>107,585</u>
Enterprise:	Enterprise:	
Water	Sewer	4,500
		<u>4,500</u>
Total		<u>\$ 112,085</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(8) Interfund Loan**

During the year ended June 30, 2000, the Enterprise, Water Fund loaned \$27,000 to the Enterprise, Sewer Fund 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 year. The loan was paid in full at June 30, 2006.

**(9) Risk Management**

The City 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.



**(10) Accounting Change**

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2006. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

Implementation of these standards had no effect on the beginning balances of the City.

**City of Walker**

**Required Supplementary Information**

City of Walker  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2006

	Governmental Funds Actual	Proprietary Funds Actual	Funds not Required to be Budgeted
<b>Receipts:</b>			
Property tax	\$ 117,729	-	-
Other city tax	89,355	-	-
Licenses and permits	1,971	-	-
Use of money and property	8,392	4,037	-
Intergovernmental	94,372	-	-
Charges for service	214	116,686	-
Miscellaneous	14,218	609	8,580
Total receipts	326,251	121,332	8,580
<b>Disbursements:</b>			
Public safety	59,733	-	13,011
Public works	143,395	-	-
Culture and recreation	18,062	-	-
Community and economic development	12	-	-
General government	46,787	-	-
Debt service	16,598	-	-
Business type activities	-	80,412	-
Total disbursements	284,587	80,412	13,011
Excess (deficiency) of receipts over (under) disbursements	41,664	40,920	(4,431)
Balances beginning of year	343,934	322,755	7,333
Balances end of year	\$ 385,598	363,675	2,902

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
117,729	113,378	113,378	4,351
89,355	38,837	38,837	50,518
1,971	1,900	1,900	71
12,429	2,315	2,315	10,114
94,372	84,547	96,628	(2,256)
116,900	106,905	106,905	9,995
6,247	-	-	6,247
439,003	347,882	359,963	79,040
46,722	41,888	50,869	4,147
143,395	125,930	142,501	(894)
18,062	17,313	17,313	(749)
12	100	100	88
46,787	57,793	57,793	11,006
16,598	16,298	16,298	(300)
80,412	101,973	101,973	21,561
351,988	361,295	386,847	34,859
87,015	(13,413)	(26,884)	113,899
659,356	650,627	655,958	3,398
746,371	637,214	629,074	117,297

City of Walker

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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 except the blended component unit. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Capital Projects Fund, the Debt Service Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased total budgeted disbursements \$25,552. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the public works, culture and recreation and debt service functions.

**Other Supplementary Information**

**City of Walker**



## City of Walker

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2006

	Special Revenue			Debt Service	Total
	Employee Benefits	Volunteer Fire Dept.	2005 FEMA Fire Grant		
Receipts:					
Property tax	\$ 11,142	-	-	16,208	27,350
Intergovernmental	-	-	11,539	-	11,539
Miscellaneous	-	8,580	-	-	8,580
Total receipts	11,142	8,580	11,539	16,208	47,469
Disbursements:					
Operating:					
Public safety	-	13,011	12,486	-	25,497
Debt service	-	-	-	16,598	16,598
Total disbursements	-	13,011	12,486	16,598	42,095
Excess (deficiency) of receipts over (under) disbursements	11,142	(4,431)	(947)	(390)	5,374
Other financing sources:					
Operating transfers in	-	-	3,431	14,799	18,230
Net change in cash balances	11,142	(4,431)	2,484	14,409	23,604
Cash balances beginning of year	1,854	7,333	-	(6,312)	2,875
Cash balances end of year	\$ 12,996	2,902	2,484	8,097	26,479
<b>Cash Basis Fund Balances</b>					
Reserved for debt service	\$ -	-	-	8,097	8,097
Unreserved:					
Special revenue funds	12,996	2,902	2,484	-	18,382
Total cash basis fund balances	\$ 12,996	2,902	2,484	8,097	26,479

See accompanying independent auditor's report.

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City of Walker  
Schedule of Indebtedness  
Year ended June 30, 2006

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation capital loan note: Fire truck	Mar 1, 2003	3.00-3.80%	\$ 117,000
Lease purchase agreement: Tractor	Oct 30, 2001	6.90%	\$ 29,900

See accompanying independent auditor's report.

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Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
95,000	-	13,000	82,000	3,298	242
6,803	-	6,803	-	470	-

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**City of Walker**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Walker, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated April 4, 2007. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2005.

Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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 opinions on the financial statements and not to provide an opinion 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 reportable 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 caused by error or fraud 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), (C), (D), (E) and (F) are material weaknesses.

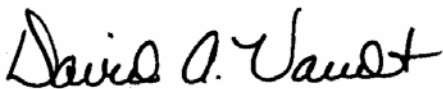
### Compliance and Other Matters

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 grant agreements, 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 or other matters 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 year ended June 30, 2006 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.

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

April 4, 2007

City of Walker  
Schedule of Findings  
Year ended June 30, 2006

**Findings Related to the Financial Statements:**

**REPORTABLE CONDITIONS:**

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the City’s financial statements. One person had control over the following areas for the City:
- (1) Accounting system – performing all general accounting functions and having custody of assets.
  - (2) Cash – preparing bank reconciliations, initiating cash receipts and disbursement transactions and handling and recording cash.
  - (3) Investments – detailed record keeping, custody of investments and reconciling earnings.
  - (4) Receipts – mail opening, collecting, depositing, posting and reconciling.
  - (5) Disbursements – recording and reconciling.
  - (6) Payroll – preparing and disbursing.
  - (7) Information system (computer usage) – performing all general accounting functions and controlling data input and output.
  - (8) 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 operating procedures to obtain the maximum internal control possible under the circumstances.

Response – The City hired a part-time Treasurer during fiscal year 2007. The City separated the duties from the Clerk to the Treasurer and will continue to evaluate and implement further separation as is practical. Duties already segregated include: all deposits, custody of investments and bank reconciliations.

Conclusion – Response acknowledged. The City should review operating procedures to obtain the maximum internal control possible in the remaining areas.

City of Walker

Schedule of Findings

Year ended June 30, 2006

(B) Information Systems – The City does not have written policies over the financial computer system for:

- password privacy and confidentiality.
- requiring changes in passwords a minimum of every 60 to 90 days.
- requiring backups be performed daily, weekly, monthly and yearly.
- ensuring only software licensed to the City is installed on computers and monitoring software licensing requirements to ensure the City is in compliance.
- usage of the internet.
- personal use of computers and software
- requiring the use of an anti-virus program on computers.

Also, the City does not have a written disaster recovery plan and the City Hall does not have smoke detectors.

Recommendation – The City should develop written policies addressing the above items in order to improve the City's control over financial computer based systems. The City should also develop a written disaster recovery plan and install smoke detectors.

Response – The City will develop written policies addressing use of City owned computers, including the items specified above. Action has been taken to update the City's anti-virus software. A separate written disaster recovery plan will be written to cover all aspects of operations for City Hall.

Conclusion – Response accepted.

(C) Monthly Financial Reports, Accounting Records and Computer Records – Monthly Treasurer financial reports were prepared by the City. Although computer financial accounting software was available, it was not used to reconcile the bank to book balances. As a result, there were several transactions included in the monthly reports, which were not included in the computer system.

Also, the financial reports did not include comparisons to certified budgets by function or a summary of beginning balance, receipts, disbursements, transfers and ending balance.

Recommendation – To improve financial accountability and control, a monthly reconciliation of the book and bank balances should be prepared in a timely manner. Any variances should be investigated and book balances should include all investments and agree to the bank reconciliation book balances from the computer system. Also, for better financial information, the monthly reports should include a comparison to certified budgets by function and a summary of the beginning balance, receipts, disbursements, transfers and ending balance.



City of Walker

Schedule of Findings

Year ended June 30, 2006

Response – A new Clerk was hired in the second quarter of fiscal year 2007. As the Clerk completes training and familiarization with her new duties, and as the Treasurer coordinates her new duties with the Clerk, the issues presented for improvement in financial reporting will be resolved. The City intends to provide a complete set of financial statements to the City Council on a routine monthly basis. The current financial reporting software allows the presentation of data with appropriate comparison to the certified budget and beginning and ending balances by fund.

Conclusion – Response accepted.

- (D) Mail Receipts – A listing of mail receipts is not prepared by the mail opener and checks are not restrictively endorsed upon receipt.

Recommendation – A listing of mail receipts should be prepared by the mail opener and should be compared to the bank deposit and the accounting records by an independent person and evidence of the review should be documented. Checks should be restrictively endorsed upon receipt.

Response – A listing of mail receipts is currently being prepared when the mail is opened. A procedure will be developed to compare the mail receipt listing to the bank deposit by an independent person. Checks are now restrictively endorsed upon receipt.

Conclusion – Response accepted.

- (E) Bank Reconciliation – The bank reconciliations were not prepared and reconciled to the general ledger timely and the listing of outstanding checks was not always retained. Also, the bank statements were not delivered unopened to the City Treasurer and there was no evidence bank reconciliations were reviewed by the Council.

Recommendation – Bank reconciliations should be prepared and reconciled to the general ledger timely and the outstanding check listing retained. Bank statements should be delivered unopened to the City Treasurer and the bank reconciliations should be reviewed by the Council and evidence of the review should be documented.

Response – Since the new City Clerk started, the Treasurer and City Clerk set up a process to routinely compare the bank activity to the general ledger journals. As soon as all general ledger data is proven to be correct and up-to-date, the bank statements will be reconciled to the general ledger balance.

Outstanding check listings are now retained.

Banks statements are now delivered to the Treasurer unopened. A procedure will be designed to provide for regular review of the bank reconciliations and Treasurer reports by the City Council.

Conclusion – Response accepted.

City of Walker

Schedule of Findings

Year ended June 30, 2006

- (F) Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year. Also, some delinquent accounts appear to be excessive and the shut-off policy and procedures are not strictly enforced. Also, a delinquent accounts listing could not be found.

Several water meters are currently not working properly. As a result, the readings are unreliable, so only the minimum charge is assessed.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period. The established shut-off policies and procedures should be followed. The Council should review the reconciliation and monitor delinquencies. All documentation should be retained.

For efficiency purposes, the City should evaluate the meters in the City and replace in a timely manner the meters which provide unreliable readings to ensure the City is charging the proper amounts.

Response – The City had already begun a process to reconcile and remedy delinquent utility accounts. Current practices for review and reporting of utility bills will be evaluated and improved procedures put in place. Current City ordinances for enforcement of non-payment will be reviewed and procedures set to assure compliance with ordinances.

The City began a process to evaluate and upgrade the water metering systems used by the City, but the process was shelved because of an inability of the Council members to agree on an appropriate solution. The issue will be revisited.

Conclusion – Response acknowledged. The City Council should develop a process to evaluate and upgrade the water metering systems.

- (G) Payroll – Timesheets were not always signed by the employee and timesheets were not always approved by the employee's supervisor or other responsible official. Additionally, payroll records were not reconciled each month to the computer disbursement print-outs and to the manual disbursement journal to insure the payroll reconciled properly. Three payrolls were not included in the manual payroll register.

Also, several payroll checks included reimbursements to the employee for either travel or purchases made on behalf of the City.

Recommendation – All timesheets should be signed by the employee and should be approved by the employee's supervisor or by an independent official who is not involved with payroll. Also, procedures should be implemented to reconcile payroll records each month to the manual disbursement journal and to computer disbursement print-outs to ensure proper posting and overall reconciliation of payroll to accounting records. Employee reimbursements should be paid separately from the payroll checks.

City of Walker

Schedule of Findings

Year ended June 30, 2006

Response – The City recently began using a punch-time-clock for employees. This time record will track the beginning and ending time of an employee shift. Hand-written paper records will continue to be used to track the general task categories performed and as a basis to allocate employee time among cost centers. While procedures were in place for completion of time cards and supervisor review, these procedures will be reviewed, updated and followed. Procedures will be evaluated to determine the best method to reconcile timecard entries to disbursement reporting. Employee reimbursements were not allowed on payroll checks in the past. This activity should not have occurred. The City continues to reimburse employees for legitimate expenses separate from payroll.

Conclusion – Response accepted.

- (H) Employee Reimbursements – City employees received travel reimbursements and reimbursements for purchases made on behalf of the City. Some reimbursements were not properly supported.

Recommendation – Adequate documentation should be required and reviewed for all employee reimbursements. Reimbursements made for purchases on behalf of the City should be kept to a minimum.

Response – Documentation has been required in the past for employee legitimate reimbursements. Reimbursement should not have been paid without proper documentation. Documentation must be presented with a request for reimbursement prior to Council approval for such payment.

Conclusion – Response accepted.

- (I) Disbursements - Invoices and other supporting documentation were not properly cancelled to prevent duplicate payment. Also, manual checks were used excessively during the year, including for payroll disbursements. As a result, several input errors were made in the accounting system.

Recommendation – All invoices and other supporting documentation should be properly cancelled to prevent duplicate payment. Also, checks should be generated from the accounting system and manual checks should be kept to a minimum.

Response – Supporting documents in current use for accounts payable claims have a specific place to indicate the time and form of payment. Review will be done to assure this form is used properly. Manual checks were used during the absence of a City Clerk. Now that the new City Clerk is trained and has set up a routine procedure for handling payments using the computer system, manual checks should be extremely rare

Conclusion – Response accepted.

- (J) Journal Entries – Several journal entries were made during the year. However, the support for the journal entries was not maintained. Also, significant journal entries were not reviewed by the Council.

City of Walker

Schedule of Findings

Year ended June 30, 2006

Recommendation – Support for journal entries made should be retained. Also, significant journal entries should be reviewed by the Council.

Response – Journal entries should be either a pre-approved regular posting for allocation of prepaid expenses, a routine allocation of expenses among cost centers determined by a set basis or a correcting entry. In all cases adequate documentation for the basis of the entry should be provided and preserved. A number of journal entries had adequate documentation provided at the time of the entry and cannot now be located. Procedures for journal entries will be put in place to assure documentation is maintained.

Conclusion – Response accepted.

**INSTANCE OF NON-COMPLIANCE:**

No matters were noted.

City of Walker  
Schedule of Findings  
Year ended June 30, 2006

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the public works, culture and recreation and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The City intends to meet budget amendment requirements.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) 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.
- (6) Council Minutes – Approval for certain disbursements and transfers could not be found in the minutes record and the publications did not always include total disbursements by fund as required by Chapter 372.13(6) of the Code of Iowa.

Although most minutes of Council proceedings were published, the minutes of the May 31, July 24, and August 14, 2006 meetings were not published.

The Council minutes were not signed as required by Chapter 380.7(4) of the Code of Iowa.

Recommendation - The City should comply with Chapters 372.13(6) and 380.7(4) of the Code of Iowa. The City should ensure the minutes, including total disbursements by fund, are published as required. The Council should ensure all actions taken to approve bills and transfers are recorded in the minutes. Also, the minutes should be signed to authenticate the record.

City of Walker

Schedule of Findings

Year ended June 30, 2006

Response – The City has taken steps to assure minutes are published and signed as required and financial transactions are included in the minutes.

Conclusion – Response accepted.

- (7) Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) General Obligation Capital Loan Note – No instances of noncompliance with the City's general obligation capital loan note resolution were noted.

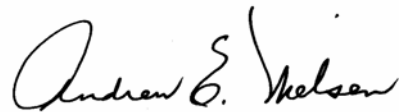
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City of Walker

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager  
Billie Jo Heth, Senior Auditor  
Delynne M. Kroeger, 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