



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

June 21, 2011

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

The City's receipts totaled \$569,367 for the year ended June 30, 2010. The receipts included \$149,070 in property tax, \$93,288 from local option sales tax, \$158,594 from charges for service, \$70,021 from operating grants, contributions and restricted interest, \$44,292 from capital grants, contributions and restricted interest, \$17,676 from unrestricted interest on investments and \$36,426 from other general receipts.

Disbursements for the year totaled \$469,500, and included \$117,829 for public safety, \$81,982 for public works and \$65,501 for general government. Also, disbursements for business type activities totaled \$121,693.

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/1021-0553-B00F.pdf>.

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

JUNE 30, 2010

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City of Walker

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2010)		
Matt Meisheid	Mayor	Jan 2010
Mary Ann Burke	Council Member	Jan 2010
Margaret Moore	Council Member	Jan 2010
Nina Morris	Council Member	Jan 2012
Bill Smith	Council Member	Jan 2012
James Voss	Council Member	Jan 2012
Judy Lahue	Clerk	Indefinite
Connie Helms	Treasurer	Indefinite
(After January 2010)		
Philip Auld	Mayor	Jan 2012
Nina Morris	Council Member	(Resigned)
Mark Numah(Appointed)	Council Member	Nov 2011
Bill Smith	Council Member	Jan 2012
James Voss	Council Member	Jan 2012
Jane Benning	Council Member	Jan 2014
Michael Kula	Council Member	Jan 2014
Judy Lahue	Clerk	Indefinite
Connie Helms	Treasurer	Indefinite

City of Walker



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements 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, 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 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, 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 Walker 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 June 2, 2011 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 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 11 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 through 3 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, 2009, 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

June 2, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 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 governmental activities increased approximately \$75,000 from the previous fiscal year.
- The cash basis net assets of the City's business type activities increased approximately \$25,000 from the previous fiscal year.

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 tax finances 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 2008 FEMA Grant, 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.

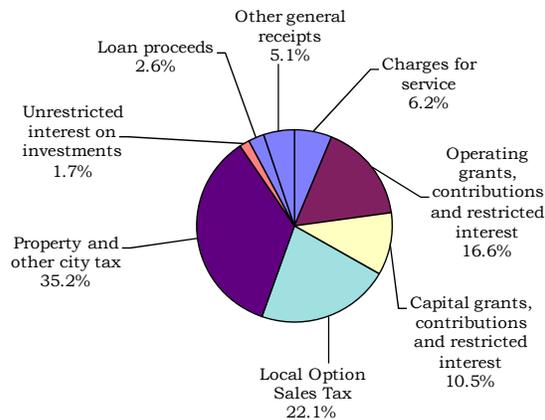
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

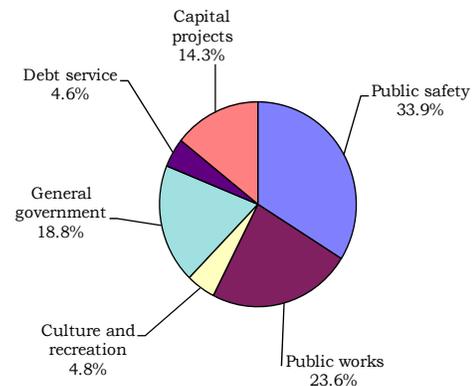
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities is \$458,321 at June 30, 2010. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2010
Receipts:	
Program receipts:	
Charges for service	\$ 26,123
Operating grants, contributions and restricted interest	70,021
Capital grants, contributions and restricted interest	44,292
General receipts:	
Property and other city tax	149,070
Local option sales tax	93,288
Unrestricted interest on investments	7,072
Loan proceeds	11,000
Other general receipts	21,517
Total receipts	<u>422,383</u>
Disbursements:	
Public safety	117,829
Public works	81,982
Culture and recreation	16,599
General government	65,501
Debt service	15,996
Capital projects	49,900
Total disbursements	<u>347,807</u>
Increase in cash basis net assets	74,576
Cash basis net assets beginning of year	<u>383,745</u>
Cash basis net assets end of year	<u>\$ 458,321</u>

Receipts by Source



Disbursements by Function



Changes in Cash Basis Net Assets of Business Type Activities	
	Year ended June 30, 2010
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 61,723
Sewer	70,748
General receipts:	
Interest on investments	10,604
Miscellaneous	3,909
Total receipts	<u>146,984</u>
Disbursements:	
Water	34,095
Sewer	87,598
Total disbursements	<u>121,693</u>
Increase in cash basis net assets	25,291
Cash basis net assets beginning of year	<u>382,209</u>
Cash basis net assets end of year	<u><u>\$ 407,500</u></u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Walker completed the year, its governmental funds reported a combined fund balance of \$458,321, an increase of \$74,576 over the June 30, 2009 balance of \$383,745. 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 \$17,367 over the prior year to a year-end balance of \$224,663.
- The Special Revenue, Road Use Tax Fund cash balance increased \$15,822 to \$35,869 during the fiscal year.
- The Special Revenue, 2008 FEMA Grant Fund was established to account for receipts and disbursements for a FEMA fire equipment grant. The cash balance at the end of the year was zero.
- The Capital Projects Fund cash balance increased \$45,591 to a year-end balance of \$188,186. Most of the increase is due to local option sales tax. Current year disbursements were all for the City's new water tower in accordance with the official ballot.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased \$33,043 to \$163,395 during the fiscal year.
- The Sewer Fund cash balance decreased \$7,752 to \$244,105 during the fiscal year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 10, 2010. Intergovernmental receipts increased \$44,305 due to anticipated FEMA Fire Equipment grant proceeds. Correspondingly, public safety budgeted disbursements increased \$57,638 for the grant disbursements and a down payment on a used fire truck. Capital projects disbursements increased \$50,000 for engineering and initial disbursements for the new City water tower.

The City's actual receipts were \$126,070 more than budgeted receipts. This was primarily due to receiving more local option sales tax than anticipated.

This City's actual disbursements were \$78,793 less than budgeted disbursements. This was primarily due to lower disbursements in the business type activities function than anticipated.

The City exceeded budgeted disbursements by \$5,126 in the general government function.

DEBT ADMINISTRATION

At June 30, 2010, the City had \$28,000 in general obligation notes outstanding, compared to \$42,000 last year, as shown below:

	Outstanding Debt at Year End	
	June 30,	
	2010	2009
General obligation notes	\$ 28,000	42,000

Additional information about the City's long-term debt is presented in Note 3 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 2011 budget, tax rates and fees charged for various City activities. The City's fiscal year 2011 assessed taxable valuation increased approximately 6%, or \$988,618, from the fiscal year 2010 level.

The fiscal year 2011 budget includes total receipts of \$478,503 and disbursements of \$469,871.

The fiscal year 2011 levy is \$8.10 per \$1,000 of taxable valuation, which is an increase of approximately 8% from \$7.53 per \$1,000 of taxable valuation in fiscal year 2010.

These parameters were taken into account when adopting the budget for fiscal year 2011.

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.

City of Walker

Basic Financial Statements

City of Walker

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
Functions/Programs:			
Governmental activities:			
Public safety	\$ 117,829	24,835	450
Public works	81,982	395	69,571
Culture and recreation	16,599	893	-
General government	65,501	-	-
Debt service	15,996	-	-
Capital projects	49,900	-	-
Total governmental activities	<u>347,807</u>	<u>26,123</u>	<u>70,021</u>
Business type activities:			
Water	34,095	61,723	-
Sewer	87,598	70,748	-
Total business type activities	<u>121,693</u>	<u>132,471</u>	<u>-</u>
Total	<u>\$ 469,500</u>	<u>158,594</u>	<u>70,021</u>
General Receipts:			
Property and other city tax levied for:			
General purposes			
Debt service			
Local option sales tax			
Unrestricted interest on investments			
Loan proceeds			
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.

Capital Grants, Contributions and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
44,292	(48,252)	-	(48,252)
-	(12,016)	-	(12,016)
-	(15,706)	-	(15,706)
-	(65,501)	-	(65,501)
-	(15,996)	-	(15,996)
-	(49,900)	-	(49,900)
44,292	(207,371)	-	(207,371)
-	-	27,628	27,628
-	-	(16,850)	(16,850)
-	-	10,778	10,778
44,292	(207,371)	10,778	(196,593)
	133,704	-	133,704
	15,366	-	15,366
	93,288		93,288
	7,072	10,604	17,676
	11,000		11,000
	21,517	3,909	25,426
	281,947	14,513	296,460
	74,576	25,291	99,867
	383,745	382,209	765,954
	\$ 458,321	407,500	865,821
	\$ 35,869	-	35,869
	2,594	-	2,594
	188,186	-	188,186
	7,009	-	7,009
	224,663	407,500	632,163
	\$ 458,321	407,500	865,821

City of Walker

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

As of and for the year ended June 30, 2010

	Special Revenue			Capital Projects
	General	Road Use Tax	2008 FEMA Grant	
Receipts:				
Property tax	\$ 133,704	-	-	-
Other city tax	-	-	-	93,288
Licenses and permits	1,827	-	-	-
Use of money and property	5,006	-	-	2,203
Intergovernmental	24,099	69,571	44,292	-
Charges for service	518	-	-	-
Miscellaneous	9,986	263	-	-
Total receipts	<u>175,140</u>	<u>69,834</u>	<u>44,292</u>	<u>95,491</u>
Disbursements:				
Operating:				
Public safety	47,703	-	46,638	-
Public works	27,970	54,012	-	-
Culture and recreation	16,599	-	-	-
General government	65,501	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	49,900
Total disbursements	<u>157,773</u>	<u>54,012</u>	<u>46,638</u>	<u>49,900</u>
Excess (deficiency) of receipts over (under) disbursements	17,367	15,822	(2,346)	45,591
Other financing sources:				
Loan proceeds	-	-	-	-
Net change in cash balances	17,367	15,822	(2,346)	45,591
Cash balances beginning of year	207,296	20,047	2,346	142,595
Cash balances end of year	<u>\$ 224,663</u>	<u>35,869</u>	<u>-</u>	<u>188,186</u>
Cash Basis Fund Balances				
Reserved for debt service	\$ -	-	-	-
Unreserved, designated for:				
Fire truck/pumper	5,981	-	-	-
Fire equipment	985	-	-	-
Unreserved, undesignated				
General fund	217,697	-	-	-
Special revenue funds	-	35,869	-	-
Capital projects fund	-	-	-	188,186
Total cash basis fund balances	<u>\$ 224,663</u>	<u>35,869</u>	<u>-</u>	<u>188,186</u>

See notes to financial statements.

Nonmajor	Total
15,366	149,070
-	93,288
-	1,827
63	7,272
-	137,962
-	518
11,197	21,446
26,626	411,383
23,488	117,829
-	81,982
-	16,599
-	65,501
15,996	15,996
-	49,900
39,484	347,807
(12,858)	63,576
11,000	11,000
(1,858)	74,576
11,461	383,745
9,603	458,321
2,594	2,594
-	5,981
-	985
-	217,697
7,009	42,878
-	188,186
9,603	458,321

Exhibit C

City of Walker

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

As of and for the year ended June 30, 2010

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 61,723	70,748	132,471
Miscellaneous	1,698	1,911	3,609
Total operating receipts	63,421	72,659	136,080
Operating disbursements:			
Business type activities	34,095	87,598	121,693
Excess (deficiency) of operating receipts over (under) operating disbursements	29,326	(14,939)	14,387
Non-operating receipts:			
Interest on investments	3,717	6,887	10,604
Rents	-	300	300
Total non-operating receipts	3,717	7,187	10,904
Net change in cash balances	33,043	(7,752)	25,291
Cash balances beginning of year	130,352	251,857	382,209
Cash balances end of year	\$ 163,395	244,105	407,500
Cash Basis Fund Balances			
Unreserved	\$ 163,395	244,105	407,500

See notes to financial statements.

City of Walker

Notes to Financial Statements

June 30, 2010

(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. The financial activity of the component unit has been blended as a Special Revenue Fund of the City.

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 2008 FEMA Grant Fund is used to account for grant proceeds and expenditures from the FEMA fire equipment grant.

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 wastewater treatment and 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 general government 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) Notes Payable

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2011	3.80%	\$ 14,000	1,064	15,064
2012	3.80	14,000	532	14,532
Total		\$ 28,000	1,596	29,596

(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 \$4,240, 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, retirees and their spouses. There was 1 active member in the plan.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark.

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 quarterly premium for the City and plan member was \$769 for single coverage. For the year ended June 30, 2010, the City contributed \$3,412, due to the City making five quarterly payments. The plan member eligible for benefits did not contribute to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, compensatory time and sick 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, compensatory time and sick leave payable to employees at June 30, 2010, primarily relating to the Enterprise funds, is as follows:

Type of Benefit	Amount
Vacation	\$ 2,500
Compensatory time	100
Sick leave	<u>3,700</u>
Total	<u>\$ 6,300</u>

This liability has been computed based on rates of pay in effect at June 30, 2010.

(7) 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.

(8) Subsequent Events

On December 8, 2010, the City took action to approve entering into an interim loan and disbursement agreement, not to exceed \$243,500, with the Iowa Finance Authority to provide funds to pay a portion of the cost of constructing improvements to the municipal sanitary sewer system. The loan bears no interest and matures on December 8, 2013. The loan will be repaid when a sewer revenue capital loan note is issued.

On December 8, 2010, the City took action to approve entering into an interim loan and disbursement agreement, not to exceed \$136,480, with the Iowa Finance Authority to provide funds to pay a portion of the cost of constructing improvements to the municipal sanitary sewer system. The loan bears no interest and matures on December 8, 2013. The loan will be repaid from proceeds of general obligation capital loan notes.

In February 2011, the City authorized the issuance of \$955,000 of general obligation capital loan notes to pay for a fire truck, water meter system, pavement improvements, water tower project and the costs of issuance. The notes bear interest at rates ranging from 1.40% to 4.80% per annum.

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, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 149,070	-	-
Other city tax	93,288	-	-
Licenses and permits	1,827	-	-
Use of money and property	7,272	10,904	63
Intergovernmental	137,962	-	-
Charges for service	518	132,471	-
Miscellaneous	21,446	3,609	11,197
Total receipts	<u>411,383</u>	<u>146,984</u>	<u>11,260</u>
Disbursements:			
Public safety	117,829	-	23,488
Public works	81,982	-	-
Culture and recreation	16,599	-	-
Community and economic development	-	-	-
General government	65,501	-	-
Debt service	15,996	-	-
Capital projects	49,900	-	-
Business type activities	-	121,693	-
Total disbursements	<u>347,807</u>	<u>121,693</u>	<u>23,488</u>
Excess (deficiency) of receipts over (under) disbursements	63,576	25,291	(12,228)
Other financing sources	11,000	-	11,000
Excess (deficiency) of receipts and other financing sources over (under) disbursements	74,576	25,291	(1,228)
Balances beginning of year	383,745	382,209	8,237
Balances end of year	<u>\$ 532,897</u>	<u>432,791</u>	<u>7,009</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
149,070	142,587	142,587	6,483
93,288	4,931	4,931	88,357
1,827	1,200	1,200	627
18,113	1,800	1,800	16,313
137,962	87,647	131,952	6,010
132,989	138,567	138,567	(5,578)
13,858	-	-	13,858
547,107	376,732	421,037	126,070
94,341	45,862	103,500	9,159
81,982	95,422	95,422	13,440
16,599	16,953	16,953	354
-	50	50	50
65,501	60,375	60,375	(5,126)
15,996	15,730	15,996	-
49,900	-	50,000	100
121,693	132,509	182,509	60,816
446,012	366,901	524,805	78,793
101,095	9,831	(103,768)	204,863
-	-	-	-
101,095	9,831	(103,768)	204,863
757,717	790,049	790,049	(32,332)
959,907	809,711	582,513	377,394

City of Walker

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 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 \$157,904. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amount budgeted in the general government function.

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, 2010

	Special Revenue		
	Volunteer		
	Fire Department	Debt Service	Total
Receipts:			
Property tax	\$ -	15,366	15,366
Use of money and property	63		63
Miscellaneous	11,197	-	11,197
Total receipts	<u>11,260</u>	<u>15,366</u>	<u>26,626</u>
Disbursements:			
Operating:			
Public safety	23,488	-	23,488
Debt service	-	15,996	15,996
Total disbursements	<u>23,488</u>	<u>15,996</u>	<u>39,484</u>
Deficiency of receipts under disbursements	(12,228)	(630)	(12,858)
Other financing sources:			
Loan proceeds	11,000	-	11,000
Net change in cash balances	(1,228)	(630)	(1,858)
Cash balances beginning of year	8,237	3,224	11,461
Cash balances end of year	<u>\$ 7,009</u>	<u>2,594</u>	<u>9,603</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ -	2,594	2,594
Unreserved:			
Special revenue funds	7,009	-	7,009
Total cash basis fund balances	<u>\$ 7,009</u>	<u>2,594</u>	<u>9,603</u>

See accompanying independent auditor's report.

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

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation capital loan notes: Fire truck	Mar 1, 2003	3.00-3.80%	\$ 117,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
42,000	-	14,000	28,000	1,596

Schedule 3

City of Walker

Note Maturities

Year ended June 30, 2010

Year Ending June 30,	General Obligation Notes	
	Fire Truck Capital Loan	
	Issued Mar 1, 2003	
	Interest	
	Rates	Amount
2011	3.80%	\$ 14,000
2012	3.80	14,000
Total		<u>\$ 28,000</u>



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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, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated June 2, 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 Walker'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 Walker's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Walker'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 certain deficiencies in internal control over financial reporting we consider to be material weaknesses 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 Walker's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) through (D) to be material weaknesses.

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 (E) to be a significant deficiency.

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 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 Walker'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 Walker'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 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

June 2, 2011

City of Walker
Schedule of Findings
Year ended June 30, 2010

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. 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 receipt 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) Computer system – 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. Monthly financial reports submitted to the Council should be signed or initialed to substantiate independent review.

Response – Clerk will perform the following: number 1, 2 (except for handling and depositing cash), 4 (mail opening, collecting, posting), 6, 7, 8 (preparing and posting). Treasurer will perform the following: number 2 (handling and depositing cash), 3, 4 (depositing and reconciling), 5, 8 (reconciling). Finance Chairperson will review financial documents.

Conclusion – Response accepted.

City of Walker

Schedule of Findings

Year ended June 30, 2010

(B) Computer System – The City does not have written policies over the 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 and taken off premises.
- 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 the computer system. The City should also develop a written disaster recovery plan and install smoke detectors.

Response – A computer policy is being written, a written disaster recovery plan will be developed and smoke detectors will be purchased and installed.

Conclusion – Response accepted.

(C) 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, with evidence of the review being documented. Checks should be restrictively endorsed upon receipt.

Response – Clerk will list checks that come in. Finance chairperson will compare list to bank statement. Clerk will endorse each check upon receipt.

Conclusion – Response accepted.

(D) 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.

Several water meters are reportedly not working properly. As a result, only the minimum monthly charge is assessed because the meter readings are unreliable.

City of Walker
Schedule of Findings
Year ended June 30, 2010

In addition, a check for a utility payment dated May 13, 2010 for \$78.16 was being held. As of March 15, 2011, it still had not been deposited.

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.

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

All utility payments should be deposited timely.

Response – Training will be provided on how to reconcile utility billings, collections and delinquencies. Shut offs will be done on a more timely basis by the Public Works Technician. Water and Sewer Chairpersons will review the reconciliation and monitor meters on a more timely basis. Clerk will post payments weekly and the Treasurer will deposit payments weekly.

Conclusion – Response accepted.

- (E) Disbursements - Invoices and other supporting documentation were not properly cancelled to help prevent duplicate payment.

Recommendation – All invoices and other supporting documentation should be properly cancelled to prevent duplicate payment.

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 ensure this form is used properly. Manual checks were used during the absence of a City Clerk. Since the new City Clerk is now trained and has set up a routine procedure for handling payments using the computer system, manual checks should be extremely rare.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Walker
Schedule of Findings
Year ended June 30, 2010

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2010 exceeded the amount budgeted in the general government 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 – Budget amendment will be done on timely basis.

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 – Except as noted, no transactions were found that we believe should have been approved in the Council minutes but were not.

The Council went into closed sessions. However, the minutes record did not document the specific information regarding the closed session as required by Chapter 21 of the Code of Iowa, commonly known as the open-meetings law.

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

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and all minutes should be signed to authenticate the record.

Response – Clerk will have the minutes signed at the following Council meeting after approval of minutes.

Conclusion – Response accepted.

City of Walker

Schedule of Findings

Year ended June 30, 2010

- (7) Conflict of Interest – On June 21, 2010, the Iowa Citizen’s Aide/Ombudsman’s Office (Ombudsman) released a report concerning a conflict of interest with a member of the City Council who also served as Fire Chief for the City of Walker. The report stated, in part:

“The Ombudsman concludes Mr. Bill Smith, in his role as council member, possessed a conflict of interest and acted contrary to law on those occasions when he voted on matters pertaining to the Walker Fire Department, including, but not limited to, voting for his own appointment as fire chief. He should have abstained from voting on those matters and stated his reasons for doing so in the Council minutes. Because he failed to abstain from voting on these issues, and because his votes were decisive, his actions rendered those measures invalid.”

The Ombudsman recommended Mr. Smith abstain from voting on matters pertaining to the Fire Department and state the reasons for abstaining from voting in the City Council minutes. The Ombudsman also recommended the City take remedial action on those matters related to the Fire Department and Mr. Smith’s appointment as the Fire Chief. The Council reconsidered three specific actions during the May 24, 2010 meeting with Mr. Smith abstaining from the vote.

In the future, the Council should be aware of the possibility of a conflict of interest, either in appearance or in fact.

- (8) Deposits and Investments – Except the City has not adopted a formal investment policy, no instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa were noted.

Recommendation – The City should adopt a formal investment policy.

Response – An investment policy was adopted at the April 25, 2011 Council meeting.

Conclusion – Response accepted.

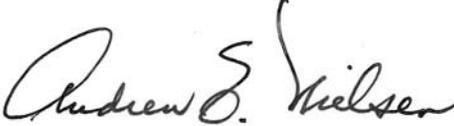
- (9) General Obligation Capital Loan Notes – No instances of noncompliance with the City’s general obligation capital loan note resolution were noted.

City of Walker

Staff

This audit was performed by:

James Cunningham, CPA, Manager
Billie Jo Heth, Senior Auditor II
Kelly Hilton, Staff Auditor
Leanna Showman, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State