

CITY OF WALKER, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010



Vredeveld Haefner LLC

CITY OF WALKER

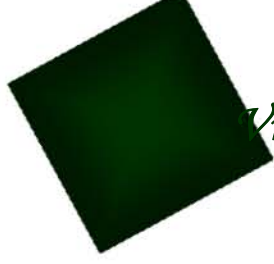
TABLE OF CONTENTS

	<u>PAGE</u>
FINANCIAL SECTION	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	11
Statement of Activities	12-13
Fund Financial Statements	
Balance Sheet - Governmental Funds	14
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Net Assets - Internal Service Fund	18
Statement of Revenues, Expenses, and Changes in Net Assets - Internal Service Fund	19
Statement of Cash Flows - Internal Service Fund	20
Statement of Fiduciary Net Assets – Fiduciary Funds	21
Statement of Changes in Fiduciary Net Assets	22
Notes to Financial Statements	23-41
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	43
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Major Streets Fund	44
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Improvement Revolving Fund	45
Schedules of Funding Progress	46
Notes to Required Supplementary Information	46
Combining and Individual Fund Statements and Schedules	
General Fund	
Schedule of Revenues - Budget and Actual	47
Schedule of Expenditures - Budget and Actual	49
Nonmajor Governmental Funds	
Combining Balance Sheet	50-51
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	52-53

CITY OF WALKER

TABLE OF CONTENTS

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Local Streets Fund	54
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Ice and Fitness Program Fund	55
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Vice Investigation Fund	56
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Dispatch Training Fund	57
Fiduciary Funds	
Combining Statement of Assets and Liabilities – Agency Funds	58-59
Combining Statement of Changes in Assets and Liabilities – Agency Funds	60-61
Component Units	
Downtown Development Authority	
Balance Sheet/Statement of Net Assets	62
Statement of Revenues, Expenditures and Changes in Fund Balance /Statement of Activities	63
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - DDA General Fund	64
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - DDA Streetscape Maintenance Fund	65
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - DDA Parking Lot Fund	66
Brownfield Redevelopment Authority	
Balance Sheet/Statement of Net Assets	67
Statement of Revenues, Expenditures and Changes in Fund Balance /Statement of Activities	68
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Brownfield General Fund	69



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INDEPENDENT AUDITORS' REPORT

October 19, 2010

Honorable Mayor and Members of the City Commission
City of Walker, Michigan

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Walker, Michigan, (the "City") as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Walker, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the City of Walker, Michigan as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, and the information on pages 43 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Walker's financial statements as a whole. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements are the responsibility of management and were derived from and relate 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 the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Ordevald Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Walker, we offer readers of the City of Walker's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The City Commission adopted a reduced benefits structure in pension, longevity and healthcare benefits for new employees. The City is also in the process of adopting an HSA program for retiree healthcare and eliminating the traditional retiree healthcare coverage for new employees.
- The City maintained its AA/Stable Standard and Poor's rating on existing long term debt and received an AA/Stable rating on an \$825,000 Michigan Transportation Fund bond sold in the spring of 2010.
- A long awaited pedestrian trail construction project began in the spring of 2010. The trail will connect the Walker City Hall with Millennium Park in the south part of the City. The project is being financed with state grants and Downtown Development funds as well as private funds from a local trail group.
- The City completed renovations to the 59th District Court facilities to improve technology and increase security.
- The City entered into an agreement to transfer internal police and fire dispatch operations to the Kent County Sheriff's department. The move is expected to save approximately \$180,000 in the first year.
- The City established a reduced work week (from 40 to 38 hours) for all full time non-union staff effective January 1, 2010. This move results in a 5% pay reduction for all fulltime non-union employees, with a yearly savings for wages and utilities estimated at \$175,000.
- The City has reduced its workforce by 20% over the last three years. Work force reductions have been accomplished through attrition, layoffs and combining operations.
- The Walker Fire department received a FEMA grant in the amount of \$83,000 to purchase 60 sets of new turn out gear for its' fire personnel.
- The City's Police department received a Justice Assistance grant for \$23,000 to purchase an updated records system.
- The City received \$425,000 in Federal ARRA funding. The funding was used to overlay and replace pavements on two roads on the federal aid system.
- The City received a \$1,050,000 Critical Bridge grant to replace an 80 year old creek crossing on the main industrial corridor in the City (3 Mile Road). Along with MTF bonds in the amount of \$825,000, the City will overlay a section of 3 Mile Road in the area of the bridge construction as well as a section of 3 Mile from Bristol to Cornelia east of the creek bridge project.
- The City is an active participant and is involved with various collaborative efforts with the surrounding five cities and Kent County in the areas of police, fire, department of public works, and purchasing.
- The City continues to pursue additional efficiencies relating to its energy use. Due to changes in lighting fixtures, timing and installation of variable drive equipment, the City estimates that electrical costs have been reduced by an average of \$1,800 per month.
- For the fourth year in a row, the Walker Ice and Fitness Center (WIFC) has covered 100% of its operating costs without the assistance of the City's General Fund. During this time frame, WIFC has contributed \$80,000 towards the building's bond debt, has invested in capital equipment and has begun to set aside monies for future capital needs. The number of WIFC fitness

memberships continues to grow and reached a record level of 1,765 active members in February 2010. In addition, the demand for ice rental time by WIFC's clientele exceeds the amount of ice rental time available.

- City has experienced a 12% decrease in general fund revenues since 2006/07, mainly due to the continuing unfavorable economic picture. The City has kept pace with the revenue reductions by decreasing its expenditures by 12.4% over that same time period.
- For the second year in a row, the City experienced a decrease in property tax values and an increase in foreclosures.
- City filled two large vacant big box commercial sites along Alpine Ave. with the introduction of ABC warehouse and the move of Best Buy from Alpine township to the City of Walker.
- The City's millage rate remained at 1.336 for FY 2010. The millage rate has not changed since the year 2000, and is the lowest millage rate of all cities levying an income tax in Michigan.
- Industrial building permits value doubled from \$1,154,100 in the last fiscal year to over \$2,600,000 in fiscal year 2010.
- Residential housing starts and values increased in FY 2010 from 11 starts with a value of \$1,844,500 to 24 starts with a value of \$3,231,000.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Walker's financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences, accrued interest, etc.).

Both of the government-wide financial statements distinguish functions of the City of Walker that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government administration, public safety, public works including major and local street construction and maintenance, culture and recreation, capital outlay, and debt service activities. The City has no business-type activities.

The government-wide financial statements include the City of Walker (the *primary government*) as well as the legally separate Downtown Development Authority and Brownfield Redevelopment Authority component units for which the City is financially accountable. Financial information for the component units is reported separately from the financial information for the primary government.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Walker, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains ten individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, major streets, and improvement revolving funds, each of which is considered a major fund.

Data is combined into a single aggregated presentation for the other governmental funds. Individual fund data for each of the non-major governmental funds is provided in the form of *combining statements and schedules*.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resource of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This consists of this management discussion and analysis, major fund budgetary schedules and the retirement benefit plan schedule of funding progress.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Walker, assets exceeded liabilities by \$67,610,027 at the close of the most recent fiscal year. A summary of net assets is as follows:

	Governmental Activities	
	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 9,440,145	\$ 9,888,828
Capital assets	76,601,579	78,305,330
Total assets	86,041,724	88,194,158
Long-term liabilities outstanding	15,358,901	15,214,017
Other liabilities	3,072,796	3,748,596
Total liabilities	18,431,697	18,962,613
Net assets		
Invested in capital assets, net		
of related debt	63,501,695	64,913,205
Restricted	2,125,401	1,780,229
Unrestricted	1,982,931	2,538,111
Total net assets	\$67,610,027	\$69,231,545

A portion of the City's net assets reflects unrestricted net assets which are available for future operations while a significant portion of net assets is invested in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net assets of the City, which consist only of governmental activities, decreased by \$1,621,518 primarily due to decreases in income tax and state shared revenues and charges for services. A summary of the changes in net assets is as follows:

	Governmental Activities	
	<u>2010</u>	<u>2009</u>
Revenue		
Program revenue		
Charges for services	\$ 3,091,209	\$ 3,883,789
Operating grants and Contributions	1,886,809	1,827,027
Capital grants and Contributions	39,980	-
General revenue		
Property taxes	1,430,608	1,417,336
Income taxes	7,422,277	7,551,285
Other governmental sources	1,427,597	1,605,124
Unrestricted investment earnings	52,342	104,959
Other	47,359	72,666
Total revenue	15,398,181	16,462,186
Expenses		
General government	3,155,842	4,552,262
Judicial	935,865	858,701
Public safety	6,304,366	6,498,320
Public works	4,193,850	3,612,535
Culture and recreation	1,854,695	1,826,703
Interest	575,081	593,824
Total expenses	17,019,699	17,942,345
Increase (Decrease) in net assets	(1,621,518)	(1,480,159)
Net assets-beginning of year	69,231,545	70,711,704
Net assets end of year	\$67,610,027	\$69,231,545

Governmental Activities. During the year the City invested \$6,304,366 or 37.0% of governmental activities expenses in public safety. Public works expenses amounted to \$4,193,850 or 24.6% of governmental activities while general government, judicial, culture and recreation and interest on long-term debt made up the remaining 38.4% of governmental activities expenses.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,956,301, an increase of \$260,705 in comparison with the prior year. Of the \$4,956,301, \$2,392,186 is reported in the general fund, \$959,106 is reported in the major streets fund, and \$437,467 is reported in the improvement revolving fund. The remaining amount of fund balance is reported in various funds as unreserved or reserved for certain uses such as street construction and maintenance, ice and fitness program, and debt service.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,358,405 and \$33,781 was reserved for cemetery operations. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 22.2% of total general fund expenditures. The fund balance of the City's general fund decreased by \$153,089 during the current fiscal year primarily due to lower income tax revenues.

The Major Streets Fund is used to account for the receipt and expenditures of state shared gas and weight taxes under Act 51, P.A. 1951 as amended. The unreserved fund balance at the end of the year amounted to \$913,316, an increase of \$624,313 from the previous year.

The Improvement Revolving Fund is used to account for the resources of special assessment proceeds that are used for improvements in the special assessment districts. The unreserved fund balance at the end of the year amounted to \$437,467, a decrease of \$330,027 from the previous year. The decrease is primarily the result of expenditures related to the special assessment bonds issued during the previous fiscal year.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental activities as of June 30, 2010, amounted to \$76,601,579 (net of accumulated depreciation).

The City's Capital Assets (net of depreciation) are summarized as follows:

Capital Assets	
	Governmental
	<u>Activities</u>
Land	\$ 2,820,745
Construction in progress	380,601
Buildings, Equipment and Infrastructure	<u>73,400,233</u>
Total	<u>\$76,601,579</u>

Additional information on the City of Walker capital assets can be found in the footnotes to the financial statements.

Debt. At the end of the current fiscal year, the City had total debt outstanding of \$15,358,901 summarized as follows:

Debt	
	Governmental Activities
Accrued employee benefits	\$ 1,396,479
OPEB Liability	862,538
Notes payable	254,884
Bonds payable	12,845,000
Total	\$15,358,901

The City issued a bonds payable of \$825,000, and made debt payments totaling \$1,117,241 during the year. Additional information on the City's long-term debt can be found in the footnotes to these financial statements.

Budgetary Highlights

- The original general fund budget expenditures were reduced by \$753,250 through budget amendments during the fiscal year. Expenditures reductions were due mainly to the on-going monitoring of the revenue receipts throughout the fiscal year.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2010-11 fiscal year:

- The City integrated Recreation department operations with the Walker Ice and Fitness Center to improve efficiency in program delivery and to reduce costs.
- The City Commission initiated a new administrative structure by creating a new Public Safety Director's position to oversee operations in both the police and fire departments. The new structure will enhance coordination efforts in the areas of human resources, training, communications and day to day operations, and will reduce staffing costs in the first year by approximately \$75,000.
- The City is projecting a 3.7% decrease in property tax revenue as a result of the value decrease for FY 2011.
- Continuing rise in pension, healthcare and utility costs will be addressed through changes in benefit structures for existing employees and keeping other costs in check.
- The unknown property tax impact of Michigan Tax Tribunal appeals currently pending at the State level.
- The City continues to budget conservatively and seek out additional means to reduce expenditures.
- The FY 2011 budget expenditures represent an 8.3% reduction over FY 2010 budget.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager, City of Walker, 4243 Remembrance Rd. NW, Walker, MI, 49534.

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BASIC FINANCIAL STATEMENTS

CITY OF WALKER
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government	Component Units	
	Governmental Activities	Downtown Development Authority	Brownfield Redevelopment Authority
Assets			
Cash and pooled investments	\$ 3,978,205	\$ 143,717	\$ 1,714
Accounts receivable	1,124,526	-	1,021,112
Special assessments receivable	2,794,756	7,936	-
Due from other governments	760,889	-	-
Internal balances/agency funds	82,114	-	-
Inventory	328,919	-	-
Unamortized bond issuance costs	139,720	22,555	-
Net pension asset	231,016	-	-
Capital assets			
Land	2,820,745	1,463,159	-
Construction in progress	380,601	-	-
Depreciable capital assets, net	<u>73,400,233</u>	<u>2,402,412</u>	<u>-</u>
Total assets	<u>86,041,724</u>	<u>4,039,779</u>	<u>1,022,826</u>
Liabilities			
Accounts payable	538,115	63,911	-
Accrued liabilities	381,802	18,782	1,049
Unearned revenue	2,152,879	-	-
Noncurrent liabilities			
Compensated absences	1,396,479	-	-
Other post employment benefits	862,538	-	-
Due within one year	1,264,705	196,674	26,752
Due in more than one year	<u>11,835,179</u>	<u>2,378,129</u>	<u>1,113,164</u>
Total liabilities	<u>18,431,697</u>	<u>2,657,496</u>	<u>1,140,965</u>
Net assets			
Invested in capital assets, net of related debt	63,501,695	1,313,323	-
Restricted for:			
Debt service	417,601	-	-
Streets	130,046	-	-
Public safety	181,181	-	-
Culture and recreation	959,106	-	-
Capital projects	437,467	-	-
Unrestricted	<u>1,982,931</u>	<u>68,960</u>	<u>(118,139)</u>
Total net assets (deficit)	<u>\$ 67,610,027</u>	<u>\$ 1,382,283</u>	<u>\$ (118,139)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WALKER

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government					
Governmental activities					
General government	\$ 3,155,842	\$ 461,906	\$ 268,564	\$ -	\$ (2,425,372)
Judicial	935,865	40,913	-	-	(894,952)
Public safety	6,304,366	873,752	85,767	-	(5,344,847)
Public works	4,193,850	278,756	1,497,760	39,980	(2,377,354)
Culture and recreation	1,854,695	1,435,882	34,718	-	(384,095)
Interest on long-term debt	575,081	-	-	-	(575,081)
Total governmental activities	<u>17,019,699</u>	<u>3,091,209</u>	<u>1,886,809</u>	<u>39,980</u>	<u>(12,001,701)</u>
Total primary government	<u>\$ 17,019,699</u>	<u>\$ 3,091,209</u>	<u>\$ 1,886,809</u>	<u>\$ 39,980</u>	<u>\$ (12,001,701)</u>
Component units					
Downtown Development Authority	\$ 465,789	\$ 113,871	\$ 15,329	\$ -	\$ (336,589)
Brownfield Redevelopment Authority	176,047	-	-	-	(176,047)
Total component units	<u>\$ 641,836</u>	<u>\$ 113,871</u>	<u>\$ 15,329</u>	<u>\$ -</u>	<u>\$ (512,636)</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

CITY OF WALKER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	Primary Government	Component Units	
	<u>Governmental Activities</u>	<u>Downtown Development Authority</u>	<u>Brownfield Redevelopment Authority</u>
Changes in net assets			
Net (expense) revenue	\$ (12,001,701)	\$ (336,589)	\$ (176,047)
General revenues			
Income taxes	7,422,277	-	-
Property taxes	1,430,608	361,846	104,336
State shared revenues	1,427,597	-	-
Unrestricted investment earnings	52,342	2,150	642
Other general revenues	47,359	-	-
Total general revenues	<u>10,380,183</u>	<u>363,996</u>	<u>104,978</u>
Change in net assets	(1,621,518)	27,407	(71,069)
Net assets (deficit), beginning of year	<u>69,231,545</u>	<u>1,354,876</u>	<u>(47,070)</u>
Net assets (deficit), end of year	<u>\$ 67,610,027</u>	<u>\$ 1,382,283</u>	<u>\$ (118,139)</u>

(Concluded)

The accompanying notes are an integral part of these financial statements.

CITY OF WALKER
GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2010

	<u>General</u>	<u>Major Streets</u>	<u>Improvement Revolving</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 1,310,164	\$ 823,509	\$ 411,730	\$ 981,427	\$ 3,526,830
Accounts receivable	1,058,422	-	44,399	20,441	1,123,262
Accrued interest receivable	1,052	-	-	212	1,264
Special assessment receivable	-	-	2,165,406	629,350	2,794,756
Due from other governments	517,820	176,329	8,791	57,949	760,889
Due from other funds	86,386	-	-	-	86,386
Inventory	-	45,790	-	231,214	277,004
Total assets	<u>\$ 2,973,844</u>	<u>\$ 1,045,628</u>	<u>\$ 2,630,326</u>	<u>\$ 1,920,593</u>	<u>\$ 8,570,391</u>
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 325,788	\$ 71,415	\$ 27,454	\$ 98,347	\$ 523,004
Accrued liabilities	255,870	15,107	-	21,493	292,470
Due to other funds	-	-	-	4,272	4,272
Deferred revenue	-	-	2,165,405	628,939	2,794,344
Total liabilities	<u>581,658</u>	<u>86,522</u>	<u>2,192,859</u>	<u>753,051</u>	<u>3,614,090</u>
Fund balances					
Reserved for					
Cemetery	33,781	-	-	-	33,781
Inventory	-	45,790	-	231,214	277,004
Unreserved					
Undesignated	2,358,405	913,316	437,467	-	3,709,188
Undesignated reported in nonmajor					
Special revenue funds	-	-	-	518,727	518,727
Debt service funds	-	-	-	417,601	417,601
Total fund balances	<u>2,392,186</u>	<u>959,106</u>	<u>437,467</u>	<u>1,167,542</u>	<u>4,956,301</u>
Total liabilities and fund balances	<u>\$ 2,973,844</u>	<u>\$ 1,045,628</u>	<u>\$ 2,630,326</u>	<u>\$ 1,920,593</u>	<u>\$ 8,570,391</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WALKER

RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS

JUNE 30, 2010

Fund balances - total governmental funds	\$ 4,956,301
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because	
Capital assets used in governmental activities and the net pension asset are not current financial resources and therefore are not reported in the funds.	
Add - land	2,820,745
Add - construction in progress	380,601
Add - capital assets (net of accumulated depreciation)	71,414,317
Add - net pension asset	231,016
Certain assets are not due and receivable in the current period and therefore are offset with deferred revenue in the funds.	
Add - long-term deferred receivables	641,465
Internal service funds are used by management to charge the costs of centralized services, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities.	
Add - net assets of governmental activities accounted for in the internal service funds	2,187,438
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - compensated absences payable	(1,372,968)
Deduct - other post employment benefits liability	(862,538)
Deduct - bonds payable	(12,845,000)
Add - unamortized bond premium and refunding costs	139,720
Deduct - accrued interest on bonds payable	<u>(81,070)</u>
Net assets of governmental activities	<u>\$ 67,610,027</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WALKER
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Major Streets</u>	<u>Improvement Revolving</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues					
Taxes	\$ 9,213,067	\$ -	\$ -	\$ -	\$ 9,213,067
Intergovernmental revenues					
State	1,427,597	1,121,672	-	374,673	2,923,942
Local	268,564	-	-	81,255	349,819
Licenses and permits	289,230	-	-	-	289,230
Charges for services	168,004	-	-	1,365,482	1,533,486
Fines	811,696	-	-	-	811,696
Special assessments	-	-	46,520	91,532	138,052
Investment earnings	18,201	1,186	3,305	33,154	55,846
Donations	34,718	-	-	-	34,718
Miscellaneous	140,501	-	-	4,763	145,264
Total revenues	<u>12,371,578</u>	<u>1,122,858</u>	<u>49,825</u>	<u>1,950,859</u>	<u>15,495,120</u>
Expenditures					
Current					
Judicial	853,499	-	-	-	853,499
General government	2,078,219	-	-	-	2,078,219
Public safety	5,957,734	-	-	94,356	6,052,090
Public works	543,862	1,430,029	379,852	667,031	3,020,774
Culture and recreation	402,413	-	-	1,215,087	1,617,500
Planning and economic development	121,762	-	-	-	121,762
Other	689,728	-	-	-	689,728
Debt service					
Principal	-	115,000	-	945,030	1,060,030
Interest	-	60,310	-	505,503	565,813
Total expenditures	<u>10,647,217</u>	<u>1,605,339</u>	<u>379,852</u>	<u>3,427,007</u>	<u>16,059,415</u>
Revenues over (under) expenditures	<u>1,724,361</u>	<u>(482,481)</u>	<u>(330,027)</u>	<u>(1,476,148)</u>	<u>(564,295)</u>
Other financing sources (uses)					
Debt issuance	-	825,000	-	-	825,000
Transfers in	-	281,794	-	2,271,187	2,552,981
Transfers out	<u>(1,877,450)</u>	<u>-</u>	<u>-</u>	<u>(675,531)</u>	<u>(2,552,981)</u>
Total other financing sources (uses)	<u>(1,877,450)</u>	<u>1,106,794</u>	<u>-</u>	<u>1,595,656</u>	<u>825,000</u>
Net changes in fund balances	(153,089)	624,313	(330,027)	119,508	260,705
Fund balances, beginning of year	<u>2,545,275</u>	<u>334,793</u>	<u>767,494</u>	<u>1,048,034</u>	<u>4,695,596</u>
Fund balances, end of year	<u>\$ 2,392,186</u>	<u>\$ 959,106</u>	<u>\$ 437,467</u>	<u>\$ 1,167,542</u>	<u>\$ 4,956,301</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WALKER

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

Net changes in fund balances - total governmental funds	\$ 260,705
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Amounts reported for *governmental activities* in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	960,586
Deduct - depreciation expense	(2,556,989)

Contract receivables and the net pension asset are long-term in nature and related revenues or benefits are recognized in future years. However the current years receipts are reflected as revenues on the fund statements.

Deduct - payments on long-term receivables	(96,939)
Deduct - change in net pension asset	(4,328)

Bond or note proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond or note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on debt	1,060,030
Deduct - debt issuance	(825,000)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct - increase in compensated absences	(14,919)
Deduct - increase in other post employments benefits liability	(438,984)
Add - decrease in accrued interest	4,754
Deduct - amortization of bond issuance costs	(14,022)

Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.

Deduct - decrease in net assets from the internal service funds	<u>43,588</u>
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Change in net assets of governmental activities	<u>\$ (1,621,518)</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF WALKER

CAPITAL EQUIPMENT REPLACEMENT INTERNAL SERVICE FUND STATEMENT OF NET ASSETS

JUNE 30, 2010

Assets

Current assets	
Cash and pooled investments	\$ 451,375
Inventory	<u>51,915</u>
Total current assets	<u>503,290</u>
Non-current assets	
Capital assets	
Vehicles	5,798,728
Less accumulated depreciation	<u>(3,812,812)</u>
Total non-current assets	<u>1,985,916</u>
Total assets	<u>2,489,206</u>

Liabilities

Current liabilities	
Accounts payable	15,111
Accrued liabilities	8,262
Current portion of notes payable	<u>59,705</u>
Total current liabilities	<u>83,078</u>
Long-term liabilities	
Compensated absences	23,511
Notes payable, net of current portion	<u>195,179</u>
Total long-term liabilities	<u>218,690</u>
Total liabilities	<u>301,768</u>

Net assets

Invested in capital assets net of related debt	1,731,032
Unrestricted	<u>456,406</u>
Total net assets	<u>\$ 2,187,438</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WALKER

CAPITAL EQUIPMENT REPLACEMENT INTERNAL SERVICE FUND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2010

Operating revenue	
Charges for services	\$ 904,540
Other	<u>3,064</u>
Total operating revenue	<u>907,604</u>
Operating expense	
Personnel costs	228,364
Operating supplies and expenses	46,204
Repair and maintenance	85,861
Gas and oil	165,535
Other expenses	1,514
Depreciation	<u>338,605</u>
Total operating expense	<u>866,083</u>
Operating income (loss)	<u>41,521</u>
Non-operating revenue (expense)	
Interest income	1,578
Gain on sale of capital assets	12,862
Interest expense	<u>(12,373)</u>
Total non-operating revenue (expense)	<u>2,067</u>
Changes in net assets	43,588
Net assets, beginning of year	<u>2,143,850</u>
Net assets, end of year	<u>\$ 2,187,438</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WALKER

CAPITAL EQUIPMENT REPLACEMENT INTERNAL SERVICE FUND STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2010

Cash flows from operating activities	
Receipts from internal services provided	\$ 911,246
Payments to employees	(246,149)
Payments to suppliers	<u>(283,175)</u>
Net cash provided by (used in) operating activities	<u>381,922</u>
Cash flows from capital and related financing activities	
Proceeds from sale of capital assets	20,524
Interest expense	(13,505)
Principal payment on installment notes	(57,211)
Acquisitions of capital assets	<u>(238,918)</u>
Net cash provided by (used in) capital and related financing activities	<u>(289,110)</u>
Cash flows from investing activities	
Interest income	<u>1,578</u>
Net increase (decrease) in cash and pooled investments	94,390
Cash and pooled investments, beginning of year	<u>356,985</u>
Cash and pooled investments, end of year	<u>\$ 451,375</u>
Cash flows from operating activities	
Operating income (loss)	\$ 41,521
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation	338,605
Change in operating assets and liabilities which provided (used) cash	
Accounts receivable	3,642
Inventory	17,730
Accounts payable	5,399
Accrued liabilities	(1,007)
Due to other funds	(7,190)
Compensated absences	<u>(16,778)</u>
Net cash provided by (used in) operating activities	<u>\$ 381,922</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WALKER
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2010

	Other Post Employment Benefits <u>Trust Fund</u>	Agency Funds
Assets		
Cash and pooled investments	\$ 12,585	\$ 714,202
Accrued interest	<u>-</u>	<u>153</u>
Total assets	<u>12,585</u>	<u>\$ 714,355</u>
 Liabilities		
Accounts payable	-	\$ 17,408
Due to other funds	-	82,114
Deposits	-	450,957
Due to other governmental units	<u>-</u>	<u>163,876</u>
Total liabilities	<u>-</u>	<u>\$ 714,355</u>
 Net assets		
Invested in capital assets net of related debt	<u>\$ 12,585</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF WALKER
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

	Other Post Employment Benefits Trust Fund
Additions	
Contributions	
City contributions	\$ 90,000
Investment earnings	
Interest	<u>2,585</u>
Total additions	92,585
Deductions	
Health insurance premiums paid	<u>80,000</u>
Changes in net assets	12,585
Net assets, beginning of year	<u>-</u>
Net assets, end of year	<u><u>\$ 12,585</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Walker, Michigan (the "City") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

These financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations, so data from these entities are combined with data of the primary government. Discretely presented component units are reported in a separate column in the financial statements to emphasize they are legally separate from the City.

Blended Component Units

The 59th District Court has been blended into the General Fund of the City's financial statements. Although the Court operates under the direction of the district judge, it is reported as if it was part of the primary government because of the fiduciary responsibility the City retains relative to the operations of the Court.

The City of Walker Building Authority is governed by a five-member board that is appointed by the City Commission. Although it is legally separate from the City, it is reported as if it was part of the primary government because its primary purpose is to construct and finance the construction of the City's public buildings.

Discretely Presented Component Units

The component unit columns in the government-wide financial statements include the financial data of the Downtown Development Authority (DDA) and the Brownfield Redevelopment Authority. These component units provide services to the businesses located within the districts. They are reported in a separate column to emphasize they are legally separate from the City.

The City of Walker Downtown Development Authority is responsible for the improvement and ongoing maintenance and debt service of the Downtown Development Improvement District. The Authority's governing body, which consists of ten individuals, is selected by the City Commission. Separate financial statements are not prepared for the Downtown Development Authority.

The City of Walker Brownfield Redevelopment Authority was created to account for the redevelopment of environmentally contaminated and other underutilized sites within the City. The Authority's governing body, which consists of five individuals, is selected by the City Commission. Separate financial statements are not prepared for the Brownfield Redevelopment Authority.

The budgets of these Authorities must be approved by the City Commission, and the City has the ability to significantly influence their operations. Financial statements are not separately issued for the component units.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are changes between internal service functions and other various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The City does not have any business-type activities. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the internal service fund are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants and interest which use a one year collection period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

Property taxes, income tax, state revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's internal service fund are charges to City departments for shared costs and equipment utilization. Operating expenses for the internal fund includes the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *Major Streets Special Revenue Fund* accounts for the receipt and expenditures of state shared fuel and weight taxes allocated to major streets within the City.

The *Improvement Revolving Special Revenue Fund* accounts for the resources of special assessment proceeds that are used for improvements on special assessment districts.

The City reports the following internal service fund:

The *Capital Equipment Replacement Internal Service Fund* is used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the City or to other governments, primarily on a cost of reimbursements basis. The Capital Equipment Replacement Fund rents vehicles and equipment to the police, fire and public works departments.

Additionally, the City reports the following fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The various *Debt Service Funds* account for the collections of special assessments and contributions from benefiting city funds to be used in retiring the outstanding long-term debt of the City.

The *Agency Funds* are used to account for assets held in an agency capacity on behalf of outside parties, including other governments.

Private-sector standards for accounting and financial reporting issued prior to December 1, 1989, generally are followed on the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resource as they are needed.

Budgets and Budgetary Accounting

Comparisons to budget are presented for the general and special revenue funds. General and special revenue funds adopt a legal budget with remaining funds maintaining budgets as a management control device. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the first City Commission meeting in May, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following July 1. The operating budget is adopted by activity.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed for the governmental fund types as a management control device.
5. Budgets for the general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual appropriations lapse at fiscal year end.
6. Adoption and amendments of all budgets used by the City are governed by Michigan state law. The appropriations resolution is based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Michigan law. Any revisions that alter the total expenditures of any activity must be approved by the City Commission. The City Manager is authorized to transfer budgeted amounts within an activity subject to the condition that the total expenditures do not exceed the approved appropriations by activity. Thus the legal level of budgetary control is at the activity level. Supplemental appropriations were necessary during the year.

Cash and Pooled Investments

For the purpose of the statement of cash flows, the City considers cash and pooled investments to be cash and cash equivalents because the pooling of these balances allows for withdrawal of these balances at any time similar to a demand deposit account.

City investment policy allows for all investment authorized by State statutes. State statutes authorize the City to invest in:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended.

Receivables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances are immaterial to the financial statements.

Special Assessments Receivable

Special assessments receivable consist of long-term receivables from customers and benefited parties for various infrastructure improvement projects.

Inventory and Prepaid Items

All inventories are valued at original cost using the first-in/first-out (FIFO) method. Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include land, construction in progress, buildings and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities columns in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 (infrastructure utilizes \$10,000 or more) and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The amount reported for infrastructure includes only assets added since 1945.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

Depreciation on capital assets (including infrastructure) is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Infrastructure	5-50
Land improvements	5-30
Buildings and improvements	7-40
Vehicles	2-5
Office furnishings	5-7
Other tools and equipment	5-20

Deferred Revenue

Funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the funds were as follows:

Governmental funds	
Special assessments receivable	\$2,794,344
Less earned portion of special assessments	<u>641,465</u>
Unearned revenue – government-wide statements	<u>\$2,152,879</u>

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and proprietary fund type statements of net assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Compensated Absences

Under contracts negotiated with employee groups, individual employees have a vested right to receive payments for unused vacation paid time off (PTO) upon termination, and for accumulated sick leave upon retirement under formulas and conditions specified in the contracts. Accumulated compensated absences of governmental funds are recorded on the statement of net assets and not on the governmental fund balance sheets because the balance is not expected to be liquidated with expendable available financial resources. Compensated absences are generally liquidated by general fund resources when they are due. Amounts accumulated for proprietary funds are reported on the statements of net assets of the internal service fund.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

Property Taxes

City property taxes are attached as an enforceable lien on property as of December 31. Summer taxes are levied July 1 and are due without penalty on or before September 14. Winter taxes are levied December 1 and are due without penalty on or before February 14. Tax bills include the City's own property taxes and taxes billed on behalf of other taxing units. Real property taxes not collected as of March 1 are turned over to the applicable county for collection, which advances the City 100% of the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer. Taxes collected on behalf of other taxing units are accounted for in the agency funds. Property taxes levied in July of each year are recognized as revenue in the year in which they are levied.

Income Taxes

The City has a local income tax for all city residents, businesses, and individuals working in the City. Income taxes receivable represents estimated income taxes for wages and profits through June 30, 2010 net of estimated refunds.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed. Remaining transactions are generally reflected as transfers.

2. DEFICIT FUND BALANCE/NET ASSETS

At June 30, 2010 the Downtown Development Authority general fund reports a deficit fund balance of \$11,881, and the Brownfield Redevelopment Authority reports a deficit in its net assets of \$118,139.

3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgeted funds have been shown on a functional basis. The approved budgets of the City for these budgeted funds were adopted at the activity level.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

During the year ended June 30, 2010, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General fund			
General government			
Treasurer	\$ 114,688	\$ 114,708	\$ (20)
City clerk	161,250	169,478	(8,228)
Public works			
Street lighting	238,000	238,566	(566)
Culture and recreation			
Parks	286,626	290,129	(3,503)
Other			
Property and liability insurance	150,000	150,390	(390)
Other unclassified expenditures	400,280	407,432	(7,152)
Special revenue funds			
Improvement revolving fund			
Public works	20,000	379,852	(359,852)
Major streets fund			
Debt service interest	59,800	60,310	(510)
Ice and fitness program fund			
Debt service interest	6,950	7,734	(784)
Downtown Development Authority			
DDA general fund			
Debt service interest	115,460	115,959	(499)
Brownfield Redevelopment Authority			
Brownfield general fund			
Return of tax increment	-	172,507	(172,507)
Debt service principal	-	26,163	(26,163)
Debt service interest	-	3,737	(3,737)

4. CASH AND POOLED INVESTMENTS

The captions on the financial statements relating to cash and pooled investments are as follows:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Agency Funds</u>	<u>Total</u>
Cash and pooled investments	\$3,978,205	\$145,431	\$714,202	\$4,837,838

The deposits are in financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the City and a specific fund or common account. They are recorded in City records at fair value. Interest is recorded when earned.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require, and the City does not have, a policy for deposit custodial credit risk. As of year-end, \$3,212,451 of the City's bank balance of \$4,891,231 was exposed to custodial credit risk because the balance was uninsured and uncollateralized.

Investments

The City chooses to disclose its investments by specifically identifying each. As of year-end, the City had the following deposits and investments:

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
Mutual fund accounts	N/A	\$416,011	Unrated	N/A

The above investments do not include certificates of deposit which are classified as deposits for risk identification purposes.

Investment and deposit risk

Interest Rate Risk. State law and City policy limit the allowable investments and the maturities of some of the allowable investments as identified in Note 1, the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note 1, the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment is identified above for investments held at year end.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. Of the above mutual fund investments the City's custodial credit risk exposure cannot be determined because the mutual funds do not consist of specifically identifiable securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1, the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

5. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables of individual funds at June 30, 2010 were as follows:

<u>Receivable fund</u>	<u>Payable fund</u>		<u>Total</u>
	<u>Agency funds</u>	Nonmajor governmental <u>funds</u>	
General fund	\$82,114	\$ 4,272	\$86,386

Interfund balances reflect loans made from funds with cash and pooled investments to those funds requiring temporary cash flow.

6. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2010 are as follows:

<u>Transfers out</u>	<u>Transfers in</u>		<u>Total</u>
	<u>Major streets fund</u>	Nonmajor governmental <u>funds</u>	
General fund	\$281,794	\$1,595,656	\$1,877,450
Nonmajor governmental funds		675,531	675,531
Total	\$281,794	\$2,271,187	\$2,552,981

Transfers are used to (1) move unrestricted revenues collected in the General Fund to finance capital and other various programs accounted for in other funds in accordance with budgetary authorizations and (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

7. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 2,820,745	\$ -	\$ -	\$ 2,820,745
Construction in progress	109,117	274,580	(3,096)	380,601
Total capital assets, not being depreciated	2,929,862	274,580	(3,096)	3,201,346
Capital assets, being depreciated				
Land improvements	1,898,722	98,854	-	1,997,572
Buildings and improvements	21,138,543	-	-	21,138,543
Vehicles	1,027,532	66,395	(118,345)	975,582
Other tools and equipment	7,586,929	242,146	(14,615)	7,814,460
Office furnishings	882,641	107,121	-	989,762
Infrastructure	82,639,684	413,504	-	83,053,188
Total capital assets, being depreciated	115,174,051	928,020	(132,960)	115,969,111
Less accumulated depreciation for				
Land improvements	1,011,740	102,161	-	1,113,901
Buildings and improvements	7,442,601	530,651	-	7,973,252
Vehicles	829,094	114,600	(110,683)	833,011
Other tools and equipment	5,008,595	367,341	(14,616)	5,361,321
Office furnishings	543,502	64,120	-	607,622
Infrastructure	24,963,051	1,716,721	-	26,679,772
Total accumulated depreciation	39,798,583	2,895,594	(125,299)	42,568,875
Net capital assets, being depreciated	75,375,468	(1,967,574)	(7,661)	73,400,232
Governmental Activities capital assets, net	\$ 78,305,330	\$(1,692,994)	\$ (10,757)	\$76,601,579

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

Capital asset activity for the Downtown Development Authority (DDA) and the Brownfield Redevelopment Authority for the year ended June 30, 2010 was as follows:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
Component units				
Capital assets not being depreciated				
Land	\$1,463,159	\$ -	\$ -	\$1,463,159
Capital assets being depreciated				
Land improvements	55,839	-	-	55,839
Infrastructure	220,962	-	-	220,962
Buildings	2,516,680	-	-	2,516,680
Office furnishings	58,193	15,199	-	73,392
Total capital assets being depreciated	<u>2,851,674</u>	<u>15,199</u>	<u>-</u>	<u>2,866,873</u>
Less accumulated depreciation for				
Land improvements	17,448	2,975	-	20,423
Infrastructure	174,716	6,270	-	180,986
Buildings	188,751	62,917	-	251,668
Office furnishings	6,830	4,554	-	11,384
Total accumulated depreciation	<u>387,745</u>	<u>76,716</u>	<u>-</u>	<u>464,461</u>
Net capital assets, being depreciated	<u>2,463,929</u>	<u>(61,517)</u>	<u>-</u>	<u>2,402,412</u>
Component Units capital assets, net	<u>\$3,927,088</u>	<u>\$ (61,517)</u>	<u>\$ -</u>	<u>\$3,865,571</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General government	\$ 178,426
Public safety	164,093
Public works	1,833,314
Culture and recreation	258,238
Judicial	122,918
Capital assets held by the governments internal service fund are charged to the various functions based on their usage of the assets	<u>338,605</u>
Total depreciation expense - governmental activities	<u>\$2,895,594</u>

8. PENSION PLANS

Defined Contribution Pension Plan

The City of Walker provides pension benefits to substantially all of its full-time employees hired after July 1, 2005 through a defined contribution plan administered by ICMA. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The City contributes 10 percent of employees' eligible earnings, as defined in the plan document which may be amended by the City Commission. In accordance with these requirements, the City contributed \$309,136 during the year ended June 30, 2010. In addition, employee contributions amounted to \$57,038 during the year ended June 30, 2010.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

Defined Benefit Plan

Plan Description

As of July 1, 2006 the City began participating in the Municipal Employees Retirement System of Michigan (MERS), an agent multi-employer defined benefit pension plan providing retirement, death and disability benefits. The System is administered by the MERS retirement board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917.

Only non-union employees hired prior to January 1, 1999 and union employees hired prior to July 1, 2005 participate in the defined benefit plan. The City is required to contribute at an actuarially determined rate, which for the current year was 39.7%, 16.7%, or 22.1% of annual covered payroll depending on participating division. Certain bargaining units are required to contribute 1% percent of gross wages to the Plan. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by labor agreements.

For the year ended June 30, 2010, the City's annual pension cost totaled \$680,372, actual contributions made by the City totaled \$676,044 which was equal to the City's required contribution of \$676,044 for MERS. The required contribution was determined as part of the December 31, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8%; and (b) projected salary increases of 4.5% per year (2% per year for calendar years 2010 – 2014) compounded annually based on inflation, plus from 0% to 8.4% based on an age-related scale to reflect merit, longevity and promotional salary increases. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The difference in investment income between expected return and market return is recognized over a 10-year period at the rate of 10% per year. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2009, the date of the latest actuarial valuation, was 28 years.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

The required schedule of funding progress immediately following the notes to the financial statements presents multi year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities of benefits.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
6/30/08	\$581,906	120%	\$(239,752)
6/30/09	676,540	99%	(235,344)
6/30/10	680,372	99%	(231,016)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio Total	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
12/31/09	\$9,878,834	\$17,065,746	\$7,186,912	58%	\$2,580,860	278%

The City's annual pension cost and net pension asset for the current year are as follows:

Actuarially determined contribution	\$676,044
Interest on net pension asset	18,828
Adjustment to actuarially determined contribution	<u>(14,500)</u>
Annual pension cost	680,372
Contributions made	<u>676,044</u>
Decrease in net pension asset	(4,328)
Net pension asset, beginning of year	<u>235,344</u>
Net pension asset, end of year	<u><u>\$231,016</u></u>

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

9. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2010:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>	<u>Due Within One Year</u>
Governmental Activities					
2004 Road Improvement Michigan Transportation Fund Bonds (LTGO), due in annual installments of \$60,000 to \$115,000 through June 1, 2019; interest at 3.35% to 4.55%.	\$940,000	\$ -	\$ 75,000	\$ 865,000	\$ 80,000
2006 Road Improvement Michigan Transportation Funds Bonds (LTGO), due in annual installments of \$35,000 to \$55,000 through June 1, 2019; interest at 3.90% to 4.55%.	475,000	-	40,000	435,000	40,000
1999 Building Improvement Building Authority Bonds (LTGO), due in annual installments of \$340,000 to \$380,000 through May 1, 2010; interest at 5.20%.	380,000	-	380,000	-	-
2005 Building Authority Refunding Bonds (LTGO), due in annual installments of \$25,000 to \$650,000 through May 1, 2020; interest at 3.125% to 5.00%	5,265,000	-	25,000	5,240,000	425,000
2006 Building Authority Refunding Bonds (LTGO), due in annual installments of \$430,000 to \$650,000 through May 1, 2018; interest at 3.75% to 5.00%.	4,935,000	-	460,000	4,475,000	480,000
2008 Special Assessment Bonds, due in annual installments of \$40,000 to \$45,000 through April 1, 2017; interest at 3.2% to 4.1%.	360,000	-	45,000	315,000	45,000

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>	<u>Due Within One Year</u>
Installment note payable for 2007 Fire Equipment, payable in annual installments of \$49,075 through December 1, 2013; including interest at 4.34%.	\$ 216,435	\$ -	\$ 39,723	\$ 176,712	\$ 41,414
Installment note payable for 2008 equipment, due in annual installments of \$21,679 through May 1, 2014; including interest at 4.34%.	95,660	-	17,488	78,172	18,291
Equipment Installment note payable, due in monthly installments of \$1,199 through August 2012; including interest at 17%.	35,030	-	35,030	-	-
2009 Special Assessment Bonds, due in annual installments of \$45,000 to \$55,000 through October 1, 2023; interest at 1.95% to 4.30%.	690,000	-	-	690,000	55,000
2010 Transportation Fund Bonds, due in annual installments of \$80,000 to \$105,000 through June 1, 2019; interest at 2.0% to 3.2%.	-	825,000	-	825,000	80,000
Total	13,392,125	825,000	1,117,241	13,099,884	1,264,705
Other post employment benefits	423,554	560,889	121,905	862,538	-
Accrued compensated absences	1,398,338	-	1,859	1,396,479	-
Total Governmental Activities	\$15,214,017	\$1,385,889	\$1,241,005	\$15,358,901	\$1,264,705

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>	<u>Due Within One Year</u>
Component Units					
2004 Downtown Improvement DDA Bonds (LTGO), due in annual installments of \$30,000 to \$55,000 through May 1, 2020; interest at 2.30% to 4.30%.	\$ 480,000	\$ -	\$ 35,000	\$ 445,000	\$ 35,000

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>	<u>Due Within One Year</u>
2006 Downtown Improvement DDA Bonds (LTGO), due in annual installments of \$100,000 to \$190,000 through May 1, 2023; interest at 4.00% to 4.125%.	\$2,055,000	\$ -	\$ 110,000	\$1,945,000	\$115,000
2004 Brownfield Redevelopment DEQ, due in annual installments of \$29,900 through March 10, 2015; including interest at 2.25%.	166,079	-	26,163	139,916	26,752
2007 Brownfield Redevelopment DEQ, due in annual installments of \$100,174 beginning February 2012 through February 5, 2022; including interest at 2.00%.	1,000,000	-	-	1,000,000	-
2005 DDA Property Purchase, due in monthly installments of \$1,120 through December 1, 2012; including interest at 6.98%.	105,942	-	6,139	99,803	6,674
Installment note payable for 2004 DDA Property Purchase, payable in annual installments of \$25,000 to \$45,000 through November 1, 2011; interest at 4.55%.	120,000	-	35,000	85,000	40,000
Total Component Units	<u>\$3,927,021</u>	<u>\$ -</u>	<u>\$212,302</u>	<u>\$3,714,719</u>	<u>\$223,426</u>

The annual requirements to amortize all debt outstanding (excluding other post employment benefits and accrued compensated absences) as of June 30, 2010 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Component Units</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 1,264,705	\$ 551,956	\$ 223,426	\$ 111,003
2012	1,317,296	497,641	339,682	102,347
2013	1,354,999	441,686	361,037	115,008
2014	1,412,884	386,563	282,421	96,255
2015	1,410,000	321,387	294,740	86,105
2016-2020	6,160,000	683,612	1,468,919	290,607
2021-2023	180,000	15,163	744,494	51,846
Total	<u>\$13,099,884</u>	<u>\$2,898,008</u>	<u>\$3,714,719</u>	<u>\$853,171</u>

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

10. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees (workers' compensation); medical benefits provided to employees; and natural disasters. The City has purchased commercial insurance to cover risks of losses for all of these areas except workers compensation. The City participates in the Michigan Municipal League (MML) risk pool program for claims relating to workers' compensation. The City has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

The MML risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

11. OTHER POST EMPLOYMENT BENEFITS

The City administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The plan provides single coverage health insurance premiums paid at 90%, and dental insurance premiums paid at 100% for retirees from retirement until age 65 at which time the Plan covers medicare supplemental premiums until death of the employee. Benefit provisions are established through policy and available to all full time employees. The City makes 100% of the premium payment to the plan and receives reimbursement for 10% of the health premium plus optional spousal coverage. The Retiree Health Plan does not issue a publicly available financial report. During the year ended June 30, 2010, The City passed a resolution and adopted a legal trust for the plan.

The City's contribution is based on pay-as-you-go financing requirements. The City is currently funding the plan by paying the current insurance premiums due along with any additional amounts budgeted into the trust. For the current year the annual required contribution (ARC) was \$568,444 while actual contributions were \$121,905.

The City's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of generally accepted accounting principles. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The first actuarial valuation of the Retiree Health Plan was performed as of July 1, 2008. Fiscal year 2009 was the first year for which an actuarially required contribution (ARC) has been determined. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City OPEB obligation to the plan.

Annual required contribution	\$568,444
Interest on Net OPEB obligation	16,942
Adjustment to annual required contribution	(24,497)
Annual OPEB cost (expense)	560,889
Contribution made	121,905
Increase in net OPEB obligation	438,984
Net OPEB obligation, beginning of year	423,554
Net OPEB obligation, end of year	<u>\$862,538</u>

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Required</u> <u>Contribution (ARC)</u>	<u>Percentage of ARC</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/09	\$546,091	22%	\$423,554
6/30/10	568,444	21%	862,538

Schedule of Funding Progress

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Market</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability (AAL)</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>Total</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>((b-a)/c)</u>
7/1/09	\$ -	\$5,058,695	\$5,058,695	0%	\$5,005,848	97%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

In the July 1, 2008, actuarial valuation, the projected unit credit actuarial cost method, level dollar, open amortization method, and an amortization period of 30 years were utilized. The actuarial assumptions included a 0% return on plan net assets as the plan is not funded, a discount rate of 4%, and a healthcare inflation factor of 9% graded to 5% in 2012.

12. PROPERTY TAX APPEALS

In the normal course of its operations, the City has become a party in various legal actions, including property tax appeals. Management of the City is of the opinion that the outcome of such actions will not have a material effect on the financial position of the City. Amounts reserved for losses related to legal actions have not been included as a liability in the financial statements.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF WALKER

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Income taxes	\$ 8,000,000	\$ 7,050,000	\$ 7,422,277	\$ 372,277
Property taxes	1,788,800	1,788,800	1,790,790	1,990
Intergovernmental revenues				
State	1,522,807	1,400,000	1,427,597	27,597
Cable franchise fees	190,000	260,000	268,564	8,564
Licenses and permits	319,350	294,350	289,230	(5,120)
Charges for services	188,026	186,026	168,004	(18,022)
Fines	775,000	775,000	811,696	36,696
Donations	20,000	20,000	34,718	14,718
Investment earnings	80,000	25,000	18,201	(6,799)
Miscellaneous	106,460	147,372	140,501	(6,871)
Total revenues	<u>12,990,443</u>	<u>11,946,548</u>	<u>12,371,578</u>	<u>425,030</u>
Expenditures				
Current				
Judicial	806,265	880,150	853,499	26,651
General government	2,164,685	2,158,747	2,078,219	80,528
Public safety	6,249,079	6,099,119	5,957,734	141,385
Public works	557,162	575,679	543,862	31,817
Culture and recreation	419,482	413,940	402,413	11,527
Planning and economic development	130,814	127,380	121,762	5,618
Other	683,980	685,712	689,728	(4,016)
Total expenditures	<u>11,011,467</u>	<u>10,940,727</u>	<u>10,647,217</u>	<u>293,510</u>
Revenues over (under) expenditures	1,978,976	1,005,821	1,724,361	718,540
Other financing sources (uses)				
Transfers out	(2,266,437)	(1,870,934)	(1,877,450)	(6,516)
Net changes in fund balance	(287,461)	(865,113)	(153,089)	712,024
Fund balance, beginning of year	<u>2,545,275</u>	<u>2,545,275</u>	<u>2,545,275</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,257,814</u>	<u>\$ 1,680,162</u>	<u>\$ 2,392,186</u>	<u>\$ 712,024</u>

CITY OF WALKER

**MAJOR STREETS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
State	\$ 1,069,350	\$ 1,069,350	\$ 1,121,672	\$ 52,322
Investment earnings	2,000	2,000	1,186	(814)
Total revenues	<u>1,071,350</u>	<u>1,071,350</u>	<u>1,122,858</u>	<u>51,508</u>
Expenditures				
Current				
Public works	4,802,325	2,003,344	1,430,029	573,315
Debt service				
Principal	115,000	115,000	115,000	-
Interest	389,800	59,800	60,310	(510)
Total expenditures	<u>5,307,125</u>	<u>2,178,144</u>	<u>1,605,339</u>	<u>572,805</u>
Revenues over (under) expenditures	<u>(4,235,775)</u>	<u>(1,106,794)</u>	<u>(482,481)</u>	<u>624,313</u>
Other financing sources				
Debt issuance	3,600,000	825,000	825,000	-
Transfers in	635,775	292,224	281,794	(10,430)
Total other financing sources (uses)	<u>4,235,775</u>	<u>1,117,224</u>	<u>1,106,794</u>	<u>(10,430)</u>
Net changes in fund balance	-	10,430	624,313	613,883
Fund balance, beginning of year	<u>334,793</u>	<u>334,793</u>	<u>334,793</u>	<u>-</u>
Fund balance, end of year	<u>\$ 334,793</u>	<u>\$ 345,223</u>	<u>\$ 959,106</u>	<u>\$ 613,883</u>

CITY OF WALKER

**IMPROVEMENT REVOLVING FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessment	\$ -	\$ -	\$ 46,520	\$ 46,520
Investment earnings	5,000	5,000	3,305	(1,695)
Total revenues	5,000	5,000	49,825	44,825
Expenditures				
Current				
Public works	20,000	20,000	379,852	(359,852)
Net changes in fund balance	(15,000)	(15,000)	(330,027)	(315,027)
Fund balance, beginning of year	767,494	767,494	767,494	-
Fund balance, end of year	<u>\$ 752,494</u>	<u>\$ 752,494</u>	<u>\$ 437,467</u>	<u>\$ (315,027)</u>

CITY OF WALKER

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2010

**MERS DEFINED BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2007	\$ 9,454,047	\$ 16,254,008	\$ 6,799,961	58.2%	\$ 2,616,082	259.9%
12/31/2008	9,654,688	17,044,803	7,390,115	56.6%	2,621,098	281.9%
12/31/2009	9,878,834	17,065,746	7,186,912	57.9%	2,580,860	278.5%

**RETIREE HEALTH OTHER POST EMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2009	\$ -	\$ 5,058,695	\$ 5,058,695	0.00%	\$ 5,005,648	101.06%

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Basis of Accounting

Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Appropriations lapse at year end.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

CITY OF WALKER
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Income taxes	\$ 8,000,000	\$ 7,050,000	\$ 7,422,277	\$ 372,277
Real and personal property taxes	1,389,900	1,389,900	1,389,708	(192)
Payments in lieu of tax	900	900	857	(43)
Collection fees	<u>398,000</u>	<u>398,000</u>	<u>400,225</u>	<u>2,225</u>
Total taxes	<u>9,788,800</u>	<u>8,838,800</u>	<u>9,213,067</u>	<u>374,267</u>
Licenses and permits				
Business	34,910	34,910	30,785	(4,125)
Nonbusiness	270,440	245,440	242,243	(3,197)
Liquor license fees	<u>14,000</u>	<u>14,000</u>	<u>16,202</u>	<u>2,202</u>
Total licenses and permits	<u>319,350</u>	<u>294,350</u>	<u>289,230</u>	<u>(5,120)</u>
Intergovernmental - state				
State-shared revenue	1,500,000	1,400,000	1,427,597	27,597
State grants	<u>22,807</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total state sources	<u>1,522,807</u>	<u>1,400,000</u>	<u>1,427,597</u>	<u>27,597</u>
Cable franchise fees	<u>190,000</u>	<u>260,000</u>	<u>268,564</u>	<u>8,564</u>
Charges for services				
Planning and zoning fees	34,350	32,350	23,344	(9,006)
Recreation fees	78,676	78,676	69,660	(9,016)
Dispatch fees	45,000	45,000	45,000	-
Administrative fees	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Total charges for services	<u>188,026</u>	<u>186,026</u>	<u>168,004</u>	<u>(18,022)</u>
Fines				
Ordinance fines	<u>775,000</u>	<u>775,000</u>	<u>811,696</u>	<u>36,696</u>
Interest and rentals	<u>80,000</u>	<u>25,000</u>	<u>18,201</u>	<u>(6,799)</u>
Donations	<u>20,000</u>	<u>20,000</u>	<u>34,718</u>	<u>14,718</u>
Other revenue	<u>106,460</u>	<u>147,372</u>	<u>140,501</u>	<u>(6,871)</u>
Total revenues	<u>\$ 12,990,443</u>	<u>\$ 11,946,548</u>	<u>\$ 12,371,578</u>	<u>\$ 425,030</u>

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CITY OF WALKER
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2010

Expenditures	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Current				
Judicial				
District court	\$ 806,265	\$ 880,150	\$ 853,499	\$ 26,651
General government				
City Commission	101,290	100,719	95,533	5,186
City managers office	563,731	557,167	556,518	649
Elections	28,900	28,900	24,896	4,004
Finance department	126,494	119,765	115,210	4,555
Treasurer	117,910	114,688	114,708	(20)
Income tax	334,897	334,775	322,478	12,297
City assessor	238,779	238,756	238,651	105
City clerk	139,155	161,250	169,478	(8,228)
Buildings and grounds	513,529	502,727	440,747	61,980
	2,164,685	2,158,747	2,078,219	80,528
Public safety				
Police department	4,553,788	4,465,421	4,359,268	106,153
Fire department	1,380,244	1,329,076	1,297,983	31,093
Building inspections	315,047	304,622	300,483	4,139
	6,249,079	6,099,119	5,957,734	141,385
Public works				
City engineer	296,415	276,932	263,417	13,515
Drains	60,747	60,747	41,879	18,868
Street lighting	200,000	238,000	238,566	(566)
	557,162	575,679	543,862	31,817
Culture and recreation				
Parks	292,168	286,626	290,129	(3,503)
Recreation	124,814	124,814	111,381	13,433
Museum	2,500	2,500	903	1,597
	419,482	413,940	402,413	11,527
Planning and economic development				
Planning	123,214	119,780	117,098	2,682
Zoning	7,600	7,600	4,664	2,936
	130,814	127,380	121,762	5,618
Other				
Retiree insurance	140,000	135,432	131,906	3,526
Property and liability insurance	160,000	150,000	150,390	(390)
Other unclassified expenses	383,980	400,280	407,432	(7,152)
	683,980	685,712	689,728	(4,016)
Total expenditures	\$ 11,011,467	\$ 10,940,727	\$ 10,647,217	\$ 293,510

CITY OF WALKER

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2010

	<u>Special Revenue</u>			
	<u>Local Streets</u>	<u>Ice and Fitness Program</u>	<u>Special Vice Investigation</u>	<u>Dispatch Training</u>
Assets				
Cash and pooled investments	\$ 64,073	\$ 297,970	\$ 192,379	\$ 9,815
Accounts receivable	-	20,441	-	-
Accrued interest	-	79	133	-
Special assessment receivable	-	-	-	-
Due from other governments	57,949	-	-	-
Inventory	<u>22,334</u>	<u>208,880</u>	-	-
Total assets	<u>\$ 144,356</u>	<u>\$ 527,370</u>	<u>\$ 192,512</u>	<u>\$ 9,815</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 3,263	\$ 73,938	\$ 21,146	\$ -
Accrued liabilities	6,775	14,718	-	-
Due to other funds	4,272	-	-	-
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>14,310</u>	<u>88,656</u>	<u>21,146</u>	<u>-</u>
Fund balances				
Reserved				
Inventory	22,334	208,880	-	-
Unreserved				
Undesignated	<u>107,712</u>	<u>229,834</u>	<u>171,366</u>	<u>9,815</u>
Total fund balances	<u>130,046</u>	<u>438,714</u>	<u>171,366</u>	<u>9,815</u>
Total liabilities and fund balances	<u>\$ 144,356</u>	<u>\$ 527,370</u>	<u>\$ 192,512</u>	<u>\$ 9,815</u>

Debt Service

<u>1996-B</u>	<u>1998/2006</u>	<u>1999/2005</u>	<u>2008</u>	<u>2009 Bonds</u>	<u>Total</u>
\$ 24,523	\$ 844	\$ 1,670	\$ 11,359	\$ 378,794	\$ 981,427
-	-	-	-	-	20,441
-	-	-	-	-	212
-	-	-	321,360	307,990	629,350
-	-	-	-	-	57,949
-	-	-	-	-	<u>231,214</u>
<u>\$ 24,523</u>	<u>\$ 844</u>	<u>\$ 1,670</u>	<u>\$ 332,719</u>	<u>\$ 686,784</u>	<u>\$ 1,920,593</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 98,347
-	-	-	-	-	21,493
-	-	-	-	-	4,272
-	-	-	321,360	307,579	<u>628,939</u>
-	-	-	321,360	307,579	<u>753,051</u>
-	-	-	-	-	231,214
<u>24,523</u>	<u>844</u>	<u>1,670</u>	<u>11,359</u>	<u>379,205</u>	<u>936,328</u>
<u>24,523</u>	<u>844</u>	<u>1,670</u>	<u>11,359</u>	<u>379,205</u>	<u>1,167,542</u>
<u>\$ 24,523</u>	<u>\$ 844</u>	<u>\$ 1,670</u>	<u>\$ 332,719</u>	<u>\$ 686,784</u>	<u>\$ 1,920,593</u>

CITY OF WALKER

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Special Revenue</u>			
	<u>Local Streets</u>	<u>Ice and Fitness Program</u>	<u>Special Vice Investigation</u>	<u>Dispatch Training</u>
Revenues				
Intergovernmental revenues				
State	\$ 374,673	\$ -	\$ -	\$ -
Local	-	-	81,255	-
Charges for services	-	1,365,482	-	-
Special assessments	-	-	-	-
Investment earnings	229	740	1,336	13
Miscellaneous	-	251	-	4,512
Total revenues	<u>374,902</u>	<u>1,366,473</u>	<u>82,591</u>	<u>4,525</u>
Expenditures				
Current				
Public safety	-	-	94,356	-
Public works	667,031	-	-	-
Culture and recreation	-	1,215,087	-	-
Debt service				
Principal	-	35,030	-	-
Interest	-	7,734	-	-
Total expenditures	<u>667,031</u>	<u>1,257,851</u>	<u>94,356</u>	<u>-</u>
Revenues over (under) expenditures	<u>(292,129)</u>	<u>108,622</u>	<u>(11,765)</u>	<u>4,525</u>
Other financing sources (uses)				
Transfers in	305,598	635,531	-	-
Transfers out	-	(675,531)	-	-
Total other financing sources (uses)	<u>305,598</u>	<u>(40,000)</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	13,469	68,622	(11,765)	4,525
Fund balances, beginning of year	<u>116,577</u>	<u>370,092</u>	<u>183,131</u>	<u>5,290</u>
Fund balances, end of year	<u>\$ 130,046</u>	<u>\$ 438,714</u>	<u>\$ 171,366</u>	<u>\$ 9,815</u>

Debt Service

<u>1996-B</u>	<u>1998/2006</u>	<u>1999/2005</u>	<u>2008</u>	<u>2009 Bonds</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 374,673
-	-	-	-	-	81,255
-	-	-	-	-	1,365,482
2,627	-	-	37,353	51,552	91,532
482	70	171	14,711	15,402	33,154
-	-	-	-	-	4,763
<u>3,109</u>	<u>70</u>	<u>171</u>	<u>52,064</u>	<u>66,954</u>	<u>1,950,859</u>
-	-	-	-	-	94,356
-	-	-	-	-	667,031
-	-	-	-	-	1,215,087
-	460,000	405,000	45,000	-	945,030
-	<u>216,288</u>	<u>249,504</u>	<u>13,343</u>	<u>18,634</u>	<u>505,503</u>
-	<u>676,288</u>	<u>654,504</u>	<u>58,343</u>	<u>18,634</u>	<u>3,427,007</u>
<u>3,109</u>	<u>(676,218)</u>	<u>(654,333)</u>	<u>(6,279)</u>	<u>48,320</u>	<u>(1,476,148)</u>
-	675,531	654,527	-	-	2,271,187
-	-	-	-	-	(675,531)
-	<u>675,531</u>	<u>654,527</u>	-	-	<u>1,595,656</u>
3,109	(687)	194	(6,279)	48,320	119,508
<u>21,414</u>	<u>1,531</u>	<u>1,476</u>	<u>17,638</u>	<u>330,885</u>	<u>1,048,034</u>
<u>\$ 24,523</u>	<u>\$ 844</u>	<u>\$ 1,670</u>	<u>\$ 11,359</u>	<u>\$ 379,205</u>	<u>\$ 1,167,542</u>

CITY OF WALKER

**LOCAL STREETS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
State	\$ 380,000	\$ 380,000	\$ 374,673	\$ (5,327)
Investment earnings	1,000	1,000	229	(771)
Total revenues	<u>381,000</u>	<u>381,000</u>	<u>374,902</u>	<u>(6,098)</u>
Expenditures				
Current				
Public works	<u>690,870</u>	<u>686,598</u>	<u>667,031</u>	<u>19,567</u>
Revenues over (under) expenditures	(309,870)	(305,598)	(292,129)	13,469
Other financing source (uses)				
Transfers in	<u>309,870</u>	<u>309,870</u>	<u>305,598</u>	<u>(4,272)</u>
Net changes in fund balance	-	4,272	13,469	9,197
Fund balance, beginning of year	<u>116,577</u>	<u>116,577</u>	<u>116,577</u>	<u>-</u>
Fund balance, end of year	<u>\$ 116,577</u>	<u>\$ 120,849</u>	<u>\$ 130,046</u>	<u>\$ 9,197</u>

CITY OF WALKER

**ICE AND FITNESS PROGRAM FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 1,170,300	\$ 1,293,983	\$ 1,365,482	\$ 71,499
Investment earnings	900	900	740	(160)
Miscellaneous	2,600	2,600	251	(2,349)
Total revenues	<u>1,173,800</u>	<u>1,297,483</u>	<u>1,366,473</u>	<u>68,990</u>
Expenditures				
Current				
Culture and recreation	1,149,417	1,237,467	1,215,087	22,380
Debt service				
Principal	9,109	35,816	35,030	786
Interest	5,274	6,950	7,734	(784)
Total expenditures	<u>1,163,800</u>	<u>1,280,233</u>	<u>1,257,851</u>	<u>22,382</u>
Revenues over (under) expenditures	<u>10,000</u>	<u>17,250</u>	<u>108,622</u>	<u>91,372</u>
Other financing source (uses)				
Transfers in	666,288	632,557	635,531	2,974
Transfers out	(676,288)	(676,288)	(675,531)	757
Total other financing sources (uses)	<u>(10,000)</u>	<u>(43,731)</u>	<u>(40,000)</u>	<u>3,731</u>
Net changes in fund balance	-	(26,481)	68,622	95,103
Fund balance, beginning of year	<u>370,092</u>	<u>370,092</u>	<u>370,092</u>	<u>-</u>
Fund balance, end of year	<u>\$ 370,092</u>	<u>\$ 343,611</u>	<u>\$ 438,714</u>	<u>\$ 95,103</u>

CITY OF WALKER

**SPECIAL VICE INVESTIGATION FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
Local	\$ 38,000	\$ 38,000	\$ 81,255	\$ 43,255
Investment earnings	-	-	1,336	1,336
Total Revenues	38,000	38,000	82,591	44,591
Expenditures				
Current				
Public safety	149,000	149,000	94,356	54,644
Net changes in fund balance	(111,000)	(111,000)	(11,765)	99,235
Fund balance, beginning of year	183,131	183,131	183,131	-
Fund balance, end of year	<u>\$ 72,131</u>	<u>\$ 72,131</u>	<u>\$ 171,366</u>	<u>\$ 99,235</u>

CITY OF WALKER

**DISPATCH TRAINING FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ -	\$ -	\$ 13	\$ 13
Miscellaneous	-	-	4,512	4,512
Total revenues	-	-	4,525	4,525
Expenditures				
Total expenditures	-	-	-	-
Net changes in fund balance	-	-	4,525	4,525
Fund balance, beginning of year	<u>5,290</u>	<u>5,290</u>	<u>5,290</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,290</u>	<u>\$ 5,290</u>	<u>\$ 9,815</u>	<u>\$ 4,525</u>

CITY OF WALKER

AGENCY FUNDS COMBINING STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 2010

	<u>District Court</u>	<u>Current Tax Fund</u>	<u>Trust and Agency</u>	<u>Flexible Spending</u>
Assets				
Cash and pooled investments	\$ 109,683	\$ 132,560	\$ 432,790	\$ 17,345
Accrued interest	<u>-</u>	<u>-</u>	<u>153</u>	<u>-</u>
Total assets	<u>\$ 109,683</u>	<u>\$ 132,560</u>	<u>\$ 432,943</u>	<u>\$ 17,345</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ 7,029	\$ 4,345
Due to other funds	69,114	-	-	13,000
Deposits	9,253	-	425,914	-
Due to other governmental units	<u>31,316</u>	<u>132,560</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ 109,683</u>	<u>\$ 132,560</u>	<u>\$ 432,943</u>	<u>\$ 17,345</u>

<u>Other Agency</u>	<u>Total</u>
\$ 21,824	\$ 714,202
-	153
<u>\$ 21,824</u>	<u>\$ 714,355</u>
\$ 6,034	\$ 17,408
-	82,114
15,790	450,957
-	163,876
<u>\$ 21,824</u>	<u>\$ 714,355</u>

CITY OF WALKER
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2010

<u>District Court</u>	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
Assets				
Cash and pooled investments	\$ 120,345	\$ 1,250,802	\$ 1,261,464	\$ 109,683
Liabilities				
Deposits	\$ 17,104	\$ 176,007	\$ 183,858	\$ 9,253
Due to other funds	68,868	735,430	735,184	69,114
Due to other governmental units	34,373	339,365	342,422	31,316
Total liabilities	<u>\$ 120,345</u>	<u>\$ 1,250,802</u>	<u>\$ 1,261,464</u>	<u>\$ 109,683</u>
<u>Current Tax Collection Fund</u>				
Assets				
Cash and pooled investments	\$ 76,630	\$ 35,811,966	\$ 35,756,036	\$ 132,560
Liabilities				
Due to other funds	\$ -	\$ 2,352,508	\$ 2,352,508	\$ -
Due to other governmental units	76,630	33,459,458	33,403,528	132,560
Total liabilities	<u>\$ 76,630</u>	<u>\$ 35,811,966</u>	<u>\$ 35,756,036</u>	<u>\$ 132,560</u>
<u>Trust and Agency Fund</u>				
Assets				
Cash and pooled investments	\$ 247,047	\$ 344,240	\$ 158,497	\$ 432,790
Accrued interest	249	153	249	153
Total assets	<u>\$ 247,296</u>	<u>\$ 344,393</u>	<u>\$ 158,746</u>	<u>\$ 432,943</u>
Liabilities				
Accounts payable	\$ -	\$ 7,029	\$ -	\$ 7,029
Deposits	247,296	337,364	158,746	425,914
Total liabilities	<u>\$ 247,296</u>	<u>\$ 344,393</u>	<u>\$ 158,746</u>	<u>\$ 432,943</u>
<u>Flexible Spending</u>				
Assets				
Cash and pooled investments	\$ 21,111	\$ 73,309	\$ 77,075	\$ 17,345
Liabilities				
Accounts payable	\$ 8,111	\$ 73,309	\$ 77,075	\$ 4,345
Due to other funds	13,000	-	-	13,000
	<u>\$ 21,111</u>	<u>\$ 73,309</u>	<u>\$ 77,075</u>	<u>\$ 17,345</u>

(continued)

CITY OF WALKER
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
<u>Other Agency Funds</u>				
Assets				
Cash and pooled investments	\$ 14,209	\$ 1,511,787	\$ 1,504,172	\$ 21,824
Liabilities				
Accounts payable	\$ 6,016	\$ 675,235	\$ 675,217	\$ 6,034
Deposits	8,193	836,552	828,955	15,790
	<u>\$ 14,209</u>	<u>\$ 1,511,787</u>	<u>\$ 1,504,172</u>	<u>\$ 21,824</u>
<u>Total - All Agency Funds</u>				
Assets				
Cash and pooled investments	\$ 479,342	\$ 38,992,104	\$ 38,757,244	\$ 714,202
Accrued interest	249	153	249	153
Total assets	<u>\$ 479,591</u>	<u>\$ 38,992,257</u>	<u>\$ 38,757,493</u>	<u>\$ 714,355</u>
Liabilities				
Accounts payable	\$ 14,127	\$ 755,573	\$ 752,292	\$ 17,408
Due to other funds	81,868	3,087,938	3,087,692	82,114
Deposits	272,593	1,349,923	1,171,559	450,957
Due to other governmental units	111,003	33,798,823	33,745,950	163,876
Total liabilities	<u>\$ 479,591</u>	<u>\$ 38,992,257</u>	<u>\$ 38,757,493</u>	<u>\$ 714,355</u>

(concluded)

CITY OF WALKER
DOWNTOWN DEVELOPMENT AUTHORITY
BALANCE SHEET/STATEMENT OF NET ASSETS

JUNE 30, 2010

	Governmental Fund Type				Adjustments	Statement of Net Assets
	General Fund	Streetscape Maintenance	Parking Lot	Totals		
Assets						
Cash and pooled investments	\$ 45,032	\$ 97,027	\$ 1,658	\$ 143,717	\$ -	\$ 143,717
Special assessment receivable	-	7,936	-	7,936	-	7,936
Unamortized bond issuance costs	-	-	-	-	22,555	22,555
Capital assets						
Land	-	-	-	-	1,463,159	1,463,159
Depreciable capital assets, net	-	-	-	-	2,402,412	2,402,412
Total assets	\$ 45,032	\$ 104,963	\$ 1,658	\$ 151,653	3,888,126	4,039,779
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ 56,913	\$ 6,998	\$ -	\$ 63,911	-	63,911
Accrued liabilities	-	-	-	-	18,782	18,782
Deferred revenue	-	7,936	-	7,936	(7,936)	-
Noncurrent liabilities						
Due within one year	-	-	-	-	196,674	196,674
Due in more than one year	-	-	-	-	2,378,129	2,378,129
Total liabilities	56,913	14,934	-	71,847	2,585,649	2,657,496
Fund balances						
Unreserved						
Undesignated (deficit)	(11,881)	90,029	1,658	79,806	(79,806)	
Total liabilities and fund balances	\$ 45,032	\$ 104,963	\$ 1,658	\$ 151,653		
Net assets						
Invested in capital assets, net of related debt					1,313,323	1,313,323
Unrestricted					68,960	68,960
Total net assets					\$ 1,382,283	\$ 1,382,283

CITY OF WALKER

**DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE/STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2010

	Governmental Fund Type			<u>Totals</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
	<u>General Fund</u>	<u>Streetscape Maintenance</u>	<u>Parking Lot</u>			
Revenues						
Taxes	\$ 361,846	\$ -	\$ -	\$ 361,846	\$ -	\$ 361,846
Special assessments	23,334	113,870	-	137,204	(23,333)	113,871
Investment earnings	778	1,356	16	2,150	-	2,150
Miscellaneous	18,410	-	-	18,410	(3,081)	15,329
	<u>404,368</u>	<u>115,226</u>	<u>16</u>	<u>519,610</u>	<u>(26,414)</u>	<u>493,196</u>
Expenditures/expenses						
Current						
Community development	178,769	107,441	2,344	288,554	61,517	350,071
Debt Service						
Principal	186,139	-	-	186,139	(186,139)	-
Interest	115,959	-	-	115,959	(241)	115,718
Total expenditures/expenses	<u>480,867</u>	<u>107,441</u>	<u>2,344</u>	<u>590,652</u>	<u>(124,863)</u>	<u>465,789</u>
Net changes in fund balances	(76,499)	7,785	(2,328)	(71,042)	71,042	
Change in net assets					27,407	27,407
Fund balances(deficit)/net assets						
Beginning of year	<u>64,618</u>	<u>82,244</u>	<u>3,986</u>	<u>150,848</u>		<u>1,354,876</u>
End of year	<u>\$ (11,881)</u>	<u>\$ 90,029</u>	<u>\$ 1,658</u>	<u>\$ 79,806</u>		<u>\$ 1,382,283</u>

CITY OF WALKER

**DDA GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 350,000	\$ 350,000	\$ 361,846	\$ 11,846
Special assessments	23,000	23,000	23,334	334
Investment earnings	2,000	2,000	778	(1,222)
Miscellaneous	19,500	19,500	18,410	(1,090)
Total revenues	<u>394,500</u>	<u>394,500</u>	<u>404,368</u>	<u>9,868</u>
Expenditures				
Current				
Community development	192,000	192,000	178,769	13,231
Debt service				
Principal	186,225	186,225	186,139	86
Interest	115,460	115,460	115,959	(499)
Total expenditures	<u>493,685</u>	<u>493,685</u>	<u>480,867</u>	<u>12,818</u>
Net changes in fund balance	(99,185)	(99,185)	(76,499)	22,686
Fund balance, beginning of year	<u>64,618</u>	<u>64,618</u>	<u>64,618</u>	<u>-</u>
Fund balance, end of year	<u>\$ (34,567)</u>	<u>\$ (34,567)</u>	<u>\$ (11,881)</u>	<u>\$ 22,686</u>

CITY OF WALKER

**DDA STREETSCAPE MAINTENANCE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ -	\$ -	\$ 113,870	\$ 113,870
Investment earnings	-	-	1,356	1,356
Total revenues	-	-	115,226	115,226
Expenditures				
Current				
Community development	120,000	120,000	107,441	12,559
Net changes in fund balance	(120,000)	(120,000)	7,785	127,785
Fund balance, beginning of year	82,244	82,244	82,244	-
Fund balance, end of year	<u>\$ (37,756)</u>	<u>\$ (37,756)</u>	<u>\$ 90,029</u>	<u>\$ 127,785</u>

CITY OF WALKER

**DDA PARKING LOT
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ -	\$ -	\$ 16	\$ 16
Expenditures				
Current				
Community development	<u>30,000</u>	<u>30,000</u>	<u>2,344</u>	<u>27,656</u>
Net changes in fund balance	(30,000)	(30,000)	(2,328)	27,672
Fund balance, beginning of year	<u>3,986</u>	<u>3,986</u>	<u>3,986</u>	<u>-</u>
Fund balance, end of year	<u>\$ (26,014)</u>	<u>\$ (26,014)</u>	<u>\$ 1,658</u>	<u>\$ 27,672</u>

CITY OF WALKER

BROWNFIELD REDEVELOPMENT AUTHORITY BALANCE SHEET/STATEMENT OF NET ASSETS

JUNE 30, 2010

	General Fund	Adjustments	Statement of Net Assets
Assets			
Cash and pooled investments	\$ 1,714	\$ -	\$ 1,714
Accounts receivable	<u>-</u>	<u>1,021,112</u>	<u>1,021,112</u>
Total assets	<u><u>\$ 1,714</u></u>	<u><u>1,021,112</u></u>	<u><u>1,022,826</u></u>
Liabilities and fund balances			
Liabilities			
Accrued liabilities	\$ -	1,049	1,049
Noncurrent liabilities			
Due within one year	-	26,752	26,752
Due in more than one year	<u>-</u>	<u>1,113,164</u>	<u>1,113,164</u>
Total liabilities	-	<u><u>1,140,965</u></u>	<u><u>1,140,965</u></u>
Fund balances			
Unreserved			
Undesignated	<u>1,714</u>	<u>(1,714)</u>	
Total liabilities and fund balances	<u><u>\$ 1,714</u></u>		
Net assets			
Unrestricted (deficit)		<u><u>\$ (118,139)</u></u>	<u><u>\$ (118,139)</u></u>

CITY OF WALKER

**BROWNFIELD REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE/STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Adjustments	Statement of Net Assets
Revenues			
Taxes	\$ 104,336	\$ -	\$ 104,336
Investment earnings	<u>642</u>	<u>-</u>	<u>642</u>
	<u>104,978</u>	<u>-</u>	<u>104,978</u>
Expenditures/expenses			
Current			
Return of tax increment	172,507	-	172,507
Debt Service			
Principal	26,163	(26,163)	-
Interest	<u>3,737</u>	<u>(197)</u>	<u>3,540</u>
Total expenditures/expenses	<u>202,407</u>	<u>(26,360)</u>	<u>176,047</u>
Net changes in fund balances	(97,429)	97,429	
Change in net assets		(71,069)	(71,069)
Fund balances/net assets (deficit), beginning of year	<u>99,143</u>		<u>(47,070)</u>
Fund balances/net assets (deficit), end of year	<u>\$ 1,714</u>		<u>\$ (118,139)</u>

CITY OF WALKER

**BROWNFIELD GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ -	\$ -	\$ 104,336	\$ 104,336
Investment earnings	-	-	642	642
Total revenues	<u>-</u>	<u>-</u>	<u>104,978</u>	<u>104,978</u>
Expenditures				
Current				
Return of tax increment	-	-	172,507	(172,507)
Debt service				
Principal	-	-	26,163	(26,163)
Interest	-	-	3,737	(3,737)
Total expenditures	<u>-</u>	<u>-</u>	<u>202,407</u>	<u>(202,407)</u>
Net changes in fund balance	-	-	(97,429)	(97,429)
Fund balance, beginning of year	<u>99,143</u>	<u>99,143</u>	<u>99,143</u>	<u>-</u>
Fund balance, end of year	<u>\$ 99,143</u>	<u>\$ 99,143</u>	<u>\$ 1,714</u>	<u>\$ (97,429)</u>

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