

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

TOWN OF WALCOTT

AGREED-UPON PROCEDURES

**FOR THE YEARS ENDED DECEMBER 31,
2006, 2007, AND 2008**

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

Tax Increment Financing - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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TOWN OF WALCOTT

**For the Years Ended December 31,
2006, 2007, and 2008**



Agreed-Upon Procedures

**Audit Practice Division
Office of the State Auditor
State of Minnesota**

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INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Supervisors
Town of Walcott

We have performed the procedures enumerated below, which were agreed to by the Town of Walcott, solely to assist you with respect to assuring adequate accounting procedures and other practices are being followed to account for and report on the financial activities of the Town. These procedures were applied to the Town's records for the years ended December 31, 2006, 2007, and 2008. This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Town of Walcott. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. Procedure

Trace receipts to deposits to determine that all revenue being receipted is properly recorded for deposit in the Town's depositories.

Findings

We traced receipts to deposits to determine that all revenue being receipted is properly recorded for deposit in the Town's depositories.

All receipts were traced to the Town's records.

2. Procedure

Trace deposits to bank statements to determine that all revenue received is deposited intact and in a timely manner.

Findings

We traced deposits to bank statements to determine that all revenue received is deposited intact and in a timely manner.

In January 2007, the Town records showed a deposit for interest on a certificate of deposit in the amount of \$2,766.58. The January 2007 bank statement showed interest in the amount of \$2,550.00. No deposit slip was found.

In May 2007, the Town records showed a deposit for a filing fee for a certificate of deposit in the amount of \$4.00. Similar filing fees were noted in other years related to certificates of deposit. The Auditor could not directly trace the 2007 receipt to the bank statements, and no deposit slip was found.

3. Procedure

Trace checks to supporting documentation (invoices and/or claims) to determine that disbursements have occurred and pertain to the Town of Walcott.

Findings

We traced checks to supporting documentation (invoices and/or claims) to determine that disbursements have occurred and pertain to the Town.

All checks were traced to, at a minimum, a claim form that had general information pertaining to the claim.

During 2006, twelve disbursements were not supported by invoices. The disbursements were payments for items such as insurance and payments associated with annexations.

During 2007, one disbursement was not supported by an invoice. The disbursement was for payment of workers' compensation insurance.

During 2008, one disbursement was not supported by an invoice. The disbursement was for payment of the remaining balance on a contract.

4. Procedure

Trace checks to bank statements to verify that all disbursement transactions have been accounted for in the Town's depositories.

Findings

We traced checks to bank statements to verify that all disbursement transactions have been accounted for in the Town's depositories.

All checks were traced to bank statements.

5. Procedure

Review year-end bank reconcilements to verify that the Town's year-end cash balances correspond to the balances at the Town's depositories.

Findings

We reviewed year-end bank reconciliation procedures to verify that the Town's year-end cash balances correspond to the balances at the Town's depositories.

After reviewing the records in general, it was noted that the Town does not perform any formal bank reconciliation, and it does not appear that one would be necessary. The majority of the time, there are no outstanding checks or deposits to reconcile. Each month, entries are made to the Town's records to record interest on the checking and sweep accounts and to record checks written; indicating that the records are looked at each month. The Town's year-end balances appear to be accurate.

6. Procedure

Trace revenues and expenditures to the Office of the State Auditor's Government Information Division (GID) reports to determine that the amounts reported correspond to the Town's records.

Findings

We traced revenues and expenditures to Office of the State Auditor's GID reports to determine that the amounts reported correspond to the Town's records.

On the 2006 GID report, cash and investments information was not requested on the reporting form; thus, the Town did not report cash and investments information.

On the 2007 GID report, some footing errors were noted. After adjusting for the footing errors, the corrected GID report showed \$13,044.00 less in expenditures than was recorded in the Town's 2007 Record of Disbursements.

Also on the 2007 GID report, Sections I and II reported \$0.00 activity in the categories of Investments--Sold or matured and Investments--Purchased. In Section V, there was an error in the reporting of investments. The Town reported investments of \$110,000.00, which was the total of the Town's certificates of deposit. The Town failed to report \$202,807.12 in a savings account at year-end.

On the 2008 GID report, the balance of the savings account was included in Section V; however, Sections I and II showed \$0.00 activity in the categories of Investments--Sold or matured and Investments--Purchased.

7. Procedure

Reconcile year-end cash balances to bank reconcilements to verify that all transactions, including any unusual reconciling items, from the Town's general ledger are accounted for in the Town's bank statements.

Findings

There were no unusual reconciling items. All activity from the Town's general ledger was accounted for in the bank statements, except as previously noted.

8. Procedure

Confirm accounts and balances at all financial institutions to determine that all Town accounts actually exist and that all accounts that should be included have been included.

Findings

We confirmed accounts and balances at all financial institutions to determine that all Town accounts actually exist and that all accounts that should be included have been included.

All of the Town's accounts appear to exist and have been included.

9. Procedure

Confirm tax settlements made to the Town to verify that the tax revenue sent from the County has been properly receipted, recorded, and accounted for in the Town's records.

Findings

We confirmed tax settlements made to the Town to verify that the tax revenue sent from the County has been properly receipted, recorded, and accounted for in the Town's records.

All tax revenue has been accounted for in the Town's records.

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We were not engaged to, and did not, perform an audit of the records on the Town, the objective of which would be the expression of an opinion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Supervisors and the Town of Walcott and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 24, 2009