

B37084

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT

OF

TOWN OF WALTON

CASS COUNTY, INDIANA

January 1, 2008 to December 31, 2009



FILED
06/02/2010

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kim L. Craig	01-01-08 to 12-31-11
President of the Town Council	Delbert L. Meador Mike Robison	01-01-08 to 02-28-10 03-01-10 to 12-31-10



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE TOWN OF WALTON, CASS COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Walton (Town), as of and for the years ended December 31, 2008 and 2009, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2008 and 2009, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated March 23, 2010, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Town has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

March 23, 2010



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE TOWN OF WALTON, CASS COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Walton (Town), as of and for the years ended December 31, 2008 and 2009, which collectively comprise the Town's basic financial statements and have issued our report thereon dated March 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in item 2009-1 of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we consider the significant deficiency described in item 2009-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Town's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management, the Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

March 23, 2010

TOWN OF WALTON
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2008

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 217,587	\$ 30	\$ -	\$ -	\$ (217,557)	\$ -	\$ (217,557)
Public safety	10	1,060	-	-	1,050	-	1,050
Highways and streets	28,730	-	28,595	4,428	4,293	-	4,293
Economic development	14,138	-	-	-	(14,138)	-	(14,138)
Culture and recreation	4,298	450	-	-	(3,848)	-	(3,848)
Principal and interest on indebtedness	-	-	-	-	-	-	-
Total governmental activities	<u>264,763</u>	<u>1,540</u>	<u>28,595</u>	<u>4,428</u>	<u>(230,200)</u>	<u>-</u>	<u>(230,200)</u>
Business-type activities:							
Wastewater Utility	214,884	206,544	-	-	-	(8,340)	(8,340)
Water Utility	<u>171,539</u>	<u>134,993</u>	<u>-</u>	<u>5,194</u>	<u>-</u>	<u>(31,352)</u>	<u>(31,352)</u>
Total business-type activities	<u>386,423</u>	<u>341,537</u>	<u>-</u>	<u>5,194</u>	<u>-</u>	<u>(39,692)</u>	<u>(39,692)</u>
Total primary government	<u>\$ 651,186</u>	<u>\$ 343,077</u>	<u>\$ 28,595</u>	<u>\$ 9,622</u>	<u>(230,200)</u>	<u>(39,692)</u>	<u>(269,892)</u>
General receipts:							
Property taxes					130,769	-	130,769
Intergovernmental					94,140	-	94,140
Other local sources					1,075	-	1,075
Grants and contributions not restricted to specific programs					2,279	-	2,279
Investment earnings					<u>3,372</u>	<u>3,174</u>	<u>6,546</u>
Total general receipts					<u>231,635</u>	<u>3,174</u>	<u>234,809</u>
Change in net assets					1,435	(36,518)	(35,083)
Net assets - beginning					<u>566,591</u>	<u>613,117</u>	<u>1,179,708</u>
Net assets - ending					<u>\$ 568,026</u>	<u>\$ 576,599</u>	<u>\$ 1,144,625</u>
<u>Assets</u>							
Cash and investments					\$ 151,123	\$ 270,903	\$ 422,026
Restricted assets:							
Cash and investments					<u>416,903</u>	<u>305,696</u>	<u>722,599</u>
Total assets					<u>\$ 568,026</u>	<u>\$ 576,599</u>	<u>\$ 1,144,625</u>
<u>Net Assets</u>							
Restricted for:							
Public safety					\$ 3,490	\$ -	\$ 3,490
Highways and streets					205,860	-	205,860
Culture and recreation					5,840	-	5,840
Debt service					-	26,854	26,854
Capital outlay					175,206	-	175,206
Other purposes					26,507	278,842	305,349
Unrestricted					<u>151,123</u>	<u>270,903</u>	<u>422,026</u>
Total net assets					<u>\$ 568,026</u>	<u>\$ 576,599</u>	<u>\$ 1,144,625</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF WALTON
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2008

	General	Motor Vehicle Highway	CEDIT Capital Projects	Other Governmental Funds	Totals
Receipts:					
Taxes	\$ 125,943	\$ -	\$ -	\$ 4,826	\$ 130,769
Licenses and permits	377	-	-	540	917
Intergovernmental	61,392	37,588	10,323	18,050	127,353
Charges for services	-	-	-	623	623
Other	3,286	1,117	931	1,202	6,536
Total receipts	190,998	38,705	11,254	25,241	266,198
Disbursements:					
General government	211,375	-	-	5,225	216,600
Public safety	-	-	-	10	10
Highways and streets	-	24,058	-	4,672	28,730
Culture and recreation	-	-	-	4,298	4,298
Capital outlay:					
General government	791	-	-	196	987
Economic development	-	-	3,000	11,138	14,138
Total disbursements	212,166	24,058	3,000	25,539	264,763
Excess (deficiency) of receipts over disbursements	(21,168)	14,647	8,254	(298)	1,435
Cash and investment fund balance - beginning	172,291	168,585	113,808	111,907	566,591
Cash and investment fund balance - ending	<u>\$ 151,123</u>	<u>\$ 183,232</u>	<u>\$ 122,062</u>	<u>\$ 111,609</u>	<u>\$ 568,026</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 151,123	\$ -	\$ -	\$ -	\$ 151,123
Restricted assets:					
Cash and investments	-	183,232	122,062	111,609	416,903
Total cash and investment assets - ending	<u>\$ 151,123</u>	<u>\$ 183,232</u>	<u>\$ 122,062</u>	<u>\$ 111,609</u>	<u>\$ 568,026</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Public safety	\$ -	\$ -	\$ -	\$ 3,490	\$ 3,490
Highways and streets	-	183,232	-	22,628	205,860
Culture and recreation	-	-	-	5,840	5,840
Capital outlay	-	-	122,062	53,144	175,206
Other purposes	-	-	-	26,507	26,507
Unrestricted	151,123	-	-	-	151,123
Total cash and investment fund balance - ending	<u>\$ 151,123</u>	<u>\$ 183,232</u>	<u>\$ 122,062</u>	<u>\$ 111,609</u>	<u>\$ 568,026</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF WALTON
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2008

	Wastewater Utility	Water Utility	Totals
Operating receipts:			
Unmetered/flat rate	\$ -	\$ 206	\$ 206
Metered/measured	199,301	123,234	322,535
Fire protection receipts	-	9,207	9,207
Miscellaneous	<u>7,243</u>	<u>2,346</u>	<u>9,589</u>
Total operating receipts	<u>206,544</u>	<u>134,993</u>	<u>341,537</u>
Operating disbursements:			
Salaries and wages	57,422	43,275	100,697
Employee pensions and benefits	41,089	41,355	82,444
Purchased power	24,632	7,348	31,980
Chemicals	628	1,620	2,248
Material and supplies	10,716	6,010	16,726
Rents	-	295	295
Transportation	5,418	4,540	9,958
Insurance claims and expense	3,560	2,074	5,634
Refunds	1,713	1,739	3,452
Equipment and capital improvements	20,237	36,827	57,064
Miscellaneous	<u>25,409</u>	<u>26,456</u>	<u>51,865</u>
Total operating disbursements	<u>190,824</u>	<u>171,539</u>	<u>362,363</u>
Excess (deficiency) of operating receipts over operating disbursements	<u>15,720</u>	<u>(36,546)</u>	<u>(20,826)</u>
Nonoperating receipts (disbursements):			
Investment income	2,218	956	3,174
Debt service of principal	(20,000)	-	(20,000)
Interest disbursements	<u>(4,060)</u>	<u>-</u>	<u>(4,060)</u>
Total nonoperating receipts (disbursements)	<u>(21,842)</u>	<u>956</u>	<u>(20,886)</u>
Deficiency of receipts over disbursements and nonoperating receipts (disbursements)	(6,122)	(35,590)	(41,712)
Capital contributions	<u>-</u>	<u>5,194</u>	<u>5,194</u>
Deficiency of receipts, contributions and transfers in over disbursements and transfers out	(6,122)	(30,396)	(36,518)
Cash and investment fund balance - beginning	<u>351,344</u>	<u>261,773</u>	<u>613,117</u>
Cash and investment fund balance - ending	<u>\$ 345,222</u>	<u>\$ 231,377</u>	<u>\$ 576,599</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 207,770	\$ 63,133	\$ 270,903
Restricted assets:			
Cash and investments	<u>137,452</u>	<u>168,244</u>	<u>305,696</u>
Total cash and investment assets - December 31	<u>\$ 345,222</u>	<u>\$ 231,377</u>	<u>\$ 576,599</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 26,854	\$ -	\$ 26,854
Other purposes	110,598	168,244	278,842
Unrestricted	<u>207,770</u>	<u>63,133</u>	<u>270,903</u>
Total cash and investment fund balance - December 31	<u>\$ 345,222</u>	<u>\$ 231,377</u>	<u>\$ 576,599</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF WALTON
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2009

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 234,453	\$ 2,914	\$ -	\$ -	\$ (231,539)	\$ -	\$ (231,539)
Public safety	-	1,138	-	-	1,138	-	1,138
Highways and streets	45,769	-	26,158	5,977	(13,634)	-	(13,634)
Economic development	14,473	-	-	-	(14,473)	-	(14,473)
Culture and recreation	4,588	375	-	-	(4,213)	-	(4,213)
Total governmental activities	299,283	4,427	26,158	5,977	(262,721)	-	(262,721)
Business-type activities:							
Wastewater Utility	803,208	233,316	-	486,637	-	(83,255)	(83,255)
Water Utility	181,607	137,475	-	-	-	(44,132)	(44,132)
Total business-type activities	984,815	370,791	-	486,637	-	(127,387)	(127,387)
Total primary government	\$ 1,284,098	\$ 375,218	\$ 26,158	\$ 492,614	(262,721)	(127,387)	(390,108)
General receipts:							
Property taxes					139,165	-	139,165
Intergovernmental					91,064	-	91,064
Other local sources					137	-	137
Net proceeds from borrowing					-	133,892	133,892
Investment earnings					1,022	4,143	5,165
Total general receipts					231,388	138,035	369,423
Change in net assets					(31,333)	10,648	(20,685)
Net assets - beginning					568,026	576,599	1,144,625
Net assets - ending					\$ 536,693	\$ 587,247	\$ 1,123,940
Assets							
Cash and investments					\$ 114,555	\$ 196,382	\$ 310,937
Restricted assets:							
Cash and investments					422,138	321,431	743,569
Cash with fiscal agent					-	69,434	69,434
Total assets					\$ 536,693	\$ 587,247	\$ 1,123,940
Net Assets							
Restricted for:							
Public safety					\$ 4,350	\$ -	\$ 4,350
Highways and streets					199,749	-	199,749
Culture and recreation					6,636	-	6,636
Debt service					-	69,434	69,434
Capital outlay					177,865	-	177,865
Other purposes					33,538	321,431	354,969
Unrestricted					114,555	196,382	310,937
Total net assets					\$ 536,693	\$ 587,247	\$ 1,123,940

The notes to the financial statements are an integral part of this statement.

TOWN OF WALTON
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2009

	General	Motor Vehicle Highway	CEDIT Capital Projects	Other Governmental Funds	Totals
Receipts:					
Taxes	\$ 134,797	\$ -	\$ -	\$ 4,368	\$ 139,165
Licenses and permits	278	-	-	760	1,038
Intergovernmental	56,295	33,286	13,409	20,209	123,199
Charges for services	1,825	-	-	440	2,265
Fines and forfeits	-	-	-	35	35
Other	1,403	356	294	195	2,248
Total receipts	194,598	33,642	13,703	26,007	267,950
Disbursements:					
General government	227,273	-	-	2,308	229,581
Highways and streets	-	45,292	-	477	45,769
Economic development	-	-	1,991	-	1,991
Culture and recreation	-	-	-	4,588	4,588
Capital outlay:					
General government	3,893	-	-	979	4,872
Economic development	-	-	6,482	6,000	12,482
Total disbursements	231,166	45,292	8,473	14,352	299,283
Excess (deficiency) of receipts over disbursements	(36,568)	(11,650)	5,230	11,655	(31,333)
Cash and investment fund balance - beginning	151,123	183,232	122,062	111,609	568,026
Cash and investment fund balance - ending	<u>\$ 114,555</u>	<u>\$ 171,582</u>	<u>\$ 127,292</u>	<u>\$ 123,264</u>	<u>\$ 536,693</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 114,555	\$ -	\$ -	\$ -	\$ 114,555
Restricted assets:					
Cash and investments	-	171,582	127,292	123,264	422,138
Total cash and investment assets - ending	<u>\$ 114,555</u>	<u>\$ 171,582</u>	<u>\$ 127,292</u>	<u>\$ 123,264</u>	<u>\$ 536,693</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Public safety	\$ -	\$ -	\$ -	\$ 4,350	\$ 4,350
Highways and streets	-	171,582	-	28,167	199,749
Culture and recreation	-	-	-	6,636	6,636
Capital outlay	-	-	127,292	50,573	177,865
Other purposes	-	-	-	33,538	33,538
Unrestricted	114,555	-	-	-	114,555
Total cash and investment fund balance - ending	<u>\$ 114,555</u>	<u>\$ 171,582</u>	<u>\$ 127,292</u>	<u>\$ 123,264</u>	<u>\$ 536,693</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF WALTON
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2009

	Wastewater Utility	Water Utility	Totals
Operating receipts:			
Unmetered/flat rate	\$ -	\$ 82	\$ 82
Metered/measured	227,138	107,576	334,714
Fire protection receipts	-	9,207	9,207
Miscellaneous	6,178	20,610	26,788
	<u>233,316</u>	<u>137,475</u>	<u>370,791</u>
Total operating receipts			
Operating disbursements:			
Salaries and wages	52,339	43,281	95,620
Employee pensions and benefits	44,314	44,240	88,554
Purchased power	24,511	7,273	31,784
Chemicals	1,950	1,063	3,013
Material and supplies	7,171	3,876	11,047
Contractual services	62,857	11,555	74,412
Rents	-	250	250
Transportation	3,665	1,518	5,183
Insurance claims and expense	4,000	556	4,556
Refunds	1,561	1,560	3,121
Equipment and capital improvements	521,589	32,365	553,954
Miscellaneous	33,071	34,070	67,141
	<u>757,028</u>	<u>181,607</u>	<u>938,635</u>
Total operating disbursements			
Deficiency of operating receipts over operating disbursements	<u>(523,712)</u>	<u>(44,132)</u>	<u>(567,844)</u>
Nonoperating receipts (disbursements):			
Investment income	1,528	2,615	4,143
Net proceeds from borrowings	133,892	-	133,892
Debt service of principal	(45,000)	-	(45,000)
Interest disbursements	(1,180)	-	(1,180)
	<u>89,240</u>	<u>2,615</u>	<u>91,855</u>
Total nonoperating receipts (disbursements)			
Deficiency of receipts over disbursements and nonoperating receipts (disbursements)	<u>(434,472)</u>	<u>(41,517)</u>	<u>(475,989)</u>
Capital contributions	<u>486,637</u>	<u>-</u>	<u>486,637</u>
Excess (deficiency) of receipts and contributions over disbursements	52,165	(41,517)	10,648
Cash and investment fund balance - beginning	<u>345,222</u>	<u>231,377</u>	<u>576,599</u>
Cash and investment fund balance - ending	<u>\$ 397,387</u>	<u>\$ 189,860</u>	<u>\$ 587,247</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 145,202	\$ 51,180	\$ 196,382
Restricted assets:			
Cash and investments	182,751	138,680	321,431
Cash with fiscal agent	69,434	-	69,434
	<u>397,387</u>	<u>189,860</u>	<u>587,247</u>
Total cash and investment assets - December 31			
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 69,434	\$ -	\$ 69,434
Other purposes	182,751	138,680	321,431
Unrestricted	<u>145,202</u>	<u>51,180</u>	<u>196,382</u>
Total cash and investment fund balance - December 31	<u>\$ 397,387</u>	<u>\$ 189,860</u>	<u>\$ 587,247</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF WALTON
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, and urban redevelopment.

The Town's financial reporting entity is composed of the following:

Primary Government: Town of Walton

In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. 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 major individual enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The motor vehicle highway fund accounts for state and local monies collected for highway and street maintenance, construction, and improvements.

The CEDIT capital projects fund accounts for the Town's use of economic development income tax revenues.

TOWN OF WALTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

The Town reports the following major enterprise funds:

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

The water utility fund accounts for the operation of the water distribution system.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund 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 enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town and its enterprise funds. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The Town does not have any internal service funds.

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

TOWN OF WALTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Assets and Cash and Investment Balances

1. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

3. Property Taxes

Normally, property taxes levied are collected by the County Treasurer and are distributed to the Town in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which may become delinquent if not paid by May 10 and November 10, respectively.

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as a liability in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

6. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

TOWN OF WALTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.
4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

Interfund activity, if any, is eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and

TOWN OF WALTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the Town submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the Town receives approval of the Indiana Department of Local Government Finance.

The Town's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

Deposits and Investments

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. IC 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The Town does not have a deposit policy for custodial credit risk. At December 31, 2009, the Town had deposit balances in the amount of \$1,054,506.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

TOWN OF WALTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Investments

As of December 31, 2009, the Town had no investments.

Statutory Authorization for Investments

IC 5-13-9 authorizes the Town to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the Town to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the Town and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust have a stated final maturity of one day.

Additionally, the Town may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the Town's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Town does not have a formal investment policy for custodial credit risk for investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town must follow state statute and limit the stated final maturities of the investments to no more than two years. The Town does not have a formal investment policy for interest rate risk for investments.

TOWN OF WALTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below. The Town does not have a formal investment policy for credit risk for investments.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

The Town does not have a formal policy in regards to foreign currency risk.

IV. Other Information

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

During 1992, the Town joined with other governmental entities in the Indiana Public Employers' Plan, a public entity risk pool currently operating as a common risk management and insurance program for 700 member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of job related illnesses or injuries to employees. The Town pays an annual premium to the risk pool for its job related illnesses or injuries to employees coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event.

B. Rate Structure – Enterprise Funds

Water Utility

On October 3, 1983, the Town Council adopted Ordinance 1983-10 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on September 8, 2009.

TOWN OF WALTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

Wastewater Utility

The current rate structure was approved by the Town Council on May 18, 2009.

C. Receipts Pledged

Wastewater Utility Receipts Pledged

The Town has pledged future receipts from customer collections, net of specified operating expenditures, to repay revenue bonds issued in 2009. Proceeds from the bonds provided financing for wastewater treatment plant improvements. The bonds are payable solely from the net receipts and are payable through 2030. Annual principal and interest payments are expected to require less than 100 percent of net receipts.

D. Pension Plan

The Town contributes 4% of each full-time employee's salary to individual retirement accounts; however, the Town has neither control over nor rights to the accounts.

TOWN OF WALTON
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008

	Local Road And Street	Riverboat	Parks And Recreation	Rainy Day	Local Law	Ordinance Violation	Cumulative Capital Improvement Cigarette Tax	Totals
Receipts:								
Taxes	\$ -	\$ -	\$ 4,826	\$ -	\$ -	\$ -	\$ -	\$ 4,826
Licenses and permits	-	-	-	-	540	-	-	540
Intergovernmental	4,428	6,706	781	2,659	-	-	3,476	18,050
Charges for services	-	-	450	-	173	-	-	623
Other	673	-	22	-	-	-	507	1,202
Total receipts	5,101	6,706	6,079	2,659	713	-	3,983	25,241
Disbursements:								
General government	-	2,791	-	2,434	-	-	-	5,225
Public safety	-	-	-	-	10	-	-	10
Highways and streets	4,672	-	-	-	-	-	-	4,672
Culture and recreation	-	-	4,298	-	-	-	-	4,298
Capital outlay:								
General government	-	196	-	-	-	-	-	196
Economic development	-	-	-	-	-	-	11,138	11,138
Total disbursements	4,672	2,987	4,298	2,434	10	-	11,138	25,539
Excess (deficiency) of receipts over disbursements	429	3,719	1,781	225	703	-	(7,155)	(298)
Cash and investment fund balance - beginning	22,199	18,531	4,059	4,032	2,762	25	60,299	111,907
Cash and investment fund balance - ending	<u>\$ 22,628</u>	<u>\$ 22,250</u>	<u>\$ 5,840</u>	<u>\$ 4,257</u>	<u>\$ 3,465</u>	<u>\$ 25</u>	<u>\$ 53,144</u>	<u>\$ 111,609</u>
Cash and Investment Assets - Ending								
Restricted assets:								
Cash and investments	<u>\$ 22,628</u>	<u>\$ 22,250</u>	<u>\$ 5,840</u>	<u>\$ 4,257</u>	<u>\$ 3,465</u>	<u>\$ 25</u>	<u>\$ 53,144</u>	<u>\$ 111,609</u>
Cash and Investment Fund Balance - Ending								
Restricted for:								
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 3,465	\$ 25	\$ -	\$ 3,490
Highways and streets	22,628	-	-	-	-	-	-	22,628
Culture and recreation	-	-	5,840	-	-	-	-	5,840
Capital outlay	-	-	-	-	-	-	53,144	53,144
Other purposes	-	22,250	-	4,257	-	-	-	26,507
Total cash and investment fund balance - ending	\$ 22,628	\$ 22,250	\$ 5,840	\$ 4,257	\$ 3,465	\$ 25	\$ 53,144	\$ 111,609

TOWN OF WALTON
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND
 INVESTMENT BALANCES - AGENCY FUNDS
 For The Year Ended December 31, 2008

	Payroll
Additions:	
Agency fund additions	\$ 189,839
Deductions:	
Agency fund deductions	189,839
Excess (deficiency) of total additions over total deductions	-
Cash and investment fund balance - beginning	-
Cash and investment fund balance - ending	\$ -

TOWN OF WALTON
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009

	Local Road And Street	Riverboat	Parks And Recreation	Rainy Day	Local Law	Ordinance Violation	Cumulative Capital Improvement Cigarette Tax	Totals
Receipts:								
Taxes	\$ -	\$ -	\$ 4,368	\$ -	\$ -	\$ -	\$ -	\$ 4,368
Licenses and permits	-	-	-	-	760	-	-	760
Intergovernmental	5,977	6,690	636	3,628	-	-	3,278	20,209
Charges for services	-	-	375	-	65	-	-	440
Fines and forfeits	-	-	-	-	-	35	-	35
Other	39	-	5	-	-	-	151	195
Total receipts	6,016	6,690	5,384	3,628	825	35	3,429	26,007
Disbursements:								
General government	-	2,100	-	208	-	-	-	2,308
Highways and streets	477	-	-	-	-	-	-	477
Culture and recreation	-	-	4,588	-	-	-	-	4,588
Capital outlay:								
General government	-	411	-	568	-	-	-	979
Economic development	-	-	-	-	-	-	6,000	6,000
Total disbursements	477	2,511	4,588	776	-	-	6,000	14,352
Excess (deficiency) of receipts over disbursements	5,539	4,179	796	2,852	825	35	(2,571)	11,655
Cash and investment fund balance - beginning	22,628	22,250	5,840	4,257	3,465	25	53,144	111,609
Cash and investment fund balance - ending	<u>\$ 28,167</u>	<u>\$ 26,429</u>	<u>\$ 6,636</u>	<u>\$ 7,109</u>	<u>\$ 4,290</u>	<u>\$ 60</u>	<u>\$ 50,573</u>	<u>\$ 123,264</u>
Cash and Investment Assets - Ending								
Restricted assets:								
Cash and investments	\$ 28,167	\$ 26,429	\$ 6,636	\$ 7,109	\$ 4,290	\$ 60	\$ 50,573	\$ 123,264
Total cash and investment assets - ending	\$ 28,167	\$ 26,429	\$ 6,636	\$ 7,109	\$ 4,290	\$ 60	\$ 50,573	\$ 123,264
Cash and Investment Fund Balance - Ending								
Restricted for:								
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 4,290	\$ 60	\$ -	\$ 4,350
Highways and streets	28,167	-	-	-	-	-	-	28,167
Culture and recreation	-	-	6,636	-	-	-	-	6,636
Capital outlay	-	-	-	-	-	-	50,573	50,573
Other purposes	-	26,429	-	7,109	-	-	-	33,538
Total cash and investment fund balance - ending	\$ 28,167	\$ 26,429	\$ 6,636	\$ 7,109	\$ 4,290	\$ 60	\$ 50,573	\$ 123,264

TOWN OF WALTON
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND
 INVESTMENT BALANCES - AGENCY FUNDS
 For The Year Ended December 31, 2009

	Payroll
Additions:	
Agency fund additions	\$ 197,747
Deductions:	
Agency fund deductions	197,747
Excess (deficiency) of total additions over total deductions	-
Cash and investment fund balance - beginning	-
Cash and investment fund balance - ending	\$ -

TOWN OF WALTON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2009

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 24,758
Infrastructure	1,691,800
Buildings	117,715
Improvements other than buildings	83,363
Machinery and equipment	<u>238,266</u>
 Total governmental activities, capital assets not being depreciated	 \$ <u><u>2,155,902</u></u>
<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 7,001
Buildings	6,083
Improvements other than buildings	259,655
Machinery and equipment	<u>71,985</u>
 Total Water Utility capital assets	 <u>344,724</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	5,406
Construction in progress	562,637
Buildings	6,610
Improvements other than buildings	1,833,684
Machinery and equipment	<u>201,565</u>
 Total Wastewater Utility capital assets	 <u>2,609,902</u>
 Total business-type activities capital assets	 \$ <u><u>2,954,626</u></u>

TOWN OF WALTON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Dump truck	\$ 43,208	\$ 15,482
Business-type activities:		
Wastewater Utility:		
Loan payable:		
Treatment plant upgrade	\$ 133,892	\$ 2,665

TOWN OF WALTON
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted the following deficiency in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiency constitutes a material weakness:

Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to achievement of financial reporting objectives. The Town has not separated incompatible activities related to receipts, utility billings and collections, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to occur and not be detected.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OFFICIAL BOND

The official bonds of the Clerk-Treasurer and the utility billing clerk have been in the form of continuation certificates every year since 2006. These continuation certificates expressly state that coverage is not cumulative and shall not exceed the amount on the bond. The amount of the Clerk-Treasurer's bond is \$20,000 and the amount of the utility billing clerk's bond is \$10,000.

IC 5-4-1-18(c) states:

"Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

- (1) The amount of annual coverage must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount of annual coverage may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount of annual coverage for the officer or employee.

County auditors shall file bonds that provide annual coverage of not less than thirty thousand dollars (\$30,000), as fixed by the fiscal body of the county. The amount of annual coverage of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than fifteen thousand dollars (\$15,000)."

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE TOWN OF WALTON, CASS COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Walton (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended December 31, 2008 and 2009. The Town's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2008 and 2009.

Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a Town's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

The Town's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management, the Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

March 23, 2010

TOWN OF WALTON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Years Ended December 31, 2008 and 2009

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-08	Total Federal Awards Expended 12-31-09
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>				
Pass-Through Indiana Finance Authority				
Capitalization Grants for Clean Water State Revolving Funds	66.458	WW08040901	\$ -	\$ 53,557
ARRA - Capitalization Grants for Clean Water State Revolving Funds	66.458	WW08040901	-	486,637
Total federal awards expended			<u>\$ -</u>	<u>\$ 540,194</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF WALTON
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Walton (Town) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of Towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

TOWN OF WALTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no
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Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
66.458	ARRA – Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	no
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TOWN OF WALTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II – Financial Statement Findings

FEDERAL FINDING 2009-1, INTERNAL CONTROLS OVER
FINANCIAL TRANSACTIONS AND REPORTING

We noted the following deficiency in the internal control system of the Town of Walton related to financial transactions and reporting. We believe the following deficiency constitutes a material weakness:

Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to achievement of financial reporting objectives. The Town has not separated incompatible activities related to receipts, (utility billings and collections,) disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to occur and not be detected.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TOWN OF WALTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



TOWN OF WALTON

100 S. Depot St.
P.O. Box 322
Walton, IN 46994
(574) 626-2941

March 23, 2010

FEDERAL FINDING 2009-1, INTERNAL CONTROLS OVER FINANACIAL TRANSACTIONS AND REPORTING

The management of the Town of Walton has reviewed the Financial Statement Findings related to their audit for the years 2008 and 2009 and we offer the following corrective actions.

Lack of Segregation of Duties – The Clerk Treasurer’s Office will review their office procedures and attempt to assign duties such that there will be as much segregation of incompatible activities as is practical. In addition, the employees will cross perform certain duties particularly when an employee is on vacation. However, the town is a very small governmental unit and management has determined that the cost associated with employing the additional staff necessary to properly segregate the duties in the business office would outweigh the benefits of a stronger internal control structure. Management acknowledges and assumes the risks inherent with the current design of their business office.

Sincerely,

Kim L. Craig
Clerk-Treasurer

TOWN OF WALTON
EXIT CONFERENCE

The contents of this report were discussed on March 23, 2010, with Kim L. Craig, Clerk-Treasurer; and Mike Robison, President of the Town Council. The officials concurred with our audit findings.