



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____ February 6, 2013 _____

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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 \$2,965,458 for the year ended June 30, 2012. The receipts included \$611,305 in property and other city tax, \$1,053,597 from tax increment financing, \$577,561 from charges for service, \$339,786 from operating grants, contributions and restricted interest, \$222,547 from local option sales tax, \$103,924 from hotel/motel tax, \$54,803 from unrestricted interest on investments and \$1,935 from other general receipts.

Disbursements for the year totaled \$5,290,845, and included \$2,479,779 for debt service, \$883,722 for capital projects and \$476,797 for public safety. Also, disbursements for business type activities totaled \$555,518.

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/1221-0786-B00F.pdf>.

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

JUNE 30, 2012

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City of Walcott

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2012)		
Jim Couper	Mayor	Jan 2014
John Kostichek	Mayor Pro tem	Jan 2014
Tim Koehler	Council Member	Jan 2012
Larry Koberg	Council Member	Jan 2012
Jacob Puck	Council Member	Jan 2012
Jackie Puck	Council Member	Jan 2014
Lisa Rickertsen	Clerk/Treasurer	Jan 2012
Jackie Huston	Deputy Clerk	Indefinite
Thomas Schirman	Attorney	Jan 2012
(After January 2012)		
Jim Couper	Mayor	Jan 2014
John Kostichek	Mayor Pro tem	Jan 2014
Jackie Puck	Council Member	Jan 2014
Tim Koehler	Council Member	Jan 2016
Lisa Mengler	Council Member	Jan 2016
Jacob Puck	Council Member	Jan 2016
Lisa Rickertsen	Clerk/Treasurer	Jan 2014
Jackie Huston	Deputy Clerk	Indefinite
Thomas Schirman	Attorney	Jan 2014

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, 2012, 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.

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, 2011.

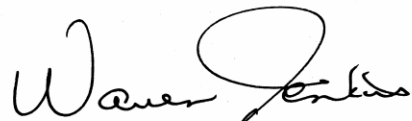
In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2011, as discussed in the preceding paragraph, the financial statements referred to above present 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, 2012, 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 January 14, 2013 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 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.

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. The 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. 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, 2011, as discussed in the third paragraph, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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. Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 12 and 28 through 30 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express opinion or provide any assurance on it.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 14, 2013

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, 2012. 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.

2012 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities decreased 50.8%, or \$2,109,718, due primarily to refunding the series 2006A general obligation sewer improvement bonds.
- The cash basis net assets of the City's business type activities decreased 14.3%, or \$215,669, due primarily to a transfer of \$525,000 from the Enterprise, Water Fund to cover project costs associated with a new lift station project and to repay an internal loan.

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 financial 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.

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

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 North Tax Increment Financing and Road Use Tax, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains 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.

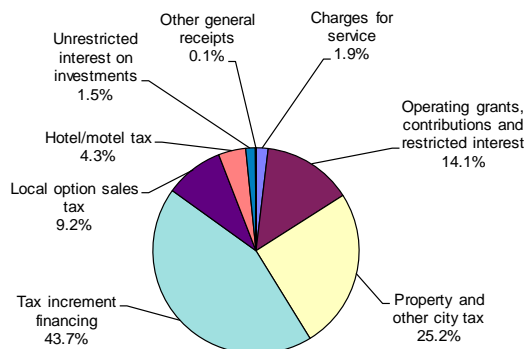
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

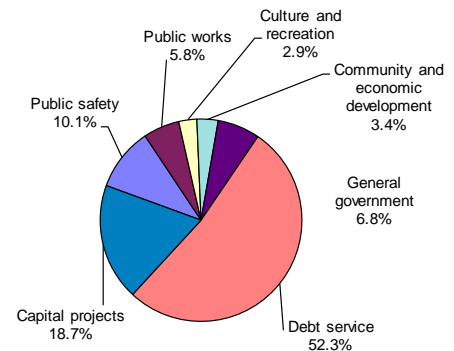
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased \$2,109,718 from a year ago. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2012
Receipts:	
Program receipts:	
Charges for service	\$ 46,996
Operating grants, contributions and restricted interest	339,786
General receipts:	
Property and other city tax	611,305
Tax increment financing	1,053,597
Local option sales tax	222,547
Hotel/motel tax	103,924
Unrestricted interest on investments	36,059
Other general receipts	1,935
Total receipts	2,416,149
Disbursements:	
Public safety	476,797
Public works	276,303
Culture and recreation	135,806
Community and economic development	160,782
General government	322,138
Debt service	2,479,779
Capital projects	883,722
Total disbursements	4,735,327
Change in cash basis net assets before transfers	(2,319,178)
Transfers, net	209,460
Change in cash basis net assets	(2,109,718)
Cash basis net assets beginning of year	4,157,030
Cash basis net assets end of year	\$ 2,047,312

Receipts by Source



Disbursements by Function



The cash basis net assets of the City's governmental activities decreased 50.8%, or approximately \$2,110,000, due primarily to refunding the series 2006A general obligation sewer improvement bonds.

Changes in Cash Basis Net Assets of Business Type Activities	
	Year ended June 30, 2012
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 198,282
Sewer	263,931
Garbage	68,352
General receipts:	
Unrestricted interest on investments	18,744
Total receipts	<u>549,309</u>
Disbursements:	
Water	239,364
Sewer	253,438
Garbage	62,716
Total disbursements	<u>555,518</u>
Change in cash basis net assets before transfers	(6,209)
Transfers, net	<u>(209,460)</u>
Change in cash basis net assets	(215,669)
Cash basis net assets beginning of year	<u>1,504,901</u>
Cash basis net assets end of year	<u>\$ 1,289,232</u>

The cash basis net assets of the City's business type activities decreased 14.3%, or approximately \$216,000, due primarily to a transfer of \$525,000 from the Enterprise, Water Fund to cover project costs associated with a new lift station project and to repay an internal loan.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Walcott completed the year, its governmental funds reported a combined fund balance of \$2,047,312, a decrease of \$2,109,718 below last year's total of \$4,157,030. The decrease was primarily due to refunding the series 2006A general obligation sewer improvement bonds.

- The General Fund cash balance decreased \$267,723 from the prior year to \$1,331,436. This decrease was due to the fire station expansion project and a land purchase.
- The Special Revenue, North Tax Increment Financing Fund paid \$53,195 for developer rebate agreements and legal fees and \$78,340 on the lift station project and bridge project and transferred \$843,158 to the Debt Service Fund for principal and interest on the sewer improvement bonds and to the Enterprise, Water Fund to repay an internal loan.
- The Special Revenue, Road Use Tax Fund cash balance increased \$12,642 to \$263,797. The City intends to use this money for a future street construction project.
- The Debt Service Fund paid the principal and interest on the sewer improvement bonds of \$534,078, and then refunded the remaining principal of the series 2006A general obligation sewer improvement bonds of \$1,910,000.

- The Capital Projects Fund cash balance increased \$206,951 to a year-end balance of \$325,418. The increase was due to internal loans from the Special Revenue, Local Option Sales Tax Fund and the Enterprise, Water Fund totaling \$750,000 and transfers from the General Fund and the Special Revenue, Road Use Tax Fund totaling \$225,000 for an upcoming street project.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased \$240,538, due primarily to a transfer to the Capital Projects Fund totaling \$525,000, resulting in an ending balance of \$645,109.
- The Enterprise, Sewer Fund cash balance increased \$18,702 to an ending balance of \$598,516 at June 30, 2012.

BUDGETARY HIGHLIGHTS

The City amended its budget one time. The amendment was approved on November 7, 2011 to authorize additional disbursements in the general government and debt service functions.

The City’s receipts were \$183,936 more than budgeted. This was primarily due to the City receiving more tax revenue and intergovernmental receipts than anticipated.

During the year ended June 30, 2012, disbursements did not exceed the amounts budgeted.

DEBT ADMINISTRATION

At June 30, 2012, the City had \$1,980,000 in outstanding general obligation debt, compared to \$4,325,000 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2012	2011
General obligation sewer improvement bonds, Series 2006A	\$ -	2,345,000
General obligation refunding bonds	1,980,000	1,980,000
Total	\$ 1,980,000	4,325,000

Debt decreased as a result of refunding the Series 2006A general obligation sewer improvement bonds.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation debt of \$1,980,000 is below its constitutional debt limit of \$6,290,218.

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 2013 budget, tax rates and fees charged for various City activities.

The fiscal 2013 budget contains total receipts of \$2,895,293 and disbursements of \$3,344,524. This budget includes \$400,000 for a street reconstruction project, \$165,000 for a water main project and \$150,000 to complete a sewer lift station project.

The fiscal year 2013 property tax levy of \$9.99999 per \$1,000 of taxable valuation has remained relatively the same since fiscal year 2008 (\$10.00000). The City has maximized its General Fund levy limit of \$8.10 per \$1,000 of taxable valuation and has also levied \$.97258 and \$.92741 per \$1,000 of taxable valuation for FICA & IPERS and other employee benefits, respectively, for fiscal year 2013. The City does not levy for debt service and will not be issuing any notes for capital projects in fiscal 2013. Sewer rates increased by \$.50 per 1,000 gallons on June 1, 2012 but no other increases in utility (water and garbage) rates have been proposed for fiscal 2013.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$449,000 by the close of fiscal year 2013.

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, 2012

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 476,797	37,671	76,635
Public works	276,303	1,185	203,541
Culture and recreation	135,806	5,002	4,739
Community and economic development	160,782	-	-
General government	322,138	3,138	21,384
Debt service	2,479,779	-	-
Capital projects	883,722	-	33,487
Total governmental activities	4,735,327	46,996	339,786
Business type activities:			
Water	239,364	198,282	-
Sewer	253,438	263,931	-
Garbage	62,716	68,352	-
Total business type activities	555,518	530,565	-
Total	\$ 5,290,845	577,561	339,786

General Receipts and Transfers:

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
Debt service
Capital projects
Other purposes
Unrestricted

Total cash basis net assets

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(362,491)	-	(362,491)
(71,577)	-	(71,577)
(126,065)	-	(126,065)
(160,782)	-	(160,782)
(297,616)	-	(297,616)
(2,479,779)	-	(2,479,779)
(850,235)	-	(850,235)
(4,348,545)	-	(4,348,545)
-	(41,082)	(41,082)
-	10,493	10,493
-	5,636	5,636
-	(24,953)	(24,953)
(4,348,545)	(24,953)	(4,373,498)
611,305	-	611,305
1,053,597	-	1,053,597
222,547	-	222,547
103,924	-	103,924
36,059	18,744	54,803
1,935	-	1,935
209,460	(209,460)	-
2,238,827	(190,716)	2,048,111
(2,109,718)	(215,669)	(2,325,387)
4,157,030	1,504,901	5,661,931
\$ 2,047,312	1,289,232	3,336,544
\$ 263,797	-	263,797
17	-	17
325,418	-	325,418
150,104	-	150,104
1,307,976	1,289,232	2,597,208
\$ 2,047,312	1,289,232	3,336,544

City of Walcott

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

As of and for the year ended June 30, 2012

	Special Revenue		
	General	North	Road
		Tax	Use
		Increment	Tax
		Financing	
Receipts:			
Property tax	\$ 475,454	-	-
Tax increment financing	-	971,416	-
Other city tax	125,259	-	-
Licenses and permits	36,716	-	-
Use of money and property	28,977	-	-
Intergovernmental	47,627	-	161,898
Charges for service	7,793	-	-
Special assessments	1,445	-	-
Miscellaneous	57,711	-	-
Total receipts	780,982	971,416	161,898
Disbursements:			
Operating:			
Public safety	476,797	-	-
Public works	211,603	-	64,700
Culture and recreation	135,806	-	-
Community and economic development	50,701	53,195	-
General government	322,138	-	-
Debt service	-	-	-
Capital projects	-	78,340	-
Total disbursements	1,197,045	131,535	64,700
Excess (deficiency) of receipts over (under) disbursements	(416,063)	839,881	97,198
Other financing sources (uses):			
Operating transfers in	273,340	-	15,444
Operating transfers out	(125,000)	(843,158)	(100,000)
Total other financing sources (uses)	148,340	(843,158)	(84,556)
Net change in cash balances	(267,723)	(3,277)	12,642
Cash balances beginning of year	1,599,159	3,277	251,155
Cash balances end of year	\$ 1,331,436	-	263,797
Cash Basis Fund Balances			
Restricted for:			
Streets	\$ -	-	263,797
Debt service	-	-	-
Capital projects	-	-	-
Other purposes	23,460	-	-
Assigned for:			
Fire department	376,457	-	-
Police department	29,105	-	-
Parks	31,745	-	-
City vehicles/equipment	157,837	-	-
Municipal building	250,381	-	-
Unassigned	462,451	-	-
Total cash basis fund balances	\$ 1,331,436	-	263,797

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
-	-	114,516	589,970
-	-	82,181	1,053,597
-	-	222,547	347,806
-	-	-	36,716
4,827	1,093	3,005	37,902
-	40,197	-	249,722
-	-	-	7,793
-	-	-	1,445
-	33,487	-	91,198
4,827	74,777	422,249	2,416,149
-	-	-	476,797
-	-	-	276,303
-	-	-	135,806
-	-	56,886	160,782
-	-	-	322,138
2,479,779	-	-	2,479,779
-	805,382	-	883,722
2,479,779	805,382	56,886	4,735,327
(2,474,952)	(730,605)	365,363	(2,319,178)
534,078	975,000	15,540	1,813,402
-	(37,444)	(498,340)	(1,603,942)
534,078	937,556	(482,800)	209,460
(1,940,874)	206,951	(117,437)	(2,109,718)
1,940,891	118,467	244,081	4,157,030
17	325,418	126,644	2,047,312
-	-	-	263,797
17	-	-	17
-	325,148	-	325,148
-	-	126,644	150,104
-	-	-	376,457
-	-	-	29,105
-	-	-	31,745
-	-	-	157,837
-	-	-	250,381
-	-	-	462,451
17	325,148	126,644	2,047,042

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, 2012

	Enterprise			Total
	Water	Sewer	Nonmajor Garbage	
Operating receipts:				
Charges for service	\$ 195,412	263,931	68,352	527,695
Miscellaneous	2,870	-	-	2,870
Total operating receipts	198,282	263,931	68,352	530,565
Operating disbursements:				
Business type activities	239,364	253,438	62,716	555,518
Excess (deficiency) of operating receipts over (under) operating disbursements	(41,082)	10,493	5,636	(24,953)
Non-operating receipts:				
Interest on investments	10,004	8,209	531	18,744
Excess (deficiency) of receipts over (under) disbursements	(31,078)	18,702	6,167	(6,209)
Transfers in	315,540	-	-	315,540
Transfers out	(525,000)	-	-	(525,000)
Transfers, net	(209,460)	-	-	(209,460)
Net change in cash balances	(240,538)	18,702	6,167	(215,669)
Cash balances beginning of year	885,647	579,814	39,440	1,504,901
Cash balances end of year	\$ 645,109	598,516	45,607	1,289,232
Cash Basis Fund Balances				
Unrestricted	\$ 645,109	598,516	45,607	1,289,232

See notes to financial statements.

City of Walcott

Notes to Financial Statements

June 30, 2012

(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, sewer and garbage disposal 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 the following categories/components:

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 tax increment financing collections and the repayment of tax increment financing indebtedness.

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used 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 other funds.

The City reports the following major proprietary funds:

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

The Enterprise, 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.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2012 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,	Interest Rates	Principal	Interest	Total
2013	1.10%	\$ 485,000	31,045	516,045
2014	1.40	490,000	25,710	515,710
2015	1.75	500,000	18,850	518,850
2016	2.00	505,000	10,100	515,100
Total		\$ 1,980,000	85,705	2,065,705

In April 2011, the City issued \$1,980,000 of general obligation refunding bonds, of which \$1,910,000 was used for a crossover advance refunding. The refunding portion of the bonds was used to retire the outstanding balance of the general obligation sewer improvement bonds, series 2006A during the year ended June 30, 2012. The City obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$51,000.

Interfund Loans

On March 6, 2006, the City entered into an interfund loan to advance \$250,000 at an interest rate of 6% per annum 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 property tax receipts available for such purposes which have been allocated to the Special Revenue, Urban Renewal Area 2 Fund. During the year ended June 30, 2012, \$25,295 was repaid to the General Fund. The outstanding balance of the loan at June 30, 2012 was \$125,157.

On July 5, 2011, the City entered into an interfund loan to advance \$300,000 from the Enterprise, Water Fund to the Special Revenue, North Tax Increment Financing Fund to pay for construction of street improvements. Payments are made on June 1 of each year to the extent there are incremental property tax receipts available for such purposes which have been allocated to the Special Revenue, North Tax Increment Financing Fund. The loan of \$278,000 was repaid in full as of June 30, 2012.

On January 16, 2012, the City entered into an interfund loan to advance \$225,000 from the Enterprise, Water Fund and \$225,000 from the Special Revenue, Local Option Sales Tax Fund to the Special Revenue, North Tax Increment Financing Fund to pay for North Lift Station improvements. Payments are made on June 1 of each year to the extent there are incremental property tax receipts available for such purposes which have been allocated to the Special Revenue, North Tax Increment Financing Fund. As of June 30, 2012, the remaining amount to be paid to the Enterprise, Water Fund and the Special Revenue, Local Option Sales Tax Fund totaled \$209,460 each.

(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 5.38% of their annual covered salary and the City is required to contribute 8.07% 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, 2012 was \$44,289, 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 are 24 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

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

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$448 for single coverage and \$1,348 for family coverage. For the year ended June 30, 2012, the City contributed \$100,855 and plan members eligible for benefits did not contribute to the plan.

(6) 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, 2012, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 25,000
Sick leave	80,000
Compensatory time	<u>7,000</u>
Total	<u>\$ 112,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2012.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Employee Benefits	\$ 114,516
	Local Option Sales Tax	133,529
	Urban Renewal Area 2	25,295
		<u>273,340</u>
Special Revenue:	Capital Projects	15,444
Road Use Tax	Special Revenue:	
	North Tax Increment Financing	<u>15,540</u>
Debt Service	Special Revenue:	
	North Tax Increment Financing	<u>534,078</u>
Capital Projects	General	125,000
	Special Revenue:	
	Road Use Tax	100,000
	Local Option Sales Tax	225,000
	Enterprise:	
	Water	<u>525,000</u>
		<u>975,000</u>
Enterprise:	Special Revenue:	
Water	North Tax Increment Financing	293,540
	Capital Projects	22,000
		<u>315,540</u>
Total		<u>\$ 2,128,942</u>

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

(8) 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.

(9) Construction Commitments

The City has entered into contracts totaling \$1,619,158. As of June 30, 2012, the City had made payments totaling \$1,525,641. The balance remaining on the contracts at June 30, 2012, totaling \$93,517, will be paid as work on the projects progress.

(10) Rebate Agreements

The City has entered into ten tax increment financing agreements. The City agreed to assist urban renewal projects by rebating incremental property tax paid by the participating companies with respect to the improvements set forth in the urban renewal plan. The incremental property tax 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 tax on the completed value of the improvements are first paid. The total amount to 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, 2012 was \$109,267.

City of Walcott

Other 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

Other Information

Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 589,970	-	589,970
Tax increment financing	1,053,597	-	1,053,597
Other city tax	347,806	-	347,806
Licenses and permits	36,716	-	36,716
Use of money and property	37,902	18,744	56,646
Intergovernmental	249,722	-	249,722
Charges for service	7,793	527,695	535,488
Special assessments	1,445	-	1,445
Miscellaneous	91,198	2,870	94,068
Total receipts	<u>2,416,149</u>	<u>549,309</u>	<u>2,965,458</u>
Disbursements:			
Public safety	476,797	-	476,797
Public works	276,303	-	276,303
Health and social services	-	-	-
Culture and recreation	135,806	-	135,806
Community and economic development	160,782	-	160,782
General government	322,138	-	322,138
Debt service	2,479,779	-	2,479,779
Capital projects	883,722	-	883,722
Business type activities	-	555,518	555,518
Total disbursements	<u>4,735,327</u>	<u>555,518</u>	<u>5,290,845</u>
Excess (deficiency) of receipts over (under) disbursements	(2,319,178)	(6,209)	(2,325,387)
Other financing sources, net	209,460	(209,460)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(2,109,718)	(215,669)	(2,325,387)
Balances beginning of year	4,157,030	1,504,901	5,661,931
Balances end of year	<u>\$ 2,047,312</u>	<u>1,289,232</u>	<u>3,336,544</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total Variance
585,150	585,150	4,820
1,039,582	1,039,582	14,015
313,449	313,449	34,357
16,938	16,938	19,778
40,820	40,820	15,826
187,800	187,800	61,922
526,290	526,290	9,198
990	990	455
70,503	70,503	23,565
<u>2,781,522</u>	<u>2,781,522</u>	<u>183,936</u>
627,116	627,116	150,319
450,723	450,723	174,420
1,562	1,562	1,562
153,530	153,530	17,724
205,228	205,228	44,446
144,356	359,356	37,218
534,077	2,480,779	1,000
1,735,550	1,735,550	851,828
860,669	860,669	305,151
<u>4,712,811</u>	<u>6,874,513</u>	<u>1,583,668</u>
(1,931,289)	(4,092,991)	1,767,604
<u>500,000</u>	<u>500,000</u>	<u>(500,000)</u>
(1,431,289)	(3,592,991)	1,267,604
<u>3,492,433</u>	<u>5,661,931</u>	<u>-</u>
<u>2,061,144</u>	<u>2,068,940</u>	<u>1,267,604</u>

City of Walcott

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2012

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise 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 budgeted disbursements by \$2,161,702. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements did not exceed the amounts budgeted.

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, 2012

	Special Revenue		
	Employee Benefits	Local Option Sales Tax	Urban Renewal Area 2
Receipts:			
Property tax	\$ 114,516	-	-
Tax increment financing	-	-	82,181
Other city tax	-	222,547	-
Use of money and property	-	3,005	-
Total receipts	114,516	225,552	82,181
Disbursements:			
Operating:			
Culture and recreation	-	-	56,886
Excess of receipts over disbursements	114,516	225,552	25,295
Other financing sources (uses):			
Operating transfers in	-	15,540	-
Operating transfers out	(114,516)	(358,529)	(25,295)
Total other financing sources (uses)	(114,516)	(342,989)	(25,295)
Net change in cash balances	-	(117,437)	-
Cash balances beginning of year	-	242,518	-
Cash balances end of year	\$ -	125,081	-
Cash Basis Fund Balances			
Restricted for other purposes	\$ -	125,081	-

See accompanying independent auditor's report.

Walcott Forever Green	Total
-	114,516
-	82,181
-	222,547
-	3,005
-	422,249
-	56,886
-	365,363
-	15,540
-	(498,340)
-	(482,800)
-	(117,437)
1,563	244,081
1,563	126,644
1,563	126,644

City of Walcott
Schedule of Indebtedness
Year ended June 30, 2012

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Sewer improvement	July 15, 2006	4.00-4.30%	\$ 4,000,000
Refunding - Series 2011	April 7, 2011	1.10-2.00	1,980,000
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
2,345,000	-	2,345,000	-	98,577
1,980,000	-	-	1,980,000	35,702
<u>\$ 4,325,000</u>	<u>-</u>	<u>2,345,000</u>	<u>1,980,000</u>	<u>134,279</u>

Schedule 3

City of Walcott

Bond Maturities

June 30, 2012

Year Ending June 30,	General Obligation Refunding Bonds Series 2011	
	Issued April 7, 2011	
	Interest Rates	Amount
2013	1.10%	\$ 485,000
2014	1.40	490,000
2015	1.75	500,000
2016	2.00	505,000
Total		<u>\$ 1,980,000</u>

See accompanying independent auditor's report.



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STATE OF IOWA

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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 Walcott, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated January 14, 2013. 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, 2011. 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

The management of the City of Walcott is responsible for establishing and maintaining effective 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 an 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 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 Walcott's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section 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. We did not identify any deficiencies in internal control over financial reporting we consider to be material weaknesses, as defined above.

Compliance and Other Matters

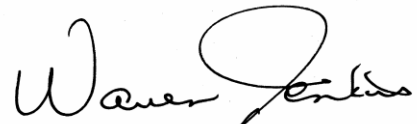
As part of obtaining reasonable assurance about whether the City of Walcott's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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 which are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Walcott and other parties to whom the City of Walcott may report and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of 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

January 14, 2013

City of Walcott

Schedule of Findings

Year ended June 30, 2012

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Walcott

Schedule of Findings

Year ended June 30, 2012

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2012 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 – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Virgil Lund, Park Board Chairperson	Repair mowers and tractors	\$ 775

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the transactions with the Park Board Chairperson do not appear to represent a conflict of interest since total transactions were less than \$2,500 during the fiscal year.

- (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) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – No instances of noncompliance with the deposit and investments provisions of Chapters 12B and 12C of the Code of Iowa and the City's investments policy were noted.

City of Walcott

Staff

This audit was performed by:

Susan D. Battani, CPA, Director
Brian Brustkern, CPA, Manager
Daniel L. Grady, Senior Auditor II
Tracey L. Gerrish, Staff Auditor
Hannah K. Haas, Assistant Auditor
Kelsey J. Kranz, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State