



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

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David A. Vaudt, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

February 9, 2009

Contact: Andy Nielsen
515/281-5834

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

The City's receipts totaled \$2,586,160 for the year ended June 30, 2008. The receipts included \$531,088 in property and other city tax, \$745,087 from tax increment financing, \$562,643 from charges for service, \$265,150 from operating grants, contributions and restricted interest, \$213,919 from local option sales tax, \$101,486 from hotel/motel tax, \$162,486 from unrestricted interest on investments and \$4,301 from other general receipts.

Disbursements for the year totaled \$2,743,472, and included \$773,959 for capital projects, \$555,398 for debt service and \$408,283 for public safety. Also, disbursements for business type activities totaled \$455,965.

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

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CITY OF WALCOTT

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

JUNE 30, 2008

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-6
Management's Discussion and Analysis	7-11
 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 18
Notes to Financial Statements	19-24
 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 Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1 30-31
Schedule of Indebtedness	2 32-33
Bond Maturities	3 34
 Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	35-36
 Schedule of Findings	37-38
Staff	39

City of Walcott

Officials

<u>Name</u>	<u>Title</u>	Term <u>Expires</u>
(Before January 2008)		
Kristal Koberg-Schaefer	Mayor	Jan 2010
Jim Couper	Mayor Pro tem	Jan 2008
Verlyn Dietz	Council Member	Jan 2008
Larry Koberg	Council Member	Jan 2008
John Kosticheck	Council Member	Jan 2010
Steve Smith	Council Member	Jan 2010
Lisa Rickertsen	Clerk/Treasurer	Jan 2010
Jackie Huston	Deputy Clerk	Indefinite
Thomas Schirman	Attorney	Indefinite
(After January 2008)		
Kristal Koberg-Schaefer	Mayor	Jan 2010
Jim Couper	Mayor Pro tem	Jan 2012
John Kosticheck	Council Member	Jan 2010
Steve Smith	Council Member	Jan 2010
Verlyn Dietz	Council Member	Jan 2012
Larry Koberg	Council Member	Jan 2012
Lisa Rickertsen	Clerk/Treasurer	Jan 2010
Jackie Huston	Deputy Clerk	Indefinite
Thomas Schirman	Attorney	Indefinite

City of Walcott



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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 Walcott, Iowa, as of and for the year ended June 30, 2008, 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 Walcott's management. Our responsibility is to express opinions on these financial statements based on our audit.

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, 2007.

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, 2007, 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 Walcott as of June 30, 2008, 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 November 17, 2008 on our consideration of the City of Walcott's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Walcott's basic financial statements. Other supplementary information included in Schedules 1 through 3 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, 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, 2007, 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

November 17, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Walcott 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, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Since the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

2008 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities increased 4.2%, or approximately \$99,700.
- The cash basis net assets of the City's business type activities decreased 15.9%, or approximately \$257,000, due primarily to a transfer of \$394,000 from the Enterprise, Water Fund to cover project costs associated with a new wastewater treatment plant.

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 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 water, sanitary sewer and garbage systems. These activities are financed primarily by user fees and related 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, Local Option Sales Tax and North Tax Increment Financing, 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.

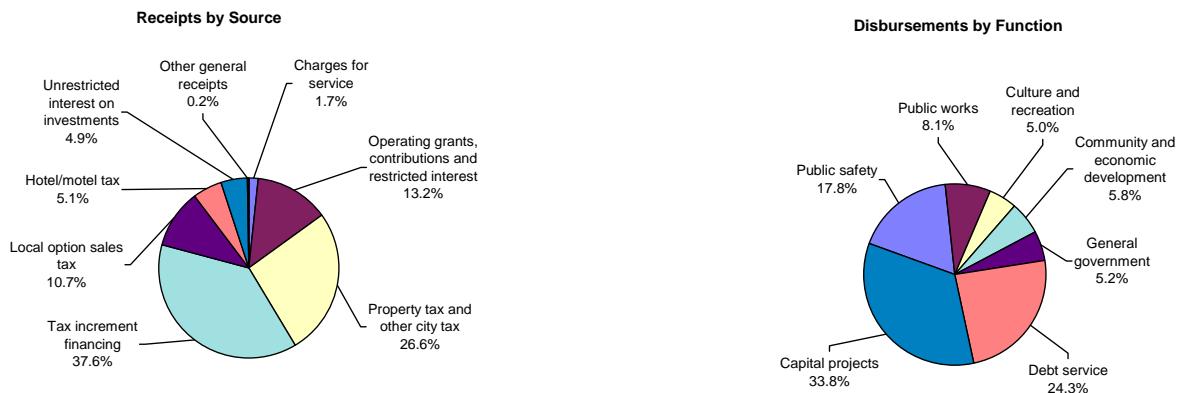
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City, and the garbage fund.

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 \$99,657 from a year ago. 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, 2008
Receipts:		
Program receipts:		
Charges for service	\$ 34,823	
Operating grants, contributions and restricted interest	263,804	
General receipts:		
Property tax and other city tax	531,088	
Tax increment financing	745,087	
Local option sales tax	213,919	
Hotel/motel tax	101,486	
Unrestricted interest on investments	98,656	
Other general receipts	4,301	
Total receipts	<u>1,993,164</u>	
Disbursements:		
Public safety	408,283	
Public works	185,418	
Culture and recreation	113,262	
Community and economic development	132,849	
General government	118,338	
Debt service	555,398	
Capital projects	773,959	
Total disbursements	<u>2,287,507</u>	
Change in cash basis net assets before transfers	(294,343)	
Transfers, net	<u>394,000</u>	
Change in cash basis net assets	<u>99,657</u>	
Cash basis net assets beginning of year	<u>2,392,952</u>	
Cash basis net assets end of year	<u>\$ 2,492,609</u>	



The cash basis net assets of the City's governmental activities increased 4.2%, or approximately \$99,600.

Changes in Cash Basis Net Assets of Business Type Activities		Year ended June 30, 2008
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 205,657	
Sewer	263,753	
Garbage	58,410	
Operating grants, contributions and restricted interest	1,346	
General receipts:		
Unrestricted interest on investments	63,830	
Total receipts	<u>592,996</u>	
Disbursements:		
Water	190,091	
Sewer	209,737	
Garbage	56,137	
Total disbursements	<u>455,965</u>	
Change in cash basis net assets before transfers	137,031	
Transfers, net	<u>394,000</u>	
Change in cash basis net assets	<u>(256,969)</u>	
Cash basis net assets beginning of year	<u>1,621,255</u>	
Cash basis net assets end of year	<u>\$ 1,364,286</u>	

The cash basis net assets of the City's business type activities decreased 15.9%, or approximately \$257,000, due primarily to a transfer of \$394,000 from the Enterprise, Water Fund to cover project costs associated with a new wastewater treatment plant.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Walcott completed the year, its governmental funds reported a combined fund balance of \$2,492,609, an increase of \$99,657 above last year's total of \$2,392,952. The increase was primarily due to contributions and transfers into reserve funds for future projects, including a municipal building and recreational trail.

- The General Fund cash balance increased \$59,673 over the prior year to \$1,340,020. This increase was due to an increase in reserve funds for future projects and equipment.
- The Special Revenue, North Tax Increment Financing Fund paid \$77,806 for developer rebate agreements and legal fees and transferred \$394,000 to the Sewer Upgrade Capital Projects Fund for an urban renewal project for a new wastewater plant.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$189,454 over the prior year to \$487,668. The City intends to use this money for future projects, including a street construction project, and to help offset future property tax increases.

- The Special Revenue, Road Use Tax Fund cash balance increased \$69,328 to \$438,657 during the fiscal year. The City intends to use this money for a future street construction project.
- The Debt Service Fund made the yearly principal payment of \$390,000 for the general obligation bonds and paid interest totaling \$164,998.
- The Capital Projects Fund cash balance decreased \$306,982 to a year-end balance of \$45,691 at June 30, 2008.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased \$337,937, due primarily to an advance to the Special Revenue, North Tax Increment Financing Fund totaling \$394,000.
- The Enterprise, Sewer Fund cash balance increased \$77,121, due primarily to a rate increase.

BUDGETARY HIGHLIGHTS

The City amended its budget one time. The amendment was approved on May 19, 2008 to provide additional disbursements in the public safety and general government functions and reduce disbursements in the capital projects function.

The City's receipts were \$134,451 more than budgeted. This was primarily due to the City receiving more contributions and intergovernmental receipts than anticipated.

During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted.

DEBT ADMINISTRATION

At June 30, 2008, the City had \$3,610,000 in outstanding general obligation debt, compared to \$4,000,000 last year, as shown below.

Outstanding Debt at Year-End		
June 30,		
	2008	2007
General obligation bonds	\$3,610,000	4,000,000

Debt decreased as a result of paying down the general obligation bonds of the City.

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 \$3,610,000 is below its constitutional debt limit of \$5,339,141.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Walcott's elected and appointed officials and department heads considered many factors when setting the fiscal year 2009 budget, tax rates and fees charged for various City activities.

The proposed fiscal 2009 budget contains total receipts of \$2,652,463 and disbursements of \$4,113,535. This budget includes \$120,000 for a fire department vehicle and \$885,700 for a street reconstruction project.

The fiscal 2009 levy remains the same as the fiscal 2008 levy at \$10.00000 per \$1,000 of taxable valuation. The City has maximized its General Fund levy limit of \$8.10 and has also levied \$.86555 for FICA & IPERS and \$1.03445 for other employee benefits for fiscal 2009. The City does not levy for debt service and will not be issuing any notes for capital projects in fiscal 2009. No increases in utility (water, sewer and garbage) rates have been proposed for fiscal 2009.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$1.45 million by the close of 2009.

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 Lisa Rickertsen, City Clerk, 128 W. Lincoln Street, Walcott, Iowa 52773.

Basic Financial Statements

City of Walcott
 Statement of Activities and Net Assets – Cash Basis
 As of and for the year ended June 30, 2008

	<u>Disbursements</u>	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 408,283	25,457	80,429	-
Public works	185,418	728	139,467	-
Culture and recreation	113,262	4,933	38,347	-
Community and economic development	132,849	-	-	-
General government	118,338	3,705	5,271	-
Debt service	555,398	-	-	-
Capital projects	773,959	-	290	-
Total governmental activities	2,287,507	34,823	263,804	-
Business type activities:				
Water	190,091	205,657	-	-
Sewer	209,737	263,753	1,346	-
Garbage	56,137	58,410	-	-
Total business type activities	455,965	527,820	1,346	-
Total	\$ 2,743,472	562,643	265,150	-

General Receipts:

Property and other city tax levied for:

- General purposes
- Tax increment financing
- Local option sales tax
- Hotel/motel tax
- Unrestricted interest on investments
- Miscellaneous

Transfers

Total general receipts and transfers

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
- Capital projects
- Other purposes

Unrestricted

Total cash basis net assets

See notes to financial statements.

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

Governmental Activities	Business Type Activities	Total
-------------------------	--------------------------	-------

(302,397)	-	(302,397)
(45,223)	-	(45,223)
(69,982)	-	(69,982)
(132,849)	-	(132,849)
(109,362)	-	(109,362)
(555,398)	-	(555,398)
(773,669)	-	(773,669)
<hr/>		
(1,988,880)	-	(1,988,880)

-	15,566	15,566
-	55,362	55,362
-	2,273	2,273
<hr/>		
-	73,201	73,201
<hr/>		
(1,988,880)	73,201	(1,915,679)

531,088	-	531,088
745,087	-	745,087
213,919	-	213,919
101,486	-	101,486
98,656	63,830	162,486
4,301	-	4,301
394,000	(394,000)	-
<hr/>		
2,088,537	(330,170)	1,758,367
<hr/>		
99,657	(256,969)	(157,312)
<hr/>		
2,392,952	1,621,255	4,014,207
\$ 2,492,609	1,364,286	3,856,895

\$ 438,657	-	438,657
45,691	-	45,691
668,241	-	668,241
1,340,020	1,364,286	2,704,306
<hr/>		
\$ 2,492,609	1,364,286	3,856,895

City of Walcott

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

As of and for the year ended June 30, 2008

	General	North Tax Increment Financing	Local Option Sales Tax	Special Revenue	Road Use Tax
Receipts:					
Property tax	\$ 410,669	-	-	-	-
Tax increment financing	-	745,087	-	-	-
Other city tax	122,751	-	213,919	-	-
Licenses and permits	22,509	-	-	-	-
Use of money and property	87,672	-	3,007	-	-
Intergovernmental	43,493	-	-	137,974	-
Charges for service	7,680	-	-	-	-
Miscellaneous	51,216	-	-	-	-
Total receipts	745,990	745,087	216,926	137,974	
Disbursements:					
Operating:					
Public safety	408,283	-	-	-	-
Public works	174,414	11,004	-	-	-
Culture and recreation	112,744	-	-	-	-
Community and economic development	55,043	77,806	-	-	-
General government	118,338	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	868,822	88,810	-	-	
Excess (deficiency) of receipts over (under) disbursements	(122,832)	656,277	216,926	137,974	
Other financing sources (uses):					
Operating transfers in	227,505	394,000	100,879	5,354	
Operating transfers out	(45,000)	(1,050,277)	(128,351)	(74,000)	
Total other financing sources (uses)	182,505	(656,277)	(27,472)	(68,646)	
Net change in cash balances	59,673	-	189,454	69,328	
Cash balances beginning of year	1,280,347	-	298,214	369,329	
Cash balances end of year	\$1,340,020	-	487,668	438,657	
Cash Basis Fund Balances					
Unreserved:					
General fund	\$1,340,020	-	-	-	-
Special revenue funds	-	-	487,668	438,657	
Capital projects fund	-	-	-	-	-
Total cash basis fund balances	\$1,340,020	-	487,668	438,657	

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
-	-	95,461	506,130
-	-	-	745,087
-	-	3,693	340,363
-	-	-	22,509
-	4,041	6,302	101,022
-	-	35,000	216,467
-	-	-	7,680
-	290	2,400	53,906
-	4,331	142,856	1,993,164
<hr/>			
-	-	-	408,283
-	-	-	185,418
-	-	518	113,262
-	-	-	132,849
-	-	-	118,338
555,398	-	-	555,398
-	773,959	-	773,959
555,398	773,959	518	2,287,507
(555,398)	(769,628)	142,338	(294,343)
<hr/>			
555,398	468,000	45,000	1,796,136
-	(5,354)	(99,154)	(1,402,136)
555,398	462,646	(54,154)	394,000
-	(306,982)	88,184	99,657
-	352,673	92,389	2,392,952
-	45,691	180,573	2,492,609
<hr/>			
-	-	-	1,340,020
-	-	180,573	1,106,898
-	45,691	-	45,691
-	45,691	180,573	2,492,609

Exhibit C

City of Walcott

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

As of and for the year ended June 30, 2008

	Enterprise			
	Water	Sewer	Nonmajor -	Total
			Garbage	
Operating receipts:				
Charges for service	\$ 181,306	263,753	58,410	503,469
Miscellaneous	24,351	1,346	-	25,697
Total operating receipts	205,657	265,099	58,410	529,166
Operating disbursements:				
Business type activities	190,091	209,737	56,137	455,965
Excess of operating receipts over operating disbursements	15,566	55,362	2,273	73,201
Non-operating receipts:				
Interest on investments	40,497	21,759	1,574	63,830
Excess of receipts over disbursements	56,063	77,121	3,847	137,031
Operating transfers out	(394,000)	-	-	(394,000)
Net change in cash balances	(337,937)	77,121	3,847	(256,969)
Cash balances beginning of year	1,065,193	515,266	40,796	1,621,255
Cash balances end of year	\$ 727,256	592,387	44,643	1,364,286
Cash Basis Fund Balances				
Unreserved	\$ 727,256	592,387	44,643	1,364,286

See notes to financial statements.

City of Walcott

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

The City of Walcott is a political subdivision of the State of Iowa located in Scott County. It was first incorporated in 1894 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 Walcott 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: Scott County Assessor's Conference Board, Scott County Emergency Management Commission and Scott 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 North Tax Increment Financing Fund is used to account for receipts from tax increment financing and the payment of debt incurred for urban renewal projects.

The Local Option Sales Tax Fund is used to account for receipts from the local option sales tax. The receipts are used to provide property tax relief and to finance other specific projects.

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

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

The City of Walcott 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.

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.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2008 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 Interfund Loans Payable

Bonds Payable

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

Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2009	\$ 405,000	149,398	554,398
2010	420,000	133,197	553,197
2011	440,000	116,398	556,398
2012	435,000	98,577	533,577
2013	450,000	80,742	530,742
2014 - 2016	1,460,000	126,110	1,586,110
Total	\$ 3,610,000	704,422	4,314,422

Interfund Loans

On March 26, 2003, the City agreed to an interfund loan to advance \$756,000 from the General Fund and \$194,000 from the Special Revenue, Local Option Sales Tax Fund to the Special Revenue, North Tax Increment Financing Fund to pay for the costs of improvements to the municipal wastewater treatment plant within the urban renewal area totaling \$950,000. Payments are made on June 1 of each year to the extent there are incremental tax receipts available for such purposes which have been allocated to the Special Revenue, North Tax Increment Financing Fund. Repayments of \$100,879 were made during the year ended June 30, 2008, leaving an outstanding loan balance of \$40,141 at June 30, 2008.

On March 6, 2006, the City entered into an interfund loan to advance \$250,000 from the General Fund to the Special Revenue, Urban Renewal Area 2 Fund to pay for infrastructure improvements for the development of assisted living facilities within the urban renewal area. Payments are made on June 1 of each year to the extent there are incremental tax receipts available for such purposes which have been allocated to the Special Revenue, Urban Renewal Area 2 Fund. The outstanding balance of the loan at June 30, 2008 was \$80,829.

On July 16, 2007, the City entered into an interfund loan to advance up to \$600,000 from the Water Fund to the Special Revenue, North Tax Increment Financing Fund to pay for improvements and extensions to the municipal wastewater treatment plant within the urban renewal area. Payments are made on June 1 of each year to the extent there are incremental tax receipts available for such purposes which have been allocated to the Special Revenue, North Tax Increment Financing Fund. The outstanding balance of the loan at June 30, 2008 was \$394,000.

(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 3.90% of their annual covered salary and the City is required to contribute 6.05% 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, 2008 was \$29,673, equal to the required contribution for the year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time 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, sick leave and compensatory time hours payable to employees at June 30, 2008, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 16,000
Sick leave	74,000
Compensatory time	<u>4,000</u>
Total	<u>\$ 94,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2008.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Employee Benefits Local Option Sales Tax	\$ 99,154 <u>128,351</u> <u>227,505</u>
Special Revenue: Local Option Sales Tax	Special Revenue: North Tax Increment Financing	100,879
Road Use Tax	Capital Projects	5,354
North Tax Increment Financing	Enterprise: Water	394,000
Recreational Trail	General	<u>45,000</u> <u>545,233</u>
Debt Service	Special Revenue: North Tax Increment Financing	<u>555,398</u>
Capital Projects	Special Revenue: Road Use Tax North Tax Increment Financing	74,000 <u>394,000</u> <u>468,000</u>
Total		<u>\$1,796,136</u>

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

(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) Rebate Agreements

The City has entered into eight tax increment financing agreements. The City agreed to assist urban renewal projects by rebating incremental taxes paid by the participating companies with respect to the improvements set forth in the urban renewal plan. The incremental taxes to be received by the City under Chapter 403.19 of the Code of Iowa from the participating companies will be rebated for a period of five years beginning with the tax year in which the property taxes on the completed value of the improvements are first paid. The total amount that will be rebated will be 60% in the first year, 50% in the second year, 40% in the third year, 30% in the fourth year and 20% in the fifth year. The actual amount rebated during the year ended June 30, 2008 was \$75,838.

(9) Subsequent Events

In July 2008, the City Council awarded a contract for the reconstruction of north plainview road to Sulzberger Excavating for \$169,547. In November 2008, the City accepted the improvements and authorized final payment of \$173,600.

Required Supplementary Information

City of Walcott

**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, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 506,130	-	506,130
Tax increment financing	745,087	-	745,087
Other city tax	340,363	-	340,363
Licenses and permits	22,509	-	22,509
Use of money and property	101,022	63,830	164,852
Intergovernmental	216,467	-	216,467
Charges for service	7,680	503,469	511,149
Miscellaneous	53,906	25,697	79,603
Total receipts	1,993,164	592,996	2,586,160
Disbursements:			
Public safety	408,283	-	408,283
Public works	185,418	-	185,418
Health and social services	-	-	-
Culture and recreation	113,262	-	113,262
Community and economic development	132,849	-	132,849
General government	118,338	-	118,338
Debt service	555,398	-	555,398
Capital projects	773,959	-	773,959
Business type activities	-	455,965	455,965
Total disbursements	2,287,507	455,965	2,743,472
Excess (deficiency) of receipts over (under) disbursements	(294,343)	137,031	(157,312)
Other financing sources, net	394,000	(394,000)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	99,657	(256,969)	(157,312)
Balances beginning of year	2,392,952	1,621,255	4,014,207
Balances end of year	\$ 2,492,609	1,364,286	3,856,895

See accompanying independent auditor's report.

Budgeted Amounts		Final to Total Variance
Original	Final	
508,463	508,463	(2,333)
744,931	744,931	156
292,879	292,879	47,484
23,063	23,063	(554)
60,135	139,400	25,452
178,500	178,500	37,967
526,300	526,300	(15,151)
38,173	38,173	41,430
2,372,444	2,451,709	134,451
406,988	440,988	32,705
219,102	219,102	33,684
2,725	2,725	2,725
134,520	134,520	21,258
146,527	146,527	13,678
122,145	131,145	12,807
555,398	555,398	-
1,342,176	842,176	68,217
496,672	496,672	40,707
3,426,253	2,969,253	225,781
(1,053,809)	(517,544)	360,232
-	-	-
(1,053,809)	(517,544)	360,232
4,015,795	3,555,508	458,699
2,961,986	3,037,964	818,931

City of Walcott
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2008

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 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 Debt Service Fund, the Capital Projects 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 decreased budgeted disbursements by \$457,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted.

Other Supplementary Information

City of Walcott

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

As of and for the year ended June 30, 2008

	Special Revenue		
	Employee Benefits	Urban Renewal Area 2	Recreational Trail
Receipts:			
Property tax	\$ 95,461	-	-
Other city tax	3,693	-	-
Use of money and property	-	5,701	601
Intergovernmental	-	-	35,000
Miscellaneous	-	-	2,400
Total receipts	99,154	5,701	38,001
Disbursements:			
Operating:			
Culture and recreation	-	-	518
Excess of receipts over disbursements	99,154	5,701	37,483
Other financing sources (uses):			
Operating transfers in	-	-	45,000
Operating transfers out	(99,154)	-	-
Total other financing sources (uses)	(99,154)	-	45,000
Net change in cash balances	-	5,701	82,483
Cash balances beginning of year	-	75,128	15,698
Cash balances end of year	\$ -	80,829	98,181
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	\$ -	80,829	98,181

See accompanying independent auditor's report.

Walcott		
Forever		
Green		
	Total	
-	95,461	
-	3,693	
-	6,302	
-	35,000	
-	2,400	
	<hr/>	
-	142,856	
	<hr/>	
	518	
	<hr/>	
-	142,338	
	<hr/>	
-	45,000	
-	(99,154)	
-	(54,154)	
	<hr/>	
-	88,184	
1,563	92,389	
	<hr/>	
1,563	180,573	
	<hr/>	
1,563	180,573	

City of Walcott

Schedule of Indebtedness

Year ended June 30, 2008

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Sewer improvement	Jul 15, 2006	4.0-4.30%	\$ 4,000,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
4,000,000	-	390,000	3,610,000	164,998

Schedule 3

City of Walcott

Bond Maturities

June 30, 2008

Year Ending June 30,	General Obligation Bonds	
	Sewer Improvement	
	Issued July 15, 2006	
Interest Rates		Amount
2009	4.00%	\$ 405,000
2010	4.00	420,000
2011	4.05	440,000
2012	4.10	435,000
2013	4.15	450,000
2014	4.20	470,000
2015	4.25	485,000
2016	4.30	<u>505,000</u>
Total		<u><u>\$3,610,000</u></u>

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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David A. Vaudt, CPA
Auditor of State

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 Walcott, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 17, 2008. 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, 2007. 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 Walcott'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 our opinion on the effectiveness of the City of Walcott's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Walcott's internal control over financial reporting.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Walcott's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Walcott's financial statements that is more than inconsequential will not be prevented or detected by the City of Walcott's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Walcott's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

Compliance and Other Matters

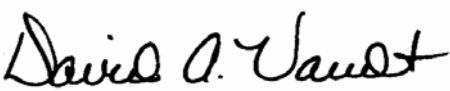
As part of obtaining reasonable assurance about whether the City of Walcott's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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 an immaterial instance of non-compliance or other matter that is 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, 2008 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 Walcott's response to the finding identified in our audit is described in the accompanying Schedule of Findings. While we have expressed our conclusion on the City's response, we did not audit the City of Walcott's response and, accordingly, we express no opinion on it.

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 Walcott and other parties to whom the City of Walcott 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 Walcott 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

November 17, 2008

City of Walcott

Schedule of Findings

Year ended June 30, 2008

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Walcott

Schedule of Findings

Year ended June 30, 2008

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2008 did not exceed the amounts budgeted.
- (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 insure 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 – The City had one certificate of deposit that was not approved by the City Council prior to purchase.
Recommendation – The City should ensure that all investments made by the City are properly authorized by the City Council prior to purchase.
Response – It is our practice to ensure all investments are approved by the City Council. The one certificate of deposit that was overlooked was an isolated incident. We will be more diligent in the future.
Conclusion – Response accepted.

City of Walcott

Staff

This audit was performed by:

Suzanne R. Dahlstrom, CPA, Manager
Jennifer L. Wall, CPA, Senior Auditor
Casey L. Johnson, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State