



**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 \_\_\_\_\_ February 28, 2011

Contact: Andy Nielsen  
515/281-5834

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

The City's receipts totaled \$1,135,701 for the year ended June 30, 2010. The receipts included \$292,508 in property tax, \$482,003 from tax increment financing, \$219,702 from charges for service, \$113,577 from operating grants, contributions and restricted interest, \$908 from capital grants, contributions and restricted interest, \$11,945 from local option sales tax, \$10,492 from unrestricted interest on investments and \$4,566 from other general receipts.

Disbursements for the year totaled \$896,429 and included \$369,542 for public works, \$197,144 for debt service and \$104,706 for general government. Also, disbursements for business type activities totaled \$105,300.

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/1021-0045-B00F.pdf>.

###



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

**JUNE 30, 2010**

## 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	16-17
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	19
Notes to Financial Statements		20-24
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 Indebtedness	1	30-31
Bond and Note Maturities	2	32
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		38-40
Staff		41

**City of Walford**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2010)</b>		
Randy Bauer	Mayor	Jan 2010
Patrick Mahoney	Mayor Pro tem	Jan 2010
Cristopher Jaster	Council Member	Jan 2010
Jill Balk	Council Member	Jan 2012
Mark Carter	Council Member	Jan 2012
Jeff Kane	Council Member	Jan 2012
Janet Gann	Clerk/Treasurer	Indefinite
Scott Peterson	Attorney	Indefinite
Erek Sittig	Assistant Attorney	Indefinite
<b>(After January 2010)</b>		
Mark Carter	Mayor	Jan 2012
Jeff Kane	Mayor Pro tem	Jan 2012
Mike Huber	Council Member	Jan 2012
Patrick Mahoney (Appointed)	Council Member	Jan 2012
Cristopher Jaster	Council Member	Jan 2014
Brian Plogman	Council Member	Jan 2014
Janet Gann	Clerk/Treasurer	Indefinite
Scott Peterson	Attorney	Indefinite
Erek Sittig	Assistant Attorney	Indefinite

**City of Walford**



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

State Capitol Building  
Des Moines, Iowa 50319-0004

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

David A. Vaudt, CPA  
Auditor of State

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 Walford, Iowa, as of and for the year ended June 30, 2010, 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 Walford'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.

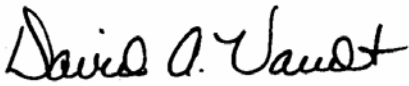
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not 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, 2009.

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, 2009, 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 Walford as of June 30, 2010, 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.

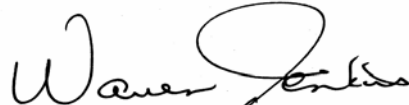
In accordance with Government Auditing Standards, we have also issued our report dated February 15, 2011 on our consideration of the City of Walford's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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 the internal control over financial reporting or on 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 Walford's basic financial statements. Other supplementary information included in Schedules 1 and 2 is 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, 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

February 15, 2011



---

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

---

The City of Walford 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, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because 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.

### **2010 FINANCIAL HIGHLIGHTS**

- The cash basis net assets of the City's government activities increased \$224,380, due primarily to receipts exceeding disbursements in the Special Revenue, Urban Renewal Tax Increment Fund.
- The cash basis net assets of the City's business type activities increased \$14,892, due primarily to the City increasing the residential sewer service rates beginning July 1, 2009.

### **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 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 which 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, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the 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 Urban Renewal Tax Increment, and 3) the Debt Service 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 Fund. Enterprise Funds are used to report business type activities. The City maintains one Enterprise Fund to provide information for the Sewer Fund, considered to be a major fund of the City.

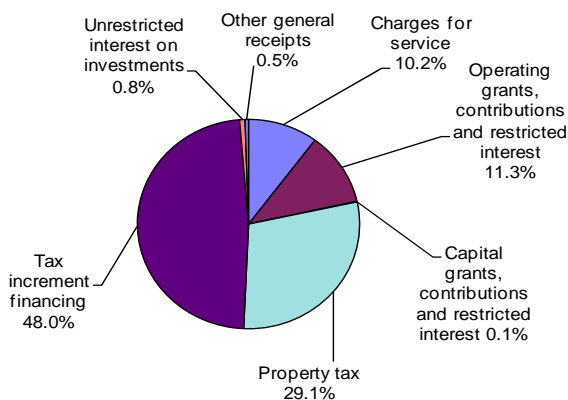
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

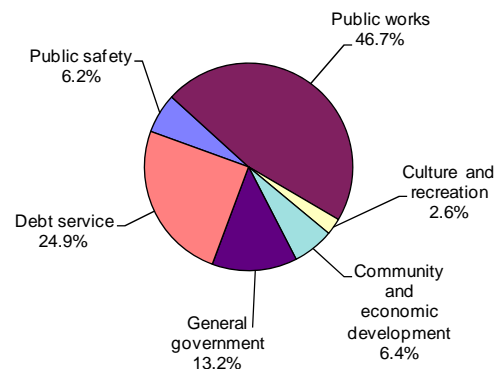
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased 30% from a year ago, increasing from \$742,931 at June 30, 2009 to \$967,311 at June 30, 2010. The following analysis focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2010
Receipts:	
Program receipts:	
Charges for service	\$ 101,871
Operating grants, contributions and restricted interest	113,577
Capital grants, contributions and restricted interest	908
General receipts:	
Property tax	292,508
Tax increment financing	482,003
Local option sales tax	11,944
Unrestricted interest on investments	8,131
Other general receipts	4,567
Total receipts	<u>1,015,509</u>
Disbursements:	
Public safety	49,104
Public works	369,542
Culture and recreation	20,310
Community and economic development	50,323
General government	104,706
Debt service	197,144
Total disbursements	<u>791,129</u>
Change in cash basis net assets	224,380
Cash basis net assets beginning of year	<u>742,931</u>
Cash basis net assets end of year	<u>\$ 967,311</u>

**Receipts by Source**



**Disbursements by Function**



The increase in cash basis net assets is due primarily to the receipt of \$482,003 of tax increment financing which will be used to redeem the general obligation sewer improvement bonds, Series 2003 on the call date of August 7, 2013.

<u>Changes in Cash Basis Net Assets of Business Type Activities</u>	
	<u>Year ended June 30, 2010</u>
Receipts:	
Program receipts:	
Charges for service:	
Sewer	\$ 117,831
General receipts:	
Unrestricted interest on investments	2,361
Total receipts	<u>120,192</u>
Disbursements:	
Sewer	<u>105,300</u>
Change in cash basis net assets	14,892
Cash basis net assets beginning of year	<u>188,967</u>
Cash basis net assets end of year	<u><u>\$ 203,859</u></u>

The City's cash balance for business type activities increased 8% from a year ago, increasing from \$188,967 at June 30, 2009 to \$203,859 at June 30, 2010. The increase is due primarily to an increase in residential sewer service rates beginning July 1, 2009.

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

As the City of Walford completed the year, its governmental funds reported a combined fund balance of \$967,311, an increase of \$224,380 over last year's total of \$742,931. 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 decreased \$14,282 from the prior year to \$342,809 at June 30, 2010. This change was attributable to disbursements and transfers out exceeding General Fund receipts during the year.
- The Special Revenue, Road Use Tax Fund cash balance decreased from \$35,191 to \$4,168 at June 30, 2010 due, in part, to an additional culvert and drainage project.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased \$269,685 from \$350,649 at June 30, 2009 to \$620,334 at June 30, 2010. The increase is due primarily to the City collecting \$482,003 in tax increment financing during fiscal year 2010 which will be used to redeem the general obligation sewer improvement bonds, Series 2003 on the call date of August 7, 2013.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

The Enterprise, Sewer Fund cash balance increased \$14,892 to \$203,859 at June 30, 2010. The increase is primarily due to the City increasing the residential sewer service rates beginning July 1, 2009.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved on May 10, 2010 and resulted in an increase in operating disbursements of \$101,896, primarily related to a cost overrun of approximately \$75,772 on the 4<sup>th</sup> Street culvert and drainage project. The City had sufficient cash balances to absorb these additional costs.

The City’s receipts were \$13,022 more than budgeted. This was primarily due to the City receiving \$11,944 in local option sales tax during fiscal year 2010.

Total disbursements were \$145,874 less than the amended budget. Disbursements for the community and economic development, public safety, business type activities and general government functions were \$193,002, \$49,975, \$41,068 and \$31,535, respectively, less than budgeted. This was primarily due to the City budgeting for the general obligation sewer improvement bonds, Series 2003 payment from the community and economic development function rather than the debt service function. Additionally, the City budgeted to purchase a generator for the firehouse. However, the purchase did not take place.

The City exceeded the amount budgeted in the debt service function for the year ended June 30, 2010, due primarily to the City budgeting for its debt service payments in the public safety, culture and recreation and community and economic development functions.

**DEBT ADMINISTRATION**

At June 30, 2010, the City had \$1,784,000 in bonds and other long-term debt outstanding, compared to \$1,917,853 last year, as shown below.

Outstanding Debt at Year-End		
	June 30,	
	2010	2009
General obligation notes	\$ 32,000	57,853
General obligation bonds	1,752,000	1,860,000
Total	<u>\$ 1,784,000</u>	<u>1,917,853</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation debt of \$1,784,000 is below its constitutional debt limit of \$4,891,260.

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

The City of Walford's elected officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates and fees charged for various City activities. One of those factors is the economy.

The City attempts to balance the needs of the City with the goal of maintaining a low property tax rate. Under the budget, the levy for fiscal year 2011 will remain at \$8.10 per \$1,000 of taxable property valuation. This is expected to result in a slight increase in the amount of property tax revenue available over fiscal year 2010. The City is projecting an operating loss in the Enterprise, Sewer Fund due to higher than anticipated operating expenses, primarily for utilities and repair. At this time, the City is not planning a rate increase, but will continue to monitor. If losses continue, an increase in rates may be required in the future.

The City of Walford is currently working on updating maintenance equipment, such as the snow plow and tractor, and is currently in the process of purchasing a building for a public works facility.

City receipts for fiscal year 2011 are expected to decrease to \$1,095,046 from \$1,135,701 in fiscal year 2010. The City is projecting to operate at a surplus of approximately \$218,818 in fiscal year 2011. Disbursements for fiscal year 2011 are expected to decrease slightly to \$876,228 from \$896,429 in fiscal year 2010. The decrease is due to debt reduction. The City expects the fiscal year 2011 ending fund balance to be approximately \$1,299,000.

#### **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 Janet Gann, City Clerk, PO Box 148, 120 5<sup>th</sup> Street N, Walford, Iowa 52351-0148.

## **Basic Financial Statements**

City of Walford

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2010

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 49,104	2,088	-	-
Public works	369,542	90,406	113,541	908
Culture and recreation	20,310	4,281	36	-
Community and economic development	50,323	-	-	-
General government	104,706	5,096	-	-
Debt service	197,144	-	-	-
Total governmental activities	791,129	101,871	113,577	908
Business type activities:				
Sewer	105,300	117,831	-	-
Total	\$ 896,429	219,702	113,577	908
<b>General Receipts:</b>				
Property and other city tax levied for general purposes				
Tax increment financing				
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				
<b>Cash Basis Net Assets</b>				
Restricted for:				
Streets				
Urban renewal purposes				
Unrestricted				
<b>Total cash basis net assets</b>				

See notes to financial statements.



---

Net (Disbursements) Receipts and  
Changes in Cash Basis Net Assets

---

Governmental Activities	Business Type Activities	Total
(47,016)	-	(47,016)
(164,687)	-	(164,687)
(15,993)	-	(15,993)
(50,323)	-	(50,323)
(99,610)	-	(99,610)
(197,144)	-	(197,144)
(574,773)	-	(574,773)
-	12,531	12,531
(574,773)	12,531	(562,242)
292,508	-	292,508
482,003	-	482,003
11,944	-	11,944
8,131	2,361	10,492
4,567	-	4,567
799,153	2,361	801,514
224,380	14,892	239,272
742,931	188,967	931,898
\$ 967,311	203,859	1,171,170
\$ 4,168	-	4,168
620,334	-	620,334
342,809	203,859	546,668
\$ 967,311	203,859	1,171,170

City of Walford

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

As of and for the year ended June 30, 2010

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 289,482	-	-
Tax increment financing	-	-	482,003
Other city tax	14,970	-	-
Licenses and permits	7,171	-	-
Use of money and property	8,861	-	1,870
Intergovernmental	908	113,540	-
Charges for service	91,737	-	-
Miscellaneous	4,967	-	-
Total receipts	418,096	113,540	483,873
Disbursements:			
Operating:			
Public safety	49,104	-	-
Public works	224,979	144,563	-
Culture and recreation	20,310	-	-
Community and economic development	4,585	-	45,738
General government	104,706	-	-
Debt service	-	-	168,450
Total disbursements	403,684	144,563	214,188
Excess (deficiency) of receipts over (under) disbursements	14,412	(31,023)	269,685
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	(28,694)	-	-
Total other financing sources (uses)	(28,694)	-	-
Net change in cash balances	(14,282)	(31,023)	269,685
Cash balances beginning of year	357,091	35,191	350,649
Cash balances end of year	\$ 342,809	4,168	620,334
<b>Cash Basis Fund Balances</b>			
Unreserved:			
General fund	\$ 342,809	-	-
Special revenue funds	-	4,168	620,334
Total cash basis fund balances	\$ 342,809	4,168	620,334

See notes to financial statements.

<u>Nonmajor</u>	
<u>Debt</u>	
Service	Total
-	289,482
-	482,003
-	14,970
-	7,171
-	10,731
-	114,448
-	91,737
-	4,967
-	<u>1,015,509</u>

-	49,104
-	369,542
-	20,310
-	50,323
-	104,706
28,694	168,450
<u>28,694</u>	<u>762,435</u>
<u>(28,694)</u>	<u>253,074</u>

28,694	-
	<u>(28,694)</u>
<u>28,694</u>	<u>(28,694)</u>

-	224,380
-	<u>742,931</u>
-	<u>967,311</u>

-	342,809
-	<u>624,502</u>
-	<u>967,311</u>

**City of Walford**

City of Walford

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

As of and for the year ended June 30, 2010

	<u>Enterprise</u>
	<u>Sewer</u>
Operating receipts:	
Charges for service	\$ 117,831
Operating disbursements:	
Business type activities	<u>105,300</u>
Excess of operating receipts over operating disbursements	12,531
Non-operating receipts:	
Interest on investments	<u>2,361</u>
Net change in cash balances	14,892
Cash balances beginning of year	<u>188,967</u>
Cash balances end of year	<u>\$ 203,859</u>
<b>Cash Basis Fund Balances</b>	
Unreserved	<u>\$ 203,859</u>

See notes to financial statements.

City of Walford

Notes to Financial Statements

June 30, 2010

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

A. Reporting Entity

For financial reporting purposes, the City of Walford 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 has no component units which meet the Governmental Accounting Standards Board criteria.

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 and Benton County Assessor's Conference Boards, Linn and Benton County Emergency Management Commissions and Linn and Benton County Joint E911 Service Boards.

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 the following 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 Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The City reports the following major proprietary fund:

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

C. Measurement Focus and 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.

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, 2010, disbursements exceeded the amount budgeted in the debt service function.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2010 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) Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

Year Ending June 30,	General Obligation Notes		General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 16,000	1,600	110,000	52,560	126,000	54,160
2012	16,000	800	114,000	49,260	130,000	50,060
2013	-	-	117,000	45,840	117,000	45,840
2014	-	-	121,000	42,330	121,000	42,330
2015	-	-	124,000	38,700	124,000	38,700
2016-2020	-	-	680,000	135,300	680,000	135,300
2021-2024	-	-	486,000	31,080	486,000	31,080
Total	\$ 32,000	2,400	1,752,000	395,070	1,784,000	397,470

The Code of Iowa requires principal and interest on general obligation debt be paid from the Debt Service Fund. However, during the year, \$168,450 of general obligation bond principal, interest and servicing fees was paid from the Special Revenue, Urban Renewal Tax Increment Fund.



**(4) 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 4.30% of their annual covered salary and the City is required to contribute 6.65% 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, 2010 was \$4,609, equal to the required contribution for the year.

**(5) Other Postemployment benefits (OPEB)**

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There is 1 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 would pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$1,270 for family coverage. For the year ended June 30, 2010, the City contributed \$12,104 and the plan member eligible for benefits contributed \$1,338 to the plan.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation 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 payable to employees at June 30, 2010, primarily relating to the General Fund, is approximately \$2,150. This liability has been computed based on rates of pay in effect at June 30, 2010.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Debt Service	General	<u>\$ 28,694</u>

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

**(8) Development and Rebate Agreements**

The City has entered into three development agreements to assist in certain urban renewal projects.

In the first agreement, the City agreed to rebate incremental property tax paid by the participating company with respect to the improvements set forth in the urban renewal plan. The incremental property tax to be received by the City will be rebated for a period of ten years, beginning in 2002. The total amount to be rebated in any fiscal year under the initial development agreement is limited to fifty percent of the tax paid on the property. The City rebated \$44,212 during the year ended June 30, 2010.

In the second agreement, the City agreed to rebate incremental property tax paid by the participating company with respect to the improvements set forth in the urban renewal plan. The incremental property tax to be received by the City will be rebated for a period of five years beginning in June 2008. The total amount to be rebated in any fiscal year under the development agreement is a percentage of the total incremental property tax received by the City, with 100% for year one, 75% for year two, 75% for year three, 50% for year four and 50% for year five. The City rebated \$1,526 during the year ended June 30, 2010. This development agreement ended during the year due to the sale of the business.

In the third agreement, the City agreed to rebate incremental property tax paid by the participating company with respect to the improvements set forth in the urban renewal plan. The incremental property tax to be received by the City will be rebated for a period of three years through June 1, 2013 or such earlier date upon which total payments equal to \$25,000 have been made.

**(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) Subsequent Event**

On November 18, 2010, the City agreed to purchase real estate for \$315,000. The City plans to issue bonds in an amount not to exceed \$350,000 to pay for the real estate purchase.

**Required Supplementary Information**

City of Walford  
 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, 2010

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 289,482	-
Tax increment financing	482,003	-
Other city tax	14,970	-
Licenses and permits	7,171	-
Use of money and property	10,731	2,361
Intergovernmental	114,448	-
Charges for service	91,737	117,264
Miscellaneous	4,967	567
Total receipts	<u>1,015,509</u>	<u>120,192</u>
Disbursements:		
Public safety	49,104	-
Public works	369,542	-
Culture and recreation	20,310	-
Community and economic development	50,323	-
General government	104,706	-
Debt service	197,144	-
Business type activities	-	105,300
Total disbursements	<u>791,129</u>	<u>105,300</u>
Excess of receipts over disbursements	224,380	14,892
Balances beginning of year	<u>742,931</u>	<u>188,967</u>
Balances end of year	<u>\$ 967,311</u>	<u>203,859</u>

See accompanying independent auditor's report.

---

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
289,482	287,443	287,443	2,039
482,003	494,985	494,985	(12,982)
14,970	2,859	2,859	12,111
7,171	3,945	3,945	3,226
13,092	12,654	12,654	438
114,448	106,488	106,488	7,960
209,001	211,105	211,105	(2,104)
5,534	3,200	3,200	2,334
<u>1,135,701</u>	<u>1,122,679</u>	<u>1,122,679</u>	<u>13,022</u>
49,104	99,079	99,079	49,975
369,542	300,035	378,100	8,558
20,310	39,190	39,190	18,880
50,323	242,325	243,325	193,002
104,706	127,410	136,241	31,535
197,144	-	-	(197,144)
105,300	132,368	146,368	41,068
<u>896,429</u>	<u>940,407</u>	<u>1,042,303</u>	<u>145,874</u>
239,272	182,272	80,376	158,896
<u>931,898</u>	<u>798,152</u>	<u>798,152</u>	<u>133,746</u>
<u>1,171,170</u>	<u>980,424</u>	<u>878,528</u>	<u>292,642</u>

City of Walford

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

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. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine 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. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Enterprise Fund. 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 budgeted disbursements by \$101,896. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amount budgeted in the debt service function.

**Other Supplementary Information**

City of Walford  
 Schedule of Indebtedness  
 Year ended June 30, 2010

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Municipal building	Nov 21, 1994	6.00%	\$ 100,000
Fire station	Jun 15, 2002	5.00	160,000
Total			
General obligation bonds:			
Sewer improvement*	Aug 7, 2003	3.00%	\$ 2,430,000

\* The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.



---

Balance Beginning of Year	Redeemed During Year	Balance End of Year	Interest Paid
9,853	9,853	-	441
48,000	16,000	32,000	2,400
<u>\$ 57,853</u>	<u>25,853</u>	<u>32,000</u>	<u>2,841</u>
<u>1,860,000</u>	<u>108,000</u>	<u>1,752,000</u>	<u>55,800</u>

**Schedule 2**

City of Walford  
Bond and Note Maturities  
June 30, 2010

Year Ending June 30,	General Obligation Notes		General Obligation Bonds	
	Fire Station		Sewer Improvement	
	Issued Jun 15, 2002		Issued Aug 7, 2003	
	Interest Rates	Amount	Interest Rates	Amount
2011	5.00%	\$ 16,000	3.00%	\$ 110,000
2012	5.00	16,000	3.00	114,000
2013		-	3.00	117,000
2014		-	3.00	121,000
2015		-	3.00	124,000
2016		-	3.00	128,000
2017		-	3.00	132,000
2018		-	3.00	136,000
2019		-	3.00	140,000
2020		-	3.00	144,000
2021		-	3.00	148,000
2022		-	3.00	153,000
2023		-	3.00	158,000
2024		-	3.00	27,000
Total		<u>\$ 32,000</u>		<u>\$ 1,752,000</u>

See accompanying independent auditor's report.

**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**

**City of Walford**



**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

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 Walford, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated February 15, 2011. 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, 2009. 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 Walford's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Walford's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Walford's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting we consider to be a material weakness and another deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Walford's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item (A) to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item (B) to be a significant deficiency.

#### Compliance and Other Matters

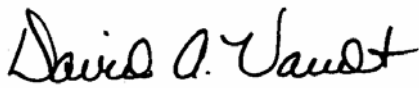
As part of obtaining reasonable assurance about whether the City of Walford's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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 or other matters which 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, 2010 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.

The City of Walford's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Walford's responses and, accordingly, we express no opinion on them.

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 and 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 Walford 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 15, 2011

**City of Walford**

---

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- (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. When duties are properly segregated, the activities of one employee act as a check on those of another. Generally, one person has control over each of the following areas:
- (1) Accounting system – performing all general accounting functions, including journal entries, and having custody of City assets.
  - (2) Cash – reconciling bank accounts, initiating cash receipt and disbursement transactions and handling and recording cash.
  - (3) Investments – investing, recording and custody.
  - (4) Long-term debt – recording and reconciling.
  - (5) Receipts – collecting, depositing, journalizing and posting.
  - (6) Utility receipts – billing, collecting, depositing, posting and reconciling.
  - (7) Disbursements – purchasing, check signing, recording and reconciling.
  - (8) Payroll – preparing and distributing.
  - (9) Financial reporting – preparing, reconciling and distributing.
  - (10) Information system (computer usage) – performing all general accounting functions and controlling all data input and output.

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 utilizing currently available personnel. Evidence of review of reconciliations should be indicated by initials of the independent reviewer and date of the review.

Response – The City will review its control procedures to obtain required maximum internal control. With limited employees, the City will have the Mayor review all reconciliations.

Conclusion – Response accepted.



- 
- (B) Lack of Written Policies and Procedures – The City currently does not have an accounting policies and procedures manual.

While the City has adopted a written disaster recovery plan, certain items were not included in the plan. Specifically, the plan does not include identification of critical applications, identification of steps for recovery of the system, an inventory of all essential software systems, identification of another business location which could be used in an emergency, a requirement for supplies and relevant accounting manuals and other documentation to be located offsite and a requirement to test the plan.

Recommendation – The City should develop an accounting policies and procedures manual to provide the following benefits:

- 1) Aid in training additional or replacement personnel.
- 2) Help achieve uniformity in accounting and in the application of policies and procedures.
- 3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

Also, the City should include the above noted items in its written disaster recovery plan.

Response – The City will establish a written accounting policies and procedures manual to aid and achieve uniformity in accounting and in the application of policies and procedures. We will also update the disaster recovery plan to include the items in the above recommendation.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

---

**Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2010 exceeded the amount budgeted in the public works and debt service functions prior to the May 10, 2010 budget amendment. In addition, at June 30, 2010, disbursements exceeded the amount budgeted in the debt service function. 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 shall monitor budget amounts closer to prevent exceeding function budgets in accordance with Chapter 384.20 of the Code of Iowa.

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 – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance 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) Payment of General Obligation Bonds – Certain general obligation bonds were paid from the Special Revenue, Urban Renewal Tax Increment Fund. Chapter 384.4 of the Code of Iowa states, in part, “Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund.”

Recommendation – The City should transfer from the Special Revenue, Urban Renewal Tax Increment Fund to the Debt Service Fund for future funding contributions. Payment of the principal, interest and servicing fees should then be disbursed from the Debt Service Fund.

Response – The City concurs. In the future, payments of principal and interest will be disbursed from the Debt Service Fund.

Conclusion – Response accepted.

---

City of Walford

Staff

This audit was performed by:

Jennifer Campbell, CPA, Manager  
Daniel L. Grady, Senior Auditor  
Brandon J. Vogel, 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