

**TOWN OF WALKER, LOUISIANA**  
**AUDITED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

7/18/07

**TOWN OF WALKER  
WALKER, LOUISIANA**  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

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June 18, 2007

Independent Auditor's Report

The Honorable Travis Clark, Mayor  
and Members of the Board of Aldermen  
Walker, Louisiana

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 Walker, Louisiana, as of and for the year ended December 31, 2006, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Walker, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 18, 2007, on our consideration of the Town of Walker's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control and financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 9 and the Required Supplemental Information in Schedule 1 on page 65 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

*Thomas J. Bourgeois, CPA*

## TOWN OF WALKER

### MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Walker, Louisiana ("the Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2006. The intent of Management's Discussion and Analysis ("MD&A") is to look at the overall financial performance of the Town using an objective, easily readable analysis of the Town's financial activities. Therefore, we encourage readers to consider the information presented here in conjunction with additional information furnished in the Notes to the Basic Financial Statements. Please reference the Table of Contents for the exact location of those items.

The MD&A is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board ("GASB") Statement No. 34. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

#### Financial Highlights

- The Town received an unqualified opinion on the current year financial statements of the Governmental Activities which improved from the prior year adverse opinion on the financial statements of the Governmental Activities. The Town was able to provide detailed information on its general fixed assets and certain general infrastructure assets and record depreciation expense required by accounting principles generally accepted in the United States of America.
- In addition, the Town received an unqualified opinion on the financial statements of the Business-Type Activities which improved from the prior year qualified opinion.
- This will be the first time in approximately 5 years that the Town of Walker will have received unqualified opinions on its financial statements and those statements will have been submitted to the Louisiana Legislative Auditor on a timely basis.
- The Town's assets exceeded its liabilities at the close of the fiscal year by \$7,631,253 (*net assets*).
- The government's total net assets compared to prior year total net assets of \$6,412,570 increased by \$1,218,683.
- Total revenue from both governmental and business-type activities was \$10,833,469. Total expenses were \$9,614,786.
- The Town's governmental funds reported combined ending fund balances of \$1,676,018, an increase of \$485,635 in comparison with the prior year combined ending fund balances of \$1,190,383.
- The Town's total debt decreased by \$676,027 (6%) during the fiscal year.

#### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements, which are comprised of 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 an organization-wide overview similar in nature to a private-sector business. The two components of this presentation are the *Statement of Net Assets* and the *Statement of Activities*.

The *Statement of Net Assets* (Exhibit A-1) presents information on all of the Town'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 Town is improving or deteriorating.

The *Statement of Activities* (Exhibit A-2) presents information showing how the Town's net assets changed during the 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., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes, licenses, permits, fines 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 Town of Walker include general government, public safety, highways and streets, and parks and recreation. The business-type activities of the Town of Walker include a gas and water distribution operation, a sewer disposal operation, and a contracted solid waste disposal operation. All business type activities are included in a single Utility Enterprise Fund.

**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 Town, 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 Town can be divided into two categories: governmental funds and proprietary 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 fund balance sheet (Exhibit B-1) and governmental fund statement of revenues, expenditures, and changes in fund balances (Exhibit B-3) provide a reconciliation (Exhibits B-2 and B-4) to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains two individual governmental funds. The *General Fund* is the chief operating fund of the Town. The activities of the General Fund include general and administrative functions, public safety (police), highways and streets, animal control, and parks and recreation. The *Special Revenue Fund* accounts solely for the ½ cent sales tax, the proceeds of which are legally dedicated for the repayment of the Series 2000 Sales Tax Bonds, payments into the required Sinking and Reserve Funds, and other expenditures specifically allowed in the bond resolution. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the special revenue fund as both funds are considered major funds.

The Town adopts an annual appropriated budget for its general fund and special revenue fund. A budgetary comparison statement has been provided for the general fund (Exhibit B-5) and the special revenue fund (Schedule 1).

*Enterprise type proprietary funds* are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The Town uses a single utility enterprise fund, which is considered a major fund, to account for its gas, water, sewer, and sanitation services provided for the residents of the Town and some residents of the parishes of Livingston and St. Helena. Exhibits C-1 through C-3 present the basic proprietary fund financial statements.

**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. The notes to the financial statements can be found on pages 27-64 of this report.

**Other supplementary information.** Other required supplementary information and the individual fund financial statements on non-major funds, if applicable, is presented immediately following the Notes to the Basic Financial Statements.

**Government-wide Financial Analysis**

This analysis pertains to the government-wide financial statements for the fiscal year ended December 31, 2006. The Town's net assets at December 31, 2006 were \$7,631,253. Capital assets of the Business-Type Activities are reported net of accumulated depreciation; and the investment in capital assets is reported net of related debt. However, it should be noted that the capital assets are used to provide services to citizens; and consequently, cannot be used to liquidate the related debt. The resources needed to repay this debt must be provided from other sources.

The table below reflects the condensed Statement of Net Assets as of December 31, 2006 with comparative figures from December 31, 2005.

Town of Walker Condensed Statement of Net Assets December 31, 2006 and 2005						
	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Assets:</b>						
Current and Other Assets	\$ 1,467,541	\$ 874,442	\$ 2,377,904	\$ 2,453,755	\$ 3,845,445	\$ 3,328,197
Restricted Assets	539,312	534,602	1,512,919	1,267,499	2,052,231	1,802,101
Capital Assets	2,244,276	2,137,333	11,332,881	11,710,238	13,577,157	13,847,571
<b>Total assets</b>	<b>4,251,129</b>	<b>3,546,377</b>	<b>15,223,704</b>	<b>15,431,492</b>	<b>19,474,833</b>	<b>18,977,869</b>
<b>Liabilities:</b>						
Current Liabilities	293,411	194,735	1,174,316	1,318,684	1,467,727	1,513,419
Long-Term Liabilities	4,091,633	4,484,368	6,284,220	6,567,512	10,375,853	11,051,880
<b>Total Liabilities</b>	<b>4,385,044</b>	<b>4,679,103</b>	<b>7,458,536</b>	<b>7,886,196</b>	<b>11,843,580</b>	<b>12,565,299</b>
<b>Net assets:</b>						
Invested in Capital Assets						
Net of Debt	1,621,276	1,283,333	5,382,354	5,471,711	7,003,630	6,755,044
Restricted	539,312	534,602	762,832	565,541	1,302,144	1,100,143
Unrestricted	(2,294,503)	(2,950,661)	1,619,982	1,508,044	(674,521)	(1,442,617)
<b>Total Net Assets</b>	<b>\$ (133,915)</b>	<b>\$ (1,132,726)</b>	<b>\$ 7,765,168</b>	<b>\$ 7,545,296</b>	<b>\$ 7,631,253</b>	<b>\$ 6,412,570</b>



Business-type activities net assets increased by \$219,872 in the current year. Although the governmental activities report net assets (liabilities) of (\$133,915), this represents an increase of \$998,811 in net assets for governmental activities in the current year from the prior year restated net asset balance of (\$1,132,726). The prior year net asset balance was restated to correct capital assets and record accumulated depreciation at December 31, 2005. In addition, prior year total columns were restated for these differences.

The Statement of Activities for 2006 categorizes the Town's revenues as program revenues, which are service charges or grants and contributions for specific governmental or business-type functions, and general revenues, which include most taxes and other revenue sources of a government-wide nature.

Total expenses for the Town in fiscal year 2006 were \$9,614,786, a decrease of \$434,889 from 2005. Of the governmental activities expenses, \$844,163 was covered by program revenues. The remainder, or \$2,998,956, was funded by general revenues, primarily sales, franchise, and property taxes, occupational licenses, and permits. For business-type activities, program revenues exceeded expenses by \$474,048.

The table below reflects the condensed Statement of Activities for the year ended December 31, 2006 with comparative figures from 2005.

Town of Walker Condensed Statement of Activities For the Year Ended December 31, 2006 and 2005						
	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 690,488	\$ 576,615	\$ 6,245,715	\$ 5,900,728	\$ 6,936,203	\$ 6,477,343
Operating Grants and Contributions	64,667	199,964	-	-	64,667	199,964
Capital Grants and Contributions	89,008	161,568	-	-	89,008	161,568
<b>General Revenues:</b>						
Taxes	3,507,750	2,967,831	-	-	3,507,750	2,967,831
Other Grants and Contributions not Restricted to Specific Programs	12,059	35,139	-	-	12,059	35,139
Interest Income	83,438	39,195	71,452	53,789	154,890	92,984
Net Gain on Sale of Assets	26,365	-	-	-	26,365	-
Miscellaneous Income	24,576	31,604	17,951	17,002	42,527	48,606
Transfers	343,579	-	(343,579)	-	-	-
<b>Total Revenues</b>	<b>4,841,930</b>	<b>4,011,916</b>	<b>5,991,539</b>	<b>5,971,519</b>	<b>10,833,469</b>	<b>9,983,435</b>
<b>Expenses:</b>						
General Government	1,168,458	1,181,056	-	-	1,168,458	1,181,056
Public Safety	1,426,846	1,274,880	-	-	1,426,846	1,274,880
Highways and Streets	823,042	877,839	-	-	823,042	877,839
Parks and Recreation	270,343	187,556	-	-	270,343	187,556
Interest on Long-Term Debt	154,430	174,449	-	-	154,430	174,449
Gas	-	-	3,929,463	4,462,102	3,929,463	4,462,102
Water	-	-	490,401	550,547	490,401	550,547
Sewer	-	-	1,061,376	1,099,270	1,061,376	1,099,270
Sanitation	-	-	290,427	241,976	290,427	241,976
<b>Total Expenses</b>	<b>3,843,119</b>	<b>3,695,780</b>	<b>5,771,667</b>	<b>6,353,895</b>	<b>9,614,786</b>	<b>10,049,675</b>
Increase (Decrease) in Net Assets	998,811	316,136	219,872	(382,376)	1,218,683	(66,240)
Net Assets - Beginning of Year, as Restated	(1,132,726)	(1,448,862)	7,545,296	7,927,672	6,412,570	6,478,810
Net Assets - End of Year	<b>\$ (133,915)</b>	<b>\$ (1,132,726)</b>	<b>\$ 7,765,168</b>	<b>\$ 7,545,296</b>	<b>\$ 7,631,253</b>	<b>\$ 6,412,570</b>

**Governmental activities.** Governmental activities increased the Town's net assets by \$998,811. Key areas of note are detailed below:

- Sales and other taxes increased by \$539,919 (18.20%) during the year. Most of this increase is attributable to the continued growth in Walker and the surrounding areas.
- Charges for services increased by \$113,873 (19.75%).
- Net transfers from the utility fund of \$343,579.

**Business-type activities.** Business-type activities increased the Town's net assets by \$219,872. Key areas of note are detailed below:

- Gas department program revenues exceeded expenses by \$778,955 and \$600,334 was transferred to the general fund leaving a net income of \$178,621 in the Gas Department.
- Sewer department expenses exceeded program revenues by \$571,326. One of the provisions of the ½ Cent Sales Tax calls for net proceeds (after paying the reasonable and necessary costs of administering and collecting the tax) to be expended for extending, improving, maintaining and operating the sewerage system of the Town. \$256,755 was transferred to the sewer activity for fiscal year 2006, resulting in a remaining shortfall of \$314,571 in the Sewer Department.
- Water department program revenues exceeded expenses by \$343,829 while the Sanitation department revenues exceeded expenses for 2006 by \$11,993.

### **Analysis of Fund Financial Statements**

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

**Governmental funds.** The focus of the Town's *governmental funds* is to provide information on near-term inflow, and balances of *spendable* resources. Such information is useful in assessing the Town'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 Town's governmental funds reported combined ending fund balances of \$1,676,018, an increase of \$485,635 in the current year. The general fund is the chief operating fund of the Town. During the current fiscal year, the fund balance of the general fund increased by \$152,783, due to the transfer of \$600,334 from the Gas Department, while the fund balance of the 2000 ½ Cent Sales Tax Fund increased by \$332,852, after the transfer of \$256,755 to the Sewer Department.

**Proprietary funds.** The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The proprietary funds report net operating income of \$785,446, an increase or change in net assets of \$219,872, and a net increase in cash and cash equivalents of \$129,319.

### **General Fund Budgetary Summary**

The Town did amend the budget prior to year-end as required by state law; however, one department still reflected an unfavorable variance greater than 5.00%. Highways and Streets had an unfavorable balance of \$37,162 or 5.43%.

Town of Walker Budget to Actual Variance December 31, 2006					
General Fund	Original Budget	Final Budget	Actual Expenses	Favorable (Unfavorable) Variance	% Variance
General Government	\$ 1,049,295	\$ 1,131,042	\$ 1,116,471	\$ 14,571	1.29%
Public Safety: Animal Control	\$ 103,775	\$ 115,116	\$ 110,531	\$ 4,585	3.98%
Public Safety: Police	\$ 1,225,192	\$ 1,243,782	\$ 1,244,116	\$ (334)	-0.03%
Highway and Streets	\$ 839,208	\$ 684,034	\$ 721,196	\$ (37,162)	-5.43%
Parks and Recreation	\$ 172,094	\$ 273,726	\$ 262,042	\$ 11,684	4.27%
Capital Outlay	\$ -	\$ 362,245	\$ 346,069	\$ 16,176	4.47%
Debt Service	\$ 17,359	\$ 388,962	\$ 254,482	\$ 134,480	34.57%

### Capital Asset and Debt Administration

**Capital assets.** The Town's investment in capital assets for its governmental and business type activities as of December 31, 2006, amounts to \$13,577,157, a decrease of \$270,414 from the restated December 31, 2005 amount. This investment in capital assets includes land, buildings, improvements, roads and bridges, vehicles, machinery and equipment, furniture and fixtures, recreational equipment, and gas, water, and sewer systems. Depreciation expense recorded for the governmental activities for 2006 amounted to \$221,751, while depreciation expense recorded for the business-type activities totaled \$552,112.

Additional information on the Town's capital assets can be found in note 8 on pages 41-42 of this report.

**Long-term debt.** At the end of the current fiscal year, the Town had total debt outstanding of \$10,375,853, a decrease of \$676,027 (6%) from prior year. This decrease is a result of timely remittance of required debt payments. A breakdown of the long-term debt is as follows:

- Compensated absences accounts for \$46,506 of the outstanding debt.
- \$318,820 represents a verbal settlement agreement with the Department of Environmental Quality due to past violations.
- The remaining \$10,010,527 is comprised of various certificates of indebtedness and bond issuances payable from Town revenues as noted below:

\$ 623,000	General Fund Revenues
3,437,000	Special Revenue Fund Revenues
5,950,527	Utility Enterprise Fund Revenues
<u>\$ 10,010,527</u>	Total COI and Bonds Payable from Town Revenues

- No new debt has been issued.

Additional information on the Town's long-term debt can be found in note 12 on pages 44-57.

### **Future Budget and Economic Outlook**

Although the Town's unrestricted net assets remain at a deficit, all funds demonstrated improvement and total net assets increased \$1,218,683 over prior year. The current administration continues to face skepticism from the public, but is committed to focusing on building a positive future for the Town. Steady growth of the utilities customer base ensures increased revenues; however, with a probable decrease in sales tax revenue as the impact of hurricanes Katrina and Rita fade, the Town must be conservative in its spending to continue improving its financial outlook.

This financial report is designed to provide a general overview of the Town's finances for all interested parties. Questions concerning any of this information provided in this report or requests for additional information should be addressed to:

Financial Director  
Town of Walker  
P.O. Box 217  
Walker, Louisiana 70785

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**TOWN OF WALKER**  
**STATEMENT OF NET ASSETS**

DECEMBER 31, 2006

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2005)

	Governmental Activities	Business-Type Activities	Totals 2006	Totals 2005
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,314,180	\$ 136,443	\$ 1,450,623	\$ 623,545
Receivables, Net	186,448	1,280,403	1,466,851	1,875,585
Due from Other Governments	507,996	-	507,996	486,725
Internal Balances	(592,063)	592,063	-	-
Inventories	-	326,218	326,218	247,238
Prepaid Items	50,980	42,777	93,757	95,104
Restricted Assets:				
Cash and Cash Equivalents	539,312	1,089,816	1,629,128	1,413,850
Investments	-	423,103	423,103	388,251
Capital Assets:				
Land	766,196	99,464	865,660	873,160
Other Capital Assets, Net of Depreciation	1,478,080	11,233,417	12,711,497	12,974,411
Total Assets	<u>\$ 4,251,129</u>	<u>\$ 15,223,704</u>	<u>\$ 19,474,833</u>	<u>\$ 18,977,869</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Expenses	\$ 279,855	\$ 1,149,332	\$ 1,429,187	\$ 1,466,103
Accrued Interest Payable	13,556	24,984	38,540	47,316
Non-Current Liabilities:				
Due Within One Year	420,908	305,718	726,626	692,883
Due in More Than One Year	3,670,725	5,978,502	9,649,227	10,358,997
Total Liabilities	4,385,044	7,458,536	11,843,580	12,565,299
<b>NET ASSETS</b>				
Investment in Capital Assets, Net of Related Debt	1,621,276	5,382,354	7,003,630	6,755,044
Reserved for Debt Service	539,312	762,832	1,302,144	1,100,143
Unrestricted (Deficit)	(2,294,503)	1,619,982	(674,521)	(1,442,617)
Total Net Assets (Deficit)	<u>(133,915)</u>	<u>7,765,168</u>	<u>7,631,253</u>	<u>6,412,570</u>
Total Liabilities and Net Assets	<u>\$ 4,251,129</u>	<u>\$ 15,223,704</u>	<u>\$ 19,474,833</u>	<u>\$ 18,977,869</u>

The accompanying notes constitute an integral part of this statement.

**TOWN OF WALKER**

**STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED DECEMBER 31, 2006

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2005)

<b><u>Functions/Programs</u></b>	<b><u>Expenses</u></b>	<b><u>Program Revenues</u></b>		
		<b><u>Charges for Services</u></b>	<b><u>Operating Grants and Contributions</u></b>	<b><u>Capital Grants and Contributions</u></b>
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General Government	\$ 1,168,458	\$ -	\$ -	\$ -
Public Safety	1,426,846	552,431	64,667	-
Highways and Streets	823,042	-	-	19,008
Parks and Recreation	270,343	138,057	-	70,000
Interest on Long-Term Debt	154,430	-	-	-
<b>Total Governmental Activities</b>	<b>3,843,119</b>	<b>690,488</b>	<b>64,667</b>	<b>89,008</b>
<b>Business-Type Activities:</b>				
Gas	3,929,463	4,659,706	-	-
Water	490,401	807,692	-	-
Sewer	1,061,376	475,897	-	-
Sanitation	290,427	302,420	-	-
<b>Total Business-Type Activities</b>	<b>5,771,667</b>	<b>6,245,715</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 9,614,786</b>	<b>\$ 6,936,203</b>	<b>\$ 64,667</b>	<b>\$ 89,008</b>

**General Revenues:**

Taxes:

Property

Sales

Occupational and Permits

Franchise

Other Grants and Contributions not Restricted to Specific Programs

Transfers

Interest Income

Net Gain on Sale of Assets

Miscellaneous Income

Total General Revenues

Change in Net Assets

Net Assets (Deficit) - Beginning of Year - As Restated

Net Assets (Deficit) - End of Year

The accompanying notes constitute an integral part of this statement.

**Net (Expense) Revenue and  
Changes in Net Assets (Deficit)**

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals 2006</u>	<u>Totals 2005</u>
\$ (1,168,458)	\$ -	\$ (1,168,458)	\$ (1,181,056)
(809,748)	-	(809,748)	(562,366)
(804,034)	-	(804,034)	(716,271)
(62,286)	-	(62,286)	(123,491)
(154,430)	-	(154,430)	(174,449)
(2,998,956)	-	(2,998,956)	(2,757,633)
-	730,243	730,243	128,030
-	317,291	317,291	150,510
-	(585,479)	(585,479)	(715,405)
-	11,993	11,993	(16,302)
-	474,048	474,048	(453,167)
(2,998,956)	474,048	(2,524,908)	(3,210,800)
55,797	-	55,797	55,323
2,735,611	-	2,735,611	2,261,217
298,916	-	298,916	294,928
417,426	-	417,426	356,363
12,059	-	12,059	35,139
343,579	(343,579)	-	-
83,438	71,452	154,890	92,984
26,365	-	26,365	-
24,576	17,951	42,527	48,606
3,997,767	(254,176)	3,743,591	3,144,560
998,811	219,872	1,218,683	(66,240)
(1,132,726)	7,545,296	6,412,570	6,478,810
\$ (133,915)	\$ 7,765,168	\$ 7,631,253	\$ 6,412,570



**FUND FINANCIAL STATEMENTS**

**TOWN OF WALKER**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**

**DECEMBER 31, 2006**

**(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2005)**

	General	2000 1/2 Cent Sales Tax Fund	Total Governmental Funds	Totals 2005
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,314,180	\$ -	\$ 1,314,180	\$ 813,462
Receivables:				
Ad Valorem Taxes, Net	24,839	-	24,839	12,851
Other	161,609	-	161,609	277,762
Due from Other Funds	-	197,366	197,366	405,106
Due from Other Governments	338,664	169,332	507,996	486,725
Cash - Restricted	120,551	418,761	539,312	534,602
Prepaid Interest	-	-	-	8,452
<b>Total Assets</b>	<b>\$ 1,959,843</b>	<b>\$ 785,459</b>	<b>\$ 2,745,302</b>	<b>\$ 2,538,960</b>
<b>LIABILITIES</b>				
Outstanding Checks in Excess of Bank Balances	\$ -	\$ -	\$ -	\$ 407,609
Accounts Payable	98,422	-	98,422	93,059
Payroll Liabilities	120,834	-	120,834	13,545
Accrued Salaries and Wages	60,599	-	60,599	66,522
Due to Other Funds	789,429	-	789,429	767,842
<b>Total Liabilities</b>	<b>1,069,284</b>	<b>-</b>	<b>1,069,284</b>	<b>1,348,577</b>
<b>FUND BALANCES</b>				
Fund Balances:				
Reserved for Debt Service	120,551	418,761	539,312	534,602
Reserved for Prepaid Interest	-	-	-	8,452
Unreserved, Reported In				
General Fund	770,008	-	770,008	610,674
Debt Service Fund	-	366,698	366,698	36,655
<b>Total Fund Balances</b>	<b>890,559</b>	<b>785,459</b>	<b>1,676,018</b>	<b>1,190,383</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,959,843</b>	<b>\$ 785,459</b>	<b>\$ 2,745,302</b>	<b>\$ 2,538,960</b>

The accompanying notes constitute an integral part of this statement.

**TOWN OF WALKER**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS**

DECEMBER 31, 2006

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2005)

	2006	2005
Fund Balances-Total Governmental Funds	\$ 1,676,018	\$ 1,190,383
 <i>Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:</i>		
 <i>Capital Assets Used in Governmental Activities are not Financial Resources and are not Reported in the Governmental Funds</i>		
Governmental Capital Assets	4,215,754	3,887,685
Less Accumulated Depreciation	(1,971,478)	(1,750,352)
	2,244,276	2,137,333
Prepaid Insurance	50,980	45,535
 <i>Long-Term Liabilities are not Due and Payable in the Current Period and Therefore are not Reported in the Governmental Funds:</i>		
General Obligation Bonds	(3,673,000)	(3,890,000)
Compensated Absences Payable	(31,633)	(29,368)
General Obligation Certificates of Indebtedness	(387,000)	(565,000)
Accrued Interest Payable	(13,556)	(21,609)
	(4,105,189)	(4,505,977)
 Net Assets (Deficit) of Governmental Activities	 \$ (133,915)	 \$ (1,132,726)

The accompanying notes constitute an integral part of this statement.

**TOWN OF WALKER**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2006

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2005)

	General	2000 1/2 Cent Sales Tax Fund	Total Governmental Funds	Totals 2005
<b>Revenues:</b>				
Taxes	\$ 2,309,023	\$ 911,870	\$ 3,220,893	\$ 2,683,795
Licenses and Permits	298,916	-	298,916	294,928
Fines and Forfeits	537,690	-	537,690	503,095
Interest	83,438	-	83,438	39,195
Fees	74,856	-	74,856	61,785
Intergovernmental	134,667	-	134,667	224,211
Miscellaneous	165,266	-	165,266	204,907
<b>Total Revenues</b>	<b>3,603,856</b>	<b>911,870</b>	<b>4,515,726</b>	<b>4,011,916</b>
<b>Expenditures:</b>				
Current:				
General Government	1,116,471	15,762	1,132,233	1,139,904
Public Safety	1,354,647	-	1,354,647	1,221,856
Highways and Streets	721,196	-	721,196	780,950
Parks and Recreation	262,042	-	262,042	178,828
Capital Outlay	346,069	-	346,069	398,777
Debt Service:				
Principal Retirement	231,000	164,000	395,000	380,879
Interest and Administration Fees	23,482	139,001	162,483	177,918
<b>Total Expenditures</b>	<b>4,054,907</b>	<b>318,763</b>	<b>4,373,670</b>	<b>4,279,112</b>
Excess (Deficiency) of Revenues over Expenditures	(451,051)	593,107	142,056	(267,196)
<b>Other Financing Sources (Uses):</b>				
Transfers In	603,834	-	603,834	-
Transfer Out	-	(260,255)	(260,255)	-
<b>Total Other Financing Sources (Uses)</b>	<b>603,834</b>	<b>(260,255)</b>	<b>343,579</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>152,783</b>	<b>332,852</b>	<b>485,635</b>	<b>(267,196)</b>
<b>Fund Balances at Beginning of Year</b>	<b>737,776</b>	<b>452,607</b>	<b>1,190,383</b>	<b>1,457,579</b>
<b>Fund Balances at End of Year</b>	<b>\$ 890,559</b>	<b>\$ 785,459</b>	<b>\$ 1,676,018</b>	<b>\$ 1,190,383</b>

The accompanying notes constitute an integral part of this statement.

## TOWN 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 DECEMBER 31, 2006

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2005)

	2006	2005
Net Change in Fund Balances - Total Governmental Funds	\$ 485,635	\$ (267,196)
<p>Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:</p>		
<p>Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities, the Cost of Those Assets is Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.</p>		
Capital Outlay	346,069	398,777
Depreciation Expense	(221,751)	(199,334)
	124,318	199,443
<p>In the Statement of Activities, Only the Gain on the Sale of Capital Assets is reported. However, in the Governmental Funds, the Proceeds from the Sale Increase Financial Resources. Thus, the Change in Net Assets Differs from the Change in Fund Balance by the Cost of the Capital Assets Sold.</p>		
Add Accumulated Depreciation on Capital Assets Retired	625	-
Less Cost Basis of Capital Assets Retired During the Year	(18,000)	-
	(17,375)	-
<p>Governmental funds expense insurance payments when paid. In the Statement of Activities, only the portion applicable to the current year is expensed. The remaining is recorded in the Statement of Net Assets as prepaid insurance.</p>		
Change in Prepaid Insurance	5,445	9,056
<p>The Issuance of Long-Term Debt (e.g., bonds, leases) Provides Current Financial Resources to Governmental Funds, While the Repayment of the Principal of Long-Term Debt Consumes the Current Financial Resources of the Governmental Funds. Neither Transaction, However, has any Effect on Net Assets.</p>		
Repayment of Principal on Long-Term Debt	395,000	380,879
<p>Some Expenses Reported in the Statement of Activities do not Require the use of Current Financial Resources and are not Reported as Expenditures in Governmental Funds.</p>		
Increase in Compensated Absences Payable	(2,265)	(9,515)
(Increase) Decrease in Accrued Interest Payable	8,053	3,469
Change in Net Assets of Governmental Activities	\$ 998,811	\$ 316,136

The accompanying notes constitute an integral part of this statement.

**TOWN OF WALKER  
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

FOR THE YEAR ENDED DECEMBER 31, 2006

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance With Final Budget
<b>Revenues</b>				
<b>Taxes:</b>				
Ad Valorem Taxes	\$ 63,000	\$ 59,256	\$ 55,797	\$ (3,459)
Alcoholic Beverage Tax	5,500	9,029	12,059	3,030
Franchise Taxes	230,000	349,637	417,426	67,789
Sales Taxes	1,509,910	1,776,289	1,823,741	47,452
	1,808,410	2,194,211	2,309,023	114,812
<b>Licenses and Permits:</b>				
Occupational Licenses	266,000	237,488	234,693	(2,795)
Other Permits and Licenses	45,000	60,886	64,223	3,337
	311,000	298,374	298,916	542
<b>Fines and Forfeits</b>	502,056	584,909	537,690	(47,219)
<b>Interest Income</b>	21,000	83,584	83,438	(146)
<b>Fees:</b>				
Animal Adoption Fees	10,560	16,073	14,741	(1,332)
Parks and Recreation Fees	55,200	59,005	60,115	1,110
	65,760	75,078	74,856	(222)

(CONTINUED)

**TOWN OF WALKER  
GENERAL FUND**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>Intergovernmental:</b>				
Law Enforcement Grants	134,523	10,984	20,027	9,043
Other Grants	70,000	70,000	70,000	-
On Behalf Payments for Salaries	-	-	44,640	44,640
	<u>204,523</u>	<u>80,984</u>	<u>134,667</u>	<u>53,683</u>
<b>Miscellaneous:</b>				
Parks and Recreation Concessions	12,000	78,454	77,942	(512)
Miscellaneous	33,040	23,091	87,324	64,233
	<u>45,040</u>	<u>101,545</u>	<u>165,266</u>	<u>63,721</u>
<b>Total Revenues</b>	<u>\$ 2,957,789</u>	<u>\$ 3,418,685</u>	<u>\$ 3,603,856</u>	<u>\$ 185,171</u>

(CONTINUED)

**TOWN OF WALKER  
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)**

FOR THE YEAR ENDED DECEMBER 31, 2006

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance With Final Budget
<b>Expenditures</b>				
<b>General Government:</b>				
General Provisions:				
Salaries	\$ 516,948	\$ 544,582	\$ 492,560	\$ 52,022
Aldermen's Per Diem	42,000	46,000	46,000	-
Payroll Taxes, Retirement, and Group Insurance	192,391	220,951	186,992	33,959
Advertising	2,400	1,255	1,854	(599)
Collection Costs	2,900	26,966	38,388	(11,422)
Bank Charges	1,800	1,131	1,276	(145)
Contracted Services	18,000	15,200	18,680	(3,480)
Coroner Fees	2,400	-	-	-
Insurance	61,620	77,700	41,268	36,432
Legal and Professional Membership Fees and Educational Training	69,000	96,614	109,862	(13,248)
Miscellaneous	7,500	7,541	10,478	(2,937)
Printing, Postage and Office Supplies	2,080	3,174	50,345	(47,171)
Rental Equipment	34,500	12,030	13,914	(1,884)
Repairs and Maintenance	14,400	9,103	10,766	(1,663)
Small Tools and Supplies	12,360	14,048	22,760	(8,712)
Telephone	4,980	2,569	14,921	(12,352)
Utilities	35,280	26,471	30,293	(3,822)
Uniforms	16,656	14,117	14,317	(200)
Vehicle Expenses	6,780	5,039	5,484	(445)
Total General Government	5,300	6,551	6,313	238
	<u>1,049,295</u>	<u>1,131,042</u>	<u>1,116,471</u>	<u>14,571</u>
<b>Public Safety:</b>				
Animal Control:				
Salaries	54,708	48,679	39,317	9,362
Payroll Taxes, Retirement, and Group Insurance	17,639	18,228	18,414	(186)

(CONTINUED)



**TOWN OF WALKER  
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)**

FOR THE YEAR ENDED DECEMBER 31, 2006

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance With Final Budget
<b>Public Safety (Continued):</b>				
<b>Animal Control (Continued):</b>				
Animal Care Expense	3,600	4,328	4,786	(458)
Insurance	6,340	6,521	3,792	2,729
Legal and Professional	3,200	13,285	11,897	1,388
Miscellaneous	5,040	7,059	14,803	(7,744)
Small Tools and Supplies	1,620	3,830	3,932	(102)
Telephone	4,188	4,112	4,449	(337)
Utilities	2,760	6,728	6,797	(69)
Vehicle Expense	4,680	2,346	2,344	2
<b>Total Animal Control</b>	<b>103,775</b>	<b>115,116</b>	<b>110,531</b>	<b>4,585</b>
<b>Police:</b>				
Salaries	551,262	640,328	663,943	(23,615)
Payroll Taxes, Retirement, and Group Insurance	233,948	216,846	205,907	10,939
Contracted Services	25,200	2,112	2,018	94
Court Costs	42,198	11,000	12,000	(1,000)
Equipment Rental	9,180	12,905	12,894	11
Insurance	124,988	125,748	93,402	32,346
Membership Fees and Educational Training	13,800	4,995	4,965	30
Miscellaneous	2,760	16,330	17,934	(1,604)
Printing, Postage and Office Supplies	16,020	10,685	11,822	(1,137)
Professional Fees	42,000	45,261	47,714	(2,453)
Repairs and Maintenance	20,400	13,624	16,401	(2,777)
Small Tools and Supplies	6,600	13,642	22,745	(9,103)
Telephone	18,816	25,426	27,239	(1,813)

(CONTINUED)

**TOWN OF WALKER  
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)**

FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>Public Safety (Continued):</b>				
<b>Police (Continued):</b>				
Uniforms	24,000	9,310	12,572	(3,262)
Utilities	5,820	8,376	7,437	939
Vehicle Expense	88,200	87,194	85,123	2,071
<b>Total Police</b>	<u>1,225,192</u>	<u>1,243,782</u>	<u>1,244,116</u>	<u>(334)</u>
<b>Total Public Safety</b>	<u>1,328,967</u>	<u>1,358,898</u>	<u>1,354,647</u>	<u>4,251</u>
<b>Highway and Streets:</b>				
<b>Streets:</b>				
Salaries	359,888	280,769	310,692	(29,923)
Payroll Taxes, Retirement, and Group Insurance	130,142	138,537	123,836	14,701
Contract Services	18,500	20,908	25,917	(5,009)
Equipment Expense	39,100	32,818	33,542	(724)
Equipment Rental	300	290	874	(584)
Insurance	94,328	79,599	74,572	5,027
Legal and Professional	18,960	11,782	32,276	(20,494)
Streets Maintenance and Materials	86,150	19,641	22,932	(3,291)
Membership Fees and Educational Training	920	612	897	(285)
Miscellaneous	1,920	3,970	3,933	37
Small Tools and Supplies	10,260	4,496	7,890	(3,394)
Telephone	5,340	7,148	7,407	(259)
Uniforms	5,400	6,938	7,797	(859)
Utilities	68,000	76,526	68,631	7,895
<b>Total Highways and Streets</b>	<u>839,208</u>	<u>684,034</u>	<u>721,196</u>	<u>(37,162)</u>

(CONTINUED)

**TOWN OF WALKER  
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)**

FOR THE YEAR ENDED DECEMBER 31, 2006

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance With Final Budget
<b>Parks and Recreation:</b>				
Salaries	24,840	49,828	22,197	27,631
Payroll Taxes, Retirement, and Group Insurance	12,128	8,360	5,831	2,529
Contract Services	24,580	3,562	3,459	103
Concession Supplies	-	55,779	57,253	(1,474)
Equipment Rental	1,200	3,129	2,999	130
Insurance	7,346	4,888	4,960	(72)
Membership Fees and Educational Training	180	1,352	1,352	-
Miscellaneous	3,900	3,615	3,801	(186)
Legal and Professional	2,400	14,546	26,916	(12,370)
Printing, Postage and Office Supplies	4,140	887	887	-
Repairs and Maintenance	37,620	32,383	31,200	1,183
Telephone	3,552	4,261	4,591	(330)
Tournament Expenses	33,600	57,951	57,387	564
Utilities	9,600	19,744	22,052	(2,308)
Uniforms	7,008	13,441	17,157	(3,716)
<b>Total Parks and Recreation</b>	<b>172,094</b>	<b>273,726</b>	<b>262,042</b>	<b>11,684</b>
<b>Capital Outlay</b>	<b>-</b>	<b>362,245</b>	<b>346,069</b>	<b>16,176</b>
<b>Debt Service:</b>				
Principal Retirement	-	301,671	231,000	70,671
Interest and Administration Fees	17,359	87,291	23,482	63,809
<b>Total Debt Service</b>	<b>17,359</b>	<b>388,962</b>	<b>254,482</b>	<b>134,480</b>
<b>Total Expenditures</b>	<b>3,406,923</b>	<b>4,198,907</b>	<b>4,054,907</b>	<b>144,000</b>

(CONTINUED)

**TOWN OF WALKER  
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)**

FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(449,134)	(780,222)	(451,051)	329,171
<b>Other Financing Sources (Uses):</b>				
Transfers In	624,334	603,834	603,834	-
Transfers Out	-	-	-	-
<b>Net Change in Fund Balances</b>	175,200	(176,388)	152,783	329,171
<b>Fund Balance at Beginning of Year</b>	<u>737,776</u>	<u>737,776</u>	<u>737,776</u>	-
<b>Fund Balance at End of Year</b>	<u>\$ 912,976</u>	<u>\$ 561,388</u>	<u>\$ 890,559</u>	<u>\$ 329,171</u>

The accompanying notes constitute an integral part of this statement.

**TOWN OF WALKER  
PROPRIETARY FUND**

**STATEMENT OF NET ASSETS**

DECEMBER 31, 2006

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2005)

	Business Type Activities - Enterprise Fund	
	2006	2005
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 136,443	\$ 217,692
Due From Other Funds	592,063	362,736
	728,506	580,428
<b>Receivables:</b>		
Accounts (Net of Allowance for Uncollectible Accounts of \$278,859 in 2006 and \$231,593 in 2005)	834,800	1,059,386
Unbilled Utility Sales	445,603	525,586
	1,280,403	1,584,972
<b>Inventory, at Cost</b>	326,218	247,238
<b>Prepaid Expenses</b>	42,777	41,117
Total Current Assets	2,377,904	2,453,755
<b>Noncurrent Assets:</b>		
Restricted Cash, Cash Equivalents, and Investments:		
Revenue Bond Covenant Accounts	1,089,816	879,248
Investments - Customer Deposits	423,103	388,251
Capital Assets, at Cost (Net of Accumulated Depreciation)	11,332,881	11,710,238
Total Noncurrent Assets	12,845,800	12,977,737
Total Assets	\$ 15,223,704	\$ 15,431,492

The accompanying notes constitute an integral part of this statement.

	<b>Business Type Activities - Enterprise Fund</b>	
	<u>2006</u>	<u>2005</u>
<b>Current Liabilities:</b>		
Accounts Payable	\$ 586,884	\$ 797,633
Accrued Salaries and Wages	27,213	30,265
Accumulated Unpaid Vacation	3,718	2,541
Customers' Deposits	533,118	421,929
Other Current Liabilities	2,117	43,150
Bonds Payable - 1998 Series - Current Portion	302,000	288,000
Accrued Bond Interest	24,984	25,707
Total Current Liabilities	<u>1,480,034</u>	<u>1,609,225</u>
<b>Noncurrent Liabilities:</b>		
Bonds Payable - Less Current Portion	5,648,527	5,950,527
Environmental Assessment Liabilities	318,820	318,820
Accumulated Unpaid Vacation	11,155	7,624
Total Noncurrent Liabilities	<u>5,978,502</u>	<u>6,276,971</u>
Total Liabilities	<u>7,458,536</u>	<u>7,886,196</u>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	5,382,354	5,471,711
Reserved for Debt Service	762,832	565,541
Unrestricted	1,619,982	1,508,044
Total Net Assets	<u>7,765,168</u>	<u>7,545,296</u>
Total Liabilities and Net Assets	<u>\$ 15,223,704</u>	<u>\$ 15,431,492</u>

**TOWN OF WALKER  
PROPRIETARY FUND**

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS**

FOR THE YEAR ENDED DECEMBER 31, 2006

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2005)

	Business - Type Activities - Enterprise Fund	
	2006	2005
<b>Operating Revenues:</b>		
Charges for Services	\$ 6,245,715	\$ 5,900,728
Total Operating Revenues	6,245,715	5,900,728
<b>Operating Expenses:</b>		
Personal Services and Benefits	907,927	927,793
Contractual Services	572,257	612,085
Cost of Materials	2,616,343	2,952,003
Utilities	202,554	209,972
Repair and Maintenance	260,978	452,684
Supplies	166,712	132,405
Insurance	129,485	124,995
Depreciation	552,112	565,057
Penalties	3,691	11,171
Bad Debts	48,210	41,000
Total Operating Expenses	5,460,269	6,029,165
Operating Income (Loss)	785,446	(128,437)
<b>Nonoperating Revenues:</b>		
Interest	71,452	53,789
Miscellaneous	17,951	17,002
Total Nonoperating Revenues	89,403	70,791
<b>Nonoperating Expenses:</b>		
Interest and Administrative Fees	311,398	324,730
Total Nonoperating Expenses	311,398	324,730
Income (Loss) Before Transfers	563,451	(382,376)
Transfers from Special Revenue Fund	256,755	-
Transfers to General Fund	(600,334)	-
Change in Net Assets	219,872	(382,376)
<b>Total Net Assets at Beginning of Year</b>	<b>7,545,296</b>	<b>7,927,672</b>
<b>Total Net Assets at End of Year</b>	<b>\$ 7,765,168</b>	<b>\$ 7,545,296</b>

The accompanying notes constitute an integral part of this statement.

**TOWN OF WALKER  
PROPRIETARY FUND**

**STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED DECEMBER 31, 2006

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2005)

	<b>Business-Type Activities - Enterprise Fund</b>	
	<u>2006</u>	<u>2005</u>
<b>Cash Flows From Operating Activities:</b>		
Cash Received from Customers	\$ 6,502,074	\$ 5,355,704
Cash Payments to Suppliers for Goods and Services	(4,285,165)	(4,263,166)
Cash Payments to Employees for Services and Benefits	(906,271)	(912,239)
Other Receipts (Payments)	<u>(211,376)</u>	<u>(210,823)</u>
Net Cash Used in Operating Activities	1,099,262	(30,524)
<b>Cash Flows From Noncapital and Related Financing Activities:</b>		
Transfer From Special Revenue Fund	256,755	-
Transfer To General Fund	<u>(600,334)</u>	<u>-</u>
Net Cash Used in Noncapital and Related Financing Activities	(343,579)	-
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Acquisition and Construction of Capital Assets	(174,755)	(94,916)
Net Receipts from Customer Deposits	111,189	13,615
Principal Paid on Loans	(288,000)	(274,000)
Interest and Administrative Fees Paid on Loans	<u>(311,398)</u>	<u>(324,730)</u>
Net Cash Used in Capital and Related Financing Activities	(662,964)	(680,031)
<b>Cash Flows From Investing Activities:</b>		
Net Purchases of Investments	(34,852)	(11,827)
Interest Income	<u>71,452</u>	<u>53,789</u>
Net Cash Provided by Investing Activities	36,600	41,962
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	129,319	(668,593)
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>1,096,940</u>	<u>1,765,533</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u><u>\$ 1,226,259</u></u>	<u><u>\$ 1,096,940</u></u>

(CONTINUED)



**TOWN OF WALKER  
PROPRIETARY FUND**

**STATEMENT OF CASH FLOWS (CONTINUED)**

FOR THE YEAR ENDED DECEMBER 31, 2006

(WITH COMPARABLE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2005)

	Business-Type Activities - Enterprise Fund	
	<u>2006</u>	<u>2005</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>		
Operating Income (Loss)	\$ 785,446	\$ (128,437)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:		
Depreciation	552,112	565,057
Provision for Bad Debts	48,210	41,000
Miscellaneous Revenues	17,951	17,002
 Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	176,376	(357,269)
(Increase) Decrease in Unbilled Utility Sales	79,983	(187,755)
(Increase) Decrease in Other Receivables	-	50,000
(Increase) Decrease in Due from Other Funds	(229,327)	(277,825)
(Increase) Decrease in Inventory	(78,980)	50,784
(Increase) Decrease in Prepaid Expenses	(1,660)	(2,506)
Increase (Decrease) in Accounts Payable	(210,749)	172,408
Increase (Decrease) in Accrued Salaries and Wages	(3,052)	17,414
Increase (Decrease) in Other Current Liabilities	(41,033)	12,943
Increase (Decrease) in Accrued Bond Interest	(723)	(1,480)
Increase (Decrease) in Accumulated Unpaid Vacation	4,708	(1,860)
Net Cash Used in Operating Activities	<u>\$ 1,099,262</u>	<u>\$ (30,524)</u>

The accompanying notes constitute an integral part of this statement.

# TOWN OF WALKER

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2006

### **Introduction:**

The Town of Walker was incorporated in 1909, under the provisions of Louisiana R.S. 33:321-348. The Town operates under a Mayor-Board of Aldermen form of government, and provides the following services as authorized by its charter: public safety (police), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general and administrative services.

The accounting and reporting policies of the Town of Walker conform to accounting principles generally accepted in the United States of America as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the industry audit guide, *Audits of State and Local Governmental Units*.

### **1. Summary of Significant Accounting Policies:**

#### **A. Financial Reporting Entity**

This report includes all funds which are controlled by or dependent on the Town's Mayor and Board of Aldermen. Control by or dependence on the Town was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, fiscal interdependency, imposition of will, and whether a financial benefit/burden relationship existed between the Town and potential component unit. The criteria in GASB Statement No. 14 has been considered and, accordingly, certain governmental organizations are excluded from the accompanying financial statements. These organizations are the Livingston Parish Fire District # 4, and Livingston Gravity Drainage District # 5, which are staffed by independently elected or appointed officials. Although the Town may provide facilities, no control is exercised over their operations. These units of government are considered separate reporting entities and issue financial statements separate from those of the Town.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining the reporting entity and component units that should be included within the reporting entity. Under provisions of this statement, the Town of Walker is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. As used in GASB Statement No. 14, fiscally independent means that the Town may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, establishes new requirements for the annual financial reports of state and local governments. The statement was developed to make annual financial reports easier to understand and more useful to the people who use governmental financial information to make decisions.

## TOWN OF WALKER

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006

*Management's Discussion and Analysis* – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.

*Government-Wide Financial Statements* – The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable), but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

*Statement of Net Assets* – The Statement of Net Assets is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component units. Governments will report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and will report depreciation expense – the cost of "using up" capital assets – in the Statement of Activities. The net assets of a government will be broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

*Statement of Activities* – The new government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

*Budgetary Comparison Schedules* – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial process of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the new reporting model, governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.

As required by the accounting principles generally accepted in the United States, these financial statements present the primary government and its component units, entities for which the government is considered financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The Town has no component units.

## TOWN OF WALKER

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006

#### B. Government-Wide and Fund Accounting

The basic financial statements include both government-wide (based on the Town as a whole) and fund types (the total of all funds of a particular type). In the new reporting model, the focus is on either the Town as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The Town generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, streets and parks, etc.), which are otherwise being supported by general government revenues (property, sales and use taxes, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, streets and parks, etc.) or a business-type activity. The Town does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. These funds are normally budgeted in this manner. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile funds based on financial statements with the governmental column of the government-wide presentation.

The focus of the revised model is on the Town as a whole and the fund financial statements, including funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and / or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

## TOWN OF WALKER

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006

#### *Governmental Funds*

Governmental funds are used to account for all or most of the municipality's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. The Town of Walker has two governmental funds:

**General Fund** - The General Fund is the general operating fund of the Town. This fund is used to account for all financial transactions and resources, except those required to be accounted for in other funds. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for services, and interest income. The General Fund may also account for long-term debt issues and repayments of the Town.

**Special Revenue Fund** - The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Special Revenue Fund of the Town (2000 ½ Cent Sales Tax Fund) is considered a major fund for reporting purposes.

#### *Proprietary Funds*

Proprietary Funds are used to account for activities that are similar to those found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through these funds. The measurement focus is on the determination of net income, financial position, and cash flows. Operating expenses include costs of services and materials, contracts, personnel, and dedication. In accordance with Governmental Accounting Standards Board (GASB Statement No. 20), the Town has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board, in accounting for proprietary funds.

**Enterprise Fund or Business Fund** - The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and / or net income is appropriate for capital maintenance, public policy, management control, accountability, and other purposes. The Town's Enterprise Fund accounts for the operations of providing natural gas services, water services, sewer services, and sanitation services.

## TOWN OF WALKER

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006

#### C. 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 is the proprietary fund financial statements. 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. 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.

Property taxes, franchise taxes, 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 Town.

The Town reports the following major governmental funds:

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

The *2000 ½ Cent Sales Tax Fund* is used to account for the proceeds of a ½ cent sales tax levied in the year 2000. These proceeds are legally restricted for 1) payment of principal and interest on the Series 2000 Sales Tax Bonds, 2) payments into the required "Sinking Fund" and Reserve Fund and 3) expenditures restricted for specified purposes.

The Town reports the following major proprietary fund:

The *utility enterprise fund* accounts for the provision of gas, water, sewer and sanitation services to the residents of the Town of Walker and some residents of the parishes of Livingston and St. Helena. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collections.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial

## TOWN OF WALKER

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006

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 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 other charges between the Town's utility functions and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* 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 revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 Town's utility fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

#### D. Budgets and Budgetary Accounting

The Town's policies in establishing the budgetary data reflected in these financial statements are as follows:

- i. The Town Treasurer prepares a proposed budget and submits this budget to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year. As reported in the accompanying Schedule of Findings and Questioned Costs, the original budget was not adopted timely for 2006.
- ii. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.

## TOWN OF WALKER

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006

- iii. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
- iv. After holding the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is adopted.
- v. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen.
- vi. All budgetary appropriations lapse at the end of each fiscal year.
- vii. The budget for the General Fund and the Special Revenue Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Board of Aldermen.

#### E. Cash and Investments

Cash includes amounts in demand deposits, interest bearing demand deposits, and money market accounts. Under state law, the Town may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Under state law, the Town may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at fair market value.

#### F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. At December 31, 2006, there were no advances between funds.



## TOWN OF WALKER

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable based on agings and estimated charge-off percentages comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to five percent of the current year property tax levy plus one hundred percent of any unpaid prior year tax at December 31, 2006.

Property taxes are levied in September or October each year on property values assessed as of the same date. Billed taxes become delinquent on January 1 of the following year, at which time the applicable property is subject to lien, and penalties and interest are assessed.

#### G. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out method. Inventories of the governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

#### H. Restricted Assets

Certain proceeds of bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet in both the governmental and enterprise funds because their use is limited by applicable bond covenants. Certain proceeds and resources of the Town's enterprise fund are set aside to reimburse customers their utility deposits upon discontinuance of service.

#### I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or 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 \$2,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period.

**TOWN OF WALKER**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**DECEMBER 31, 2006**

Fixed assets are included on the statement of net assets net of accumulated depreciation. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	20 - 40 Years
Buildings & Improvements	10 - 20 Years
Machinery and Equipment	3 - 15 Years
Public Domain Infrastructure	20 - 50 Years
Gas System	20 - 40 Years
Water System	20 - 40 Years
Sewer System	20 - 40 Years

**J. Compensated Absences**

Employees of the municipality earn annual leave at varying rates according to years of service. Accrued unused annual leave earned by an employee is carried forward to the succeeding calendar year. Accrued unused sick leave earned by an employee is carried forward to the succeeding calendar year without limitation. Employees that are terminated or resign will not be paid for accumulated sick leave. As of December 31, 2006, the accrued liability for unpaid vacation benefits amounted to \$46,506. The amount applicable to the Enterprise Fund was \$14,873, and is recorded in that Fund, and the amount of \$31,633 applicable to the General Fund is reflected on the Statement of Net Assets.

In accordance with GASB-16, *Accounting for Compensated Absences*, no liability has been accrued for unused employee sick leave.

**K. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**TOWN OF WALKER**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2006

**L. Fund Equity**

*Government-Wide Statements*

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

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by:
  - a. External groups such as creditors, grantors, contributors, or laws or regulations of other governments, or
  - b. Law through constitutional provisions or enabling legislation.
3. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

*Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

**M. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**N. Reclassifications**

Certain amounts presented in the 2005 total columns have been reclassified from prior year's presentation to conform to the current year classifications. Such reclassifications had no effect on the prior year determination of restricted and unrestricted net assets.

**TOWN OF WALKER**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2006

**2. Cash and Cash Equivalents**

Cash includes amounts in demand deposits, interest bearing demand deposits, and money market accounts. Under state law, the Town may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the Town may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The Town of Walker has cash and cash equivalents totaling \$3,079,751 at December 31, 2006. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the bank. These pledged securities are held by and in the name of the fiscal agent bank but pledged to the Town. The following is a summary of cash and investments (bank balances) at December 31, 2006.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Deposits in Bank Accounts per Balance Sheet	<u>\$ 1,853,492</u>	<u>\$ 1,226,259</u>	<u>\$ 3,079,751</u>
Bank Balances (Category 3 Only)			
a. Uninsured and Uncollateralized	\$ -	\$ -	\$ -
b. Uninsured and Collateralized with Securities Held by the Pledging Institution	-	-	-
c. Uninsured and Collateralized with Securities Held by the Pledging Institution's Trust Department or Agent, but not in the Entities Name	<u>1,854,509</u>	<u>1,139,444</u>	<u>2,993,953</u>
Total Category 3 Bank Balances	<u>\$ 1,854,509</u>	<u>\$ 1,139,444</u>	<u>\$ 2,993,953</u>
Total Bank Balances (Regardless of Category)	<u>\$ 1,925,835</u>	<u>\$ 1,194,058</u>	<u>\$ 3,119,893</u>

## TOWN OF WALKER

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006

#### *Custodial Credit Risk – Deposits*

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. As of December 31, 2006, \$2,993,953 of the Town's bank balance of \$3,119,893 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entity's name.

### 3. Investments

All investments are stated on the balance sheet (carrying value) at market value. All investments are in mutual funds that are held by a broker.

At December 31, 2006, the Town holds investments totaling \$423,103 as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
U.S. Government Securities Fund - A	\$ 221,989	\$ 221,989
American Balanced Fund - A	92,841	92,841
The Income Fund of America - A	<u>108,273</u>	<u>108,273</u>
Total	<u>\$ 423,103</u>	<u>\$ 423,103</u>

**Interest Rate Risk.** As a means of limiting its exposure to fair value changes arising from fluctuations in interest rates, the Town invests in mutual funds that have underlying investments in government backed securities.

**Credit Risk.** Under state law, the Town may invest in United States bonds, treasury notes, or certificates. The Town invests in mutual funds with underlying securities that are in compliance with the state law.

**Custodial Credit Risk - Investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

### 4. Ad Valorem Taxes -

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

**TOWN OF WALKER**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2006

The Town's property taxes are billed and collected by the Town of Walker from information on assessed values received from the Livingston Parish Assessor's Office.

For the year ended December 31, 2006, taxes of 2.20 mills were levied on property with assessed valuations totaling \$27,227,840 and were dedicated to general purposes.

Total taxes levied were \$59,901. Taxes receivable at December 31, 2006, consisted of the following:

Taxes Receivable - Current Roll	\$ 27,834
Taxes Receivable - Prior Years	-
	27,834
Allowance for Uncollectible Taxes	(2,995)
	\$ 24,839

**5. Receivables**

Receivables as of December 31, 2006, including the applicable allowance for uncollectible accounts, are as follows:

	Ad Valorem Taxes	Walker Youth Sports Association	Franchise Taxes	Accounts	Unbilled Sales	Less: Allowance for Uncollectibles	Total - Net Receivable
<b><u>Governmental Activities:</u></b>							
General Fund	\$27,834	-	\$155,199	\$ 6,410	\$ -	\$ (2,995)	\$ 186,448
2000 ½ Cent Sales Tax Fund	-	-	-	-	-	-	-
Total Governmental Activities	27,834	-	155,199	6,410	-	(2,995)	186,448
<b><u>Business-Type Activities:</u></b>							
Utility Fund	-	-	-	1,113,659	445,603	(278,859)	1,280,403
	\$27,834	-	\$155,199	\$1,120,069	\$445,603	\$(281,854)	\$1,466,851

**TOWN OF WALKER**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006

**6. Due From Other Governments -**

Due from Other Governments as of December 31, 2006, consists of the following:

	<u>Livingston Parish School Board</u>
<u>Governmental Activities</u>	
General Fund	\$338,664
2000 ½ Cent Sales Tax Fund	<u>169,332</u>
Total Governmental Activities	507,996
<u>Business-Type Activities</u>	
Utility Fund	<u>-</u>
	<u>\$507,996</u>

**7. Interfund Receivables/Payables**

The following is a detailed list of interfund balances reported in the fund financial statements.

	<u>Due from</u>	<u>Due to</u>	<u>Net Internal Balances</u>
<u>Governmental Activities</u>			
General Fund	\$ -	\$(789,429)	\$(789,429)
2000 ½ Cent Sales Tax Fund	<u>197,366</u>	<u>-</u>	<u>197,366</u>
Total Governmental Activities	197,366	(789,429)	(592,063)
<u>Business-Type Activities</u>			
Utility Fund	<u>592,063</u>	<u>-</u>	<u>592,063</u>
	<u>\$789,429</u>	<u>\$(789,429)</u>	<u>\$ -</u>

**TOWN OF WALKER**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**DECEMBER 31, 2006**

**8. Changes in Capital Assets**

The following is a summary of the changes in capital assets for the year ended December 31, 2006:

	Balance December 31, 2005	Reclassifications/ Adjustments	Balance January 1, 2006 (As Restated)	Additions	Deletions	Balance December 31, 2006
<b><u>Governmental Activities:</u></b>						
Capital Assets not being Depreciated:						
Land	\$ 745,929	\$ 27,767	\$ 773,696	\$ -	\$ (7,500)	\$ 766,196
Total Capital Assets not being Depreciated	745,929	27,767	773,696	-	(7,500)	766,196
Capital Assets being Depreciated:						
Land Improvements	15,675	3,219	18,894	104,967	-	123,861
Buildings	315,439	-	315,439	34,155	-	349,594
Equipment and Vehicles	1,864,487	(926,345)	938,142	184,939	(10,500)	1,112,581
Furniture and Fixtures	171,998	(21,936)	150,062	-	-	150,062
Recreational Equipment	99,787	(17,118)	82,669	3,000	-	85,669
Infrastructure	-	1,608,783	1,608,783	19,008	-	1,627,791
Total Capital Assets being Depreciated	2,467,386	646,603	3,113,989	346,069	(10,500)	3,449,558
Less: Accumulated Depreciation for:						
Land Improvements	-	18,894	18,894	1,458	-	20,352
Buildings	-	147,109	147,109	11,509	-	158,618
Equipment and Vehicles	-	623,844	623,844	118,017	(625)	741,236
Furniture and Fixtures	-	127,815	127,815	22,247	-	150,062
Recreational Equipment	-	78,549	78,549	2,160	-	80,709
Equipment	-	754,141	754,141	66,360	-	820,501
Total Accumulated Depreciation	-	1,750,352	1,750,352	221,751	(625)	1,971,478
Total Capital Assets being Depreciated, Net	2,467,386	(1,103,749)	1,363,637	124,318	(9,875)	1,478,080
Total Governmental Activities Capital Assets, Net	\$ 3,213,315	\$ (1,075,982)	\$ 2,137,333	\$ 124,318	\$ (17,375)	\$ 2,244,276
<b><u>Business-Type Activities:</u></b>						
Capital Assets not being Depreciated:						
Land - Gas and Water System	\$ 82,231	\$ -	\$ 82,231	\$ -	\$ -	\$ 82,231
Land- Sewer System	17,233	-	17,233	-	-	17,233
Construction in Progress	-	-	-	-	-	-
Total Capital Assets not being Depreciated	99,464	-	99,464	-	-	99,464

(CONTINUED)



**TOWN OF WALKER**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**DECEMBER 31, 2006**

	<u>Balance</u>	<u>Reclassifications/</u>	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
	<u>December 31, 2005</u>	<u>Adjustments</u>	<u>January 1, 2006</u>			<u>December 31, 2006</u>
			<u>(As Restated)</u>			
<b><u>Business-Type Activities (Continued):</u></b>						
<b>Capital Assets being Depreciated:</b>						
Gas System	4,052,013	-	4,052,013	55,372	-	4,107,385
Water System	2,396,913	-	2,396,913	2,753	-	2,399,666
Sewer System	11,125,111	-	11,125,111	-	-	11,125,111
Buildings	154,953	-	154,953	31,516	-	186,469
Machinery and Equipment	<u>1,235,696</u>	<u>-</u>	<u>1,235,696</u>	<u>85,114</u>	<u>-</u>	<u>1,320,810</u>
<b>Total Capital Assets being Depreciated</b>	<b>18,964,686</b>	<b>-</b>	<b>18,964,686</b>	<b>174,755</b>	<b>-</b>	<b>19,139,441</b>
<b>Less: Accumulated Depreciation for:</b>						
Gas System	2,245,604	-	2,245,604	86,262	-	2,331,866
Water System	1,332,851	-	1,332,851	64,595	-	1,397,446
Sewer System	2,653,670	-	2,653,670	322,256	-	2,975,926
Buildings	118,854	-	118,854	3,259	-	122,113
Machinery and Equipment	<u>1,002,933</u>	<u>-</u>	<u>1,002,933</u>	<u>75,740</u>	<u>-</u>	<u>1,078,673</u>
<b>Total Accumulated Depreciation</b>	<b>7,353,912</b>	<b>-</b>	<b>7,353,912</b>	<b>552,112</b>	<b>-</b>	<b>7,906,024</b>
<b>Total Capital Assets being Depreciated, Net</b>	<b>11,610,774</b>	<b>-</b>	<b>11,610,774</b>	<b>(377,357)</b>	<b>-</b>	<b>11,233,417</b>
<b>Total Business-Type Activities</b>						
Capital Assets, Net	<u>\$ 11,710,238</u>	<u>\$ -</u>	<u>\$ 11,710,238</u>	<u>\$ (377,357)</u>	<u>\$ -</u>	<u>\$ 11,332,881</u>

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

**Governmental Activities:**

General Government	\$ 42,615
Public Safety	68,868
Streets	101,911
Parks and Recreation	<u>8,357</u>
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 221,751</b>

**Business-Type Activities:**

Water	\$ 66,619
Gas	157,346
Sewer	<u>328,147</u>
<b>Total Depreciation Expense - Business-Type Activities</b>	<b>\$ 552,112</b>

Property, plant and equipment are stated at cost, less an allowance for accumulated depreciation. Depreciation expense is computed using the straight line method over the estimated useful lives of the assets, as described in Significant Accounting Policies.

**TOWN OF WALKER**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006

**9. Accounts, Salaries, and Other Payables**

The payables at December 31, 2006 are as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts Payable	\$ 98,422	\$ 586,884	\$ 685,306
Withholdings	120,834	-	120,834
Accrued Salary	60,599	27,213	87,812
Sales Tax Payable	-	2,117	2,117
Customer Deposits	-	533,118	533,118
Total	\$ 279,855	\$1,149,332	\$ 1,429,187

**10. Retirement Benefits (Other Than Police Officers)**

The Town adopted an unqualified retirement plan in 1992. Employees are eligible to participate upon completion of their sixth month of employment and must be employed full time. The Town contributes 9% of the regular gross pay on the employee's behalf. The moneys contributed are used to make payments on annuity contracts for the benefit of the employee. On October 1, 1993, the unqualified retirement plan was terminated and a qualified retirement plan was adopted. The qualified retirement plan has the same contribution terms as the unqualified retirement plan. The Town's contributions for the plan amounted to \$115,840, for the year ended December 31, 2006.

**11. Municipal Police Employees Retirement System of Louisiana (MPERS)**

*Plan Description.* All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The system issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

**TOWN OF WALKER**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2006

*Funding Policy.* Plan members are required by state statute to contribute 7.5% of their annual covered salary and the Town of Walker is required to contribute at an actuarially determined rate. The current rate is 15.5% of annual covered payroll. The contribution requirements of plan members and the Town of Walker are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Walker contributions to the System for the year ending December 31, 2006 was \$64,814, which was equal to the required contributions for the year.

**12. Changes in Long-Term Obligations**

The following is a summary of debt transactions of the Town of Walker for the year ended December 31, 2006:

	Debt Payable 1/1/2006	Additions	Deletions	Debt Payable 12/31/2006	Due within 1 year
<b>Governmental Activities:</b>					
Compensated Absences Certificate of Indebtedness, Series 1998	\$ 29,368	\$ 2,265	\$ -	\$ 31,633	\$ 7,908
Sales Tax Bonds, Series 2000 Refunding Series Bonds, Series 2004	565,000 3,601,000 289,000	- - -	178,000 164,000 53,000	387,000 3,437,000 236,000	188,000 170,000 55,000
Total Governmental Activities	4,484,368	2,265	395,000	4,091,633	420,908
<b>Business-Type Activities:</b>					
Compensated Absences Environmental Assessment Liabilities	10,165 318,820	4,708 -	- -	14,873 318,820	3,718 -
Gas & Water Revenue Bonds, Series 1999	3,845,000	-	185,000	3,660,000	195,000
Sewer Revenue Bonds, Series 2000	258,000	-	12,000	246,000	12,000
Sewer Revenue Bonds, Series 2001	2,135,527	-	91,000	2,044,527	95,000
Total Business-Type Activities	6,567,512	4,708	288,000	6,284,220	305,718
<b>Total Debt</b>	<b>\$11,051,880</b>	<b>\$ 6,973</b>	<b>\$683,000</b>	<b>\$10,375,853</b>	<b>\$726,626</b>

**TOWN OF WALKER**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2006

Long-term debt payable from Governmental Activities at December 31, 2006, is comprised of the following:

**Certificates of Indebtedness, Series 1998**

Certificates of Indebtedness, Series 1998. \$890,000 Certificates of Indebtedness, dated July 1, 2003, due in annual installments of principal and semi-annual installments of interest through July 1, 2008; interest at 2.95%. The interest rate was 4.825% before an interest rate reduction effective on June 30, 2003. \$ 387,000

A schedule of the outstanding certificate of obligation and the principal and interest requirements are as follows:

<u>Year Ended December 31,</u>	<u>Certificate of Indebtedness, Series, 1998</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$188,000	\$ 11,387	\$199,387
2008	199,000	5,871	204,871
	<u>\$387,000</u>	<u>\$ 17,258</u>	<u>\$404,258</u>

An Interest Rate Reduction on the \$1,561,000 Certificate of Indebtedness, Series 1998, originally dated July 28, 1998, was effective July 1, 2003. Under the "Revised Debt Service Schedule After Interest Rate Reduction", dated July 1, 2003, the total principal due totaled \$890,000, at an annual interest rate of 2.950%. Principal payments are due on an annual basis with semi-annual interest payments due on January 1 and July 1 of each fiscal year, with the final payments of principal and interest due on July 1, 2008. The "Schedule of Debt Service Savings Report" estimated savings of \$48,656, net of \$3,338 costs of issuance, for the Interest Rate Reduction.

The Certificates of Indebtedness, Series 1998 resolution provides that the Certificate shall be secured by and payable in principal and interest exclusively by an irrevocable pledge and dedication of the excess of annual revenues of the Town of Walker from its General Fund and Other Operating Funds for the years 1998 and thereafter above the statutory, necessary and usual charges of the Town in each of the years the Certificates are outstanding. The excess revenues thus pledged shall be set aside monthly in a separate fund to be designated the Series 1998 Sinking Fund hereinafter authorized to be created. Monies in the Series 1998 Sinking Fund shall be expended solely for the payment of principal and interest on the Certificates.

**TOWN OF WALKER**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**DECEMBER 31, 2006**

Such monthly deposits of excess revenues of the Town from its General Fund and Other Operating Funds shall continue to be made in each of the years 1998 and thereafter, as necessary to pay principal and interest on the Certificates as the same fall due. The excess revenues of the Town from its General Fund and Other Operating Funds not required to be deposited in the Series 1998 Sinking Fund may be appropriated and used by the Issuer for any lawful purpose of the Town.

The 1998 Certificates of Indebtedness Bond Indenture requires the following funds to be maintained.

A Debt Service Fund designed to achieve a proper matching of revenues and debt service on the Certificates within each bond year. For purposes of the Arbitrage Certificate, and compliance with the Arbitrage Regulations, "Bond Year" shall mean the 1-year period ending on each principal payment date of the Certificates, which is July 1 of each year. Amounts deposited in the Debt Service Fund will be applied to the next payment of principal or interest on the Certificates following such transfer. All amounts deposited in the Debt Service Fund are expected to be depleted at least once each Bond Year, except for a reasonable carryover amount which will not exceed the greater of (i) the earnings on the Debt Service Fund for the immediately preceding Bond Year, or (ii) 1/12 of the principal and interest payments on the Certificates for the immediately preceding Bond Year. At December 31, 2006, the Certificates of Indebtedness, Series 1998 balance was fully funded with an actual balance of \$99,708.

**Sales Tax Bonds, Series 2000**

Sales Tax Bonds, Series 2000. \$4,200,000 Sales Tax Bonds, dated June 7, 2000, due in annual installments of principal and semi-annual installments of interest through June 1, 2021; interest rate at 3.45%.

\$ 3,437,000

A schedule of the outstanding Sales Tax Bonds, Series 2000 principal and interest requirements are as follows:

Year Ended December 31,	Sales Tax Bonds, Series 2000		
	Principal	Interest	Total
2007	\$ 170,000	\$ 115,644	\$ 285,644
2008	178,000	109,641	287,641
2009	185,000	103,379	288,379
2010	194,000	96,842	290,842
2011	200,000	90,045	290,045
2012 - 2016	1,131,000	338,566	1,469,566
2017 - 2021	1,379,000	122,596	1,501,596
	<u>\$3,437,000</u>	<u>\$ 976,713</u>	<u>\$4,413,713</u>

**TOWN OF WALKER**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**DECEMBER 31, 2006**

The Sales Tax Revenue Bond Indenture, Series 2000 requires the following funds to be maintained.

- (a) To create a fund or account with the regularly designated Fiscal Agent Bank of the Borrower designated as the Sewer Sales Tax Bond Sinking Fund (the "Sinking Fund", by separating physically or through accounting, moneys sufficient in amount to pay promptly and fully the principal of and the interest on the Borrower Bonds, and any Parity Obligations issued hereafter in the manner provided by the Authorizing Ordinance, as the same severally become due and payable, by transferring from the Sales Tax Fund to the Sinking Fund, on or before the 20<sup>th</sup> day of the month of each year (i) during the Interim Loan Period an amount equal to the interest accruing on the Borrower Bonds for such calendar month and (ii) during the Permanent Loan Period, an amount equal to the principal and interest accruing on the Borrower Bonds for such calendar month, together with such additional proportionate sum as may be required to pay said principal and interest as the same respectively become due. Said agent bank or banks of all obligations payable from the Sinking Fund, at least three (3) days in advance of the date on which payment of principal or interest falls due, funds fully sufficient to pay promptly the principal and interest so falling due on such date. At December 31, 2006, the Sales Tax Bond, Series 2000 Sinking Fund balance was fully funded with an actual balance of \$110,480.
  
- (b) To create a fund or account with the regularly designated Fiscal Agent Bank of the Borrower designated as the Sewer Sales Tax Bond Debt Service Reserve Fund (the "Reserve Fund"), by separating physically or by accounting into the Reserve Fund monthly on or before the 20<sup>th</sup> day of each month of each year, a sum at least equal to 25% of the amount required to be paid into the Sinking Fund for such month with respect to the Borrower Bonds, the payments into said Reserve Fund to continue until such time as there has been accumulated therein a sum equal to the Reserve Fund Requirement. In the event that additional Parity Obligations are issued hereafter in the manner provided by the Authorizing Ordinance, there shall be transferred from bond proceeds at closing or the Sales Tax Fund or from other available moneys into said Reserve Fund monthly or annually, such amounts (as may be designated in the resolution or ordinance authorizing the issuance of such Parity Obligations) as will increase the total amount on deposit in the Reserve Fund within a period not exceeding five (5) years from the date of issue of such Parity Obligations to a sum equal to the Reserve Fund Requirement. At December 31, 2006, the Sales Tax Bond, Series 2000 Reserve Fund balance was fully funded with an actual balance of \$308,281.

**Refunding Bonds, Series 2004**

Refunding Bonds, Series 2004. \$340,000 of Refunding Bonds, dated September 1, 2004, due in annual installments of principal and semi-annual installments of interest through September 10, 2010; interest rate at 3.190%.

\$ 236,000

**TOWN OF WALKER**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2006

A schedule of the outstanding Refunding Series 2004 Bonds principal and interest requirements are as follows:

<u>Year Ended December 31,</u>	<u>2004 Refunding Series</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 55,000	\$ 7,528	\$ 62,528
2008	58,000	5,774	63,774
2009	60,000	3,924	63,924
2010	63,000	2,010	65,010
	<u>\$236,000</u>	<u>\$ 19,236</u>	<u>\$255,236</u>

The Refunding Bonds, Series 2004, were issued for the purpose of refunding the September 1, 2006 to September 1, 2010 maturities of the Town's outstanding Certificates of Indebtedness, Series 2000, and paying the costs of issuance of the bonds. The Refunding Bonds of \$340,000, dated September 1, 2004, were issued at \$340,000 and are due in annual installments of principal and semi-annual installments of interest through September 10, 2010; interest rate at 3.190%.

The Refunding Bonds, Series 2004, provided a total of \$340,000 in bond proceeds (Source of Funds). Uses of funds totaled \$340,000 and included a \$334,000 deposit to redeem the Certificates of Indebtedness, Series 1998, funds of \$5,521 for Costs of Issuance, and \$479 for other costs related to the refunding. The total net savings from refunding was estimated at \$24,334, with a \$22,351 present value of the net savings. The average annual debt service reduction totaled \$3,766.

Pursuant to the Ordinance the Issuer is to establish and maintain the Refunding Bonds (2004) Sinking Fund (the "Debt Service Fund"). The Debt Service Fund is designed to achieve a proper matching of revenues and debt service on the Bonds within each bond year. For purposes of this Arbitrage Certificate and compliance with Arbitrage Regulations, "Bond Year" shall mean the 1-year period ending on each principal payment date of the Bonds, which is September 1 of each year. Amounts deposited in the Debt Service Fund will be applied to the next payment of principal or interest on the Bonds following such transfer. All amounts deposited in the Debt Service Fund are expected to be depleted at least once each Bond Year, except for a reasonable carryover amount which will not exceed the greater of (i) the earnings on the Debt Service Fund for the immediately preceding Bond Year, or (ii) ½ of the principal and interest payments on the Bonds for the immediately preceding Bond Year. At December 31, 2006, the Refunding Bonds, Series 2004 sinking fund was fully funded with an actual balance of \$20,843.

**TOWN OF WALKER**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2006

The annual requirements to amortize all outstanding debt of the governmental activities at December 31, 2006, including interest payments of \$1,013,207 are as follows:

<u>Year Ending December 31,</u>	<u>Certificates of Indebtedness Series 1998</u>	<u>Sales Tax Bonds, Series 2000</u>	<u>Refunding Bonds, Series 2004</u>	<u>Total</u>
2007	\$199,387	\$ 285,644	\$ 62,528	\$ 547,559
2008	204,871	287,641	63,774	556,286
2009	-	288,379	63,924	352,303
2010	-	290,842	65,010	355,852
2011	-	290,045	-	290,045
2012 - 2016	-	1,469,566	-	1,469,566
2017 - 2021	-	<u>1,501,596</u>	-	<u>1,501,596</u>
	<u>\$404,258</u>	<u>\$4,413,713</u>	<u>\$255,236</u>	<u>\$5,073,207</u>

Long-term debt payable from the Business-Type Activities at December 31, 2006, is comprised of the following:

**Natural Gas and Water Revenue Bonds, Series 1999**

Natural Gas and Water Revenue Bonds, Series 1999. \$4,650,000 of Gas & Water Revenue Bonds, dated December 22, 1999, due in annual installments of principal and semi-annual installments of interest through December 1, 2019; interest rate at 5.70%.

\$ 3,660,000

A schedule of the outstanding Natural Gas and Water Revenue Bonds, Series 1999 principal and interest requirements are as follows:

<u>Year Ended December 31,</u>	<u>1999 Gas and Water Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 195,000	\$ 208,620	\$ 403,620
2008	210,000	197,505	407,505
2009	220,000	185,535	405,535
2010	235,000	172,995	407,995
2011	245,000	159,600	404,600
2012 - 2016	1,460,000	571,140	2,031,140
2017 - 2019	<u>1,095,000</u>	<u>127,110</u>	<u>1,222,110</u>
	<u>\$ 3,660,000</u>	<u>\$1,622,505</u>	<u>\$5,282,505</u>



**TOWN OF WALKER**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**DECEMBER 31, 2006**

The 1999 Natural Gas and Water Revenue Bonds, dated December 22, 1999, were issued at \$4,650,000 and are due in annual principal installments and semi-annual installments of interest at 5.7% through December, 2019.

The 1999 Natural Gas and Water Revenue bond Indenture requires the following funds to be maintained.

- (a) The establishment and maintenance of a separately identifiable fund or account designated as the "1999 Utility Revenue Bond Sinking Fund" (the "Sinking Fund"), to be held by the regularly designated fiscal agent of the Issuer, sufficient in amount to pay promptly and fully the principal of and the interest on the bonds by transferring from the Revenue Fund to the fiscal agent of the Issuer, monthly in advance on or before the 20<sup>th</sup> day of each month of each year, commencing December, 1999, a sum equal to 1/6 of the interest falling due on the next Interest Payment Date and 1/12th of the principal falling due on the next principal payment date, together with such additional proportionate sum as may be required to pay said principal and interest as the same become due. If additional Parity Bonds are hereafter issued by the Issuer in the manner provided by this Ordinance, monthly payments into the Sinking Fund for the Additional Parity Bonds shall be in accordance with the provisions of the ordinances authorizing the issuance of such Additional Parity bond and moneys in the Sinking Fund shall be equally available to pay principal and interest on the Bonds and such Additional Parity Bonds. The Issuer shall transfer from said Sinking Funds to the paying agent bank or banks for all Bonds payable from the Sinking Fund at least three (3) days in advance of each Interest Payment Date, funds fully sufficient to pay promptly the principal and interest so falling due on such date. At December 31, 2006, the 1999 Natural Gas and Water Revenue Bonds Sinking Fund balance was fully funded with an actual balance of \$33,635.
- (b) The establishment and maintenance of the "1999 Natural Gas and Water Revenue Bond Reserve Fund" (the "Reserve Fund"), to be held by the regularly designated fiscal agent of the Issuer, by depositing into the Reserve Fund from the proceeds of the Bonds and the moneys in the reserve fund maintained in connection with Series 1987 Bond and designated for the Series 1987 Bond, upon the delivery of the Bonds, an amount equal to the Reserve Fund Requirement. The money in the Reserve Fund shall be retained solely for the purpose of paying the principal and interest on the Bonds and any Additional Parity Bonds as to which there would otherwise be default. In the event that Additional Parity Bonds are issued there shall be transferred from the proceeds of such Additional Parity Bonds or from the Revenue Fund into the Reserve Fund monthly, such amounts (as may be designated in the ordinance authorizing the issuance of such Additional Parity Bonds) as will increase the total amount on deposit in the Reserve Fund within a period not exceeding five (5) years to a sum equal to the Reserve Fund Requirement for all outstanding bonds payable from the Sinking Fund as provided in the ordinances for the issuance of the Additional Parity Bonds. At December 31, 2006, the 1999 Natural Gas and Water Revenue Bonds Reserve Fund balance was fully funded with an actual balance of \$412,581.
- (c) The establishment and maintenance of the "1999 Natural Gas and Water Depreciation and Contingency Fund" (the "Contingency Fund"), to be held by the regularly designated fiscal agent of the Issuer, to care for depreciation, extensions, additions, improvements and replacements necessary

**TOWN OF WALKER**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**DECEMBER 31, 2006**

to operate properly the System, by transferring from the Revenue Fund to the regularly designated fiscal agent bank of the Issuer, monthly in advance on or before the 20<sup>th</sup> day of each month of the each year, a sum of at least equal to five percent (5%) of the gross revenues of the System collected in cash during the preceding month, provided that such sum is available after provision is made for the payments required under paragraphs (a) and (b) above. The payments in said Contingency Fund shall continue as long as any of the Bonds or any Additional Parity Bonds are outstanding. In addition to caring for extensions, additions, improvements, renewals and replacements necessary to properly operate the System, the money in the Contingency Fund may also be used to pay the principal of and the interest on the Bonds and any additional *pari passu* bonds issued hereafter in the manner provided by this Ordinance, for the payment of which there is not sufficient money in the Sinking Fund or Reserve Fund described in paragraphs (a) or (b) above, but the money in said Contingency Funds shall never be used for the making of extensions and additions to the System or for the payment of principal or interest on bonds if such use of said money will leave in said Contingency Fund for the making of emergency repairs, renewals and replacements less than the sum of Fifty Thousand Dollars (\$50,000).

At December 31, 2006 the 1999 Natural Gas and Water Revenue Bonds Depreciation and Contingency Fund balance was \$227,089 compared to a balance of \$516,783 at December 31, 2002. Sufficient financial data was not available to determine if the decrease of \$289,694 in the account balance from December 31, 2002 to December 31, 2006, was in compliance with bond restrictions. Specifically, financial data was not available to determine if the transfers from the 1999 Natural Gas and Water Revenue Bonds Depreciation and Contingency account was expended for eligible improvements to the system per bond covenants.

Bond covenants for the 1999 Natural Gas and Water Revenue Bonds also specify that: "The issuer, through its Governing Authority, hereby covenants to fix, establish, maintain and collect such rates, fees, rents or other charges for the services and facilities of the System, and all parts thereof, and to revise the same from time to time whenever necessary, as will always provide revenue in each year sufficient to pay reasonable and necessary expenses of operating and maintaining the System in each year and as will provide Net Revenues at least equal to one hundred twenty percent (120%) of the principal and interest requirements in such year all bonds or other obligations payable from the revenues of the System and as will provide revenues at least sufficient to pay all reserves or sinking funds or other payments required for such year by this Ordinance and ordinances authorizing the issuance of all other obligations or indebtedness payable out of the Revenues during such year and that such rates, fees, rents or other charges shall not at any time be reduced so as to be insufficient to provide adequate revenues for such purposes." It could not be determined if the Town of Walker complied with this bond covenant, since as noted it could not be determined if the 1999 Natural Gas & Water Revenue Bonds Depreciation and Contingency account was properly funded.

**TOWN OF WALKER**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2006

**Sewer Revenue Bonds, Series 2000**

Sewer Revenue Bonds, Series 2000. \$300,000 Sewer Revenue Bonds due in annual installments of principal and semi-annual installments of interest through June 1, 2021; interest rate at 3.45%.

**\$ 246,000**

A schedule of the outstanding Sewer Revenue Bonds, Series 2000 principal and interest requirements are as follows:

Year Ended December 31,	2000 Sewer Revenue Bonds		
	Principal	Interest	Total
2007	\$ 12,000	\$ 8,280	\$ 20,280
2008	13,000	7,849	20,849
2009	13,000	7,400	20,400
2010	14,000	6,935	20,935
2011	14,000	6,451	20,451
2012 - 2016	81,000	24,236	105,236
2017 - 2021	99,000	8,815	107,815
	\$ 246,000	\$ 69,966	\$ 315,966

The 2000 Sewer Revenue Bonds, dated June 7, 2000, were issued at \$300,000, and due in annual principal installments and semi-annual installments of interest at 3.45% through June, 2021.

The 2000 Sewer Revenue Bond Indenture requires the following funds to be maintained.

(a) **Sinking Fund.**

Moneys from the Revenue Fund shall be deposited into the Sinking Fund in amounts sufficient to pay promptly and fully the principal of and interest on the Borrower Bonds and any Parity Obligations issued or hereafter as they severally become due and payable.

Moneys from the Revenue Fund shall be transferred into the Sinking Fund monthly in advance on or before the twentieth (20<sup>th</sup>) day of each month of each year as follows:

- (1) during the Interim Loan Period, an amount equal to interest and Administrative Fee estimated to accrue with respect to the Borrower Bonds for such calendar month based on the Estimated Maximum Draw Schedule, and
- (2) during the Permanent Loan Period, an amount equal to the principal, interest and Administrative Fee accruing with respect to the Borrower Bonds for such calendar month, together with such additional proportionate sum as may be required to pay such principal, interest, and Administrative Fee as the same respectively become due.

## TOWN OF WALKER

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006

Money in the Sinking Fund shall be deposited as trust funds and shall be used solely and are hereby expressly exclusively pledged for the purpose of paying principal on, interest on and Administrative Fee, if any, with respect to the Borrower Bonds and any Parity Obligations. The Borrower shall require its Fiscal Agent Bank to transfer from the Sinking Fund to the Paying Agent (as defined in the Authorizing Ordinance) and any other paying agent bank or bank for any Parity Obligations payable from the Sinking Fund at least three (3) days in advance of each Interest Payment Date and Principal Payment Date, funds fully sufficient to pay promptly the principal and interest falling due on such dates. At December 31, 2006, the 2000 Sewer Revenue Bonds Sinking Fund balance was fully funded with an actual balance of 7,810.

(b) Reserve Fund.

With the issuance of the 2001 Sewer Revenue Bonds, a reserve fund requirement of \$196,320 was established for the 2000 Sewer Revenue Bonds and the 2001 Sewer Revenue Bonds (Parity Bonds). The reserve requirement of \$196,320 applies through year 2020, and then \$196,179 through year 2021, and then \$174,831 through 2022. The authorizing ordinance specifies the following requirements for 2000 and 2001 Sewer Revenue Bonds Reserve Fund:

The maintenance of the "Sewer Revenue Bond Debt Service Reserve Fund" (the "Reserve Fund"), heretofore established and maintained by the Parity Bond Ordinance, by transferring from the Revenues to the Reserve Fund monthly in advance on or before the 20<sup>th</sup> day of each month of each year a sum at least equal to 25% of the amount required to be paid into the Sinking Fund for such month, the payments into said Reserve Fund to continue until such time as there has been accumulated therein a sum equal to the Reserve Fund Requirement. The money in the Reserve Fund shall be retained solely for the purpose of paying the principal of and interest on Bonds payable from the Sinking Fund as to which there would otherwise be default. In the event that Parity Obligations are issued hereafter in the manner provided by this Ordinance, the payments into said Reserve Fund shall continue, or if the said payments have ceased because of the accumulation of the maximum amount provided above, then such payments shall be resumed in such amounts as will assure that there will be accumulated in the Reserve Fund within a period not exceeding five (5) years from the date of the delivery of the Parity Obligations an amount of money equal to the Reserve Fund Requirement.

In connection with the issuance of bonds, notes or other debt obligations by or on behalf of the Department, the Department may require if it deems, in its sole discretion, the depository to be uncreditworthy, that the portion of the Reserve Fund attributable to the Borrower Bonds shall be transferred to and maintained in such depository as may be designated by the Department. The Borrower hereby agree to said transfer.

At December 31, 2006, the 2000 and 2001 Sewer Revenue Bonds Sinking Reserve Fund balance was fully funded with an actual balance of \$196,320.

## TOWN OF WALKER

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006

(c) **Renewal and Replacement Fund.**

With the issuance of the 2001 Sewer Revenue Bonds, there is a combined Renewal and Replacement Fund requirement for the 2000 Sewer Revenue Bonds and the 2001 Sewer Revenue Bonds. The combined requirements as listed below specify deposits on a monthly basis, not to exceed an accumulated balance of \$150,000.

The maintenance of the "Sewer System Renewal and Replacement Fund" (the "Renewal and Replacement Fund"), heretofore established and maintained by the Parity Bond Ordinance, to care for extensions, additions, improvements, renewals and replacements necessary to properly operate the System by transferring from the Sewer Revenue Fund to the Renewal and Replacement Fund monthly on or before the 20<sup>th</sup> day of each month of each year (beginning the first full month after the date of delivery of the Bonds), a sum equal to five percent (5%) of the Net Revenues for the preceding month, provided that such sum is available after provision is made for the required payments. Such payments into the Renewal and Replacement Fund shall continue until such time as there has been accumulated in said Fund the sum of One Hundred Fifty Thousand Dollars (\$150,000), whereupon such payments may cease and need be resumed thereafter only if the total amount of money on deposit in said funds is reduced below the sum of \$150,000 in which even such payments shall be resumed and continue until said maximum of \$150,000 is again accumulated. In addition to caring for extensions, additions, improvements, renewals and replacements necessary to properly operate the System, the money in the Renewal and Replacement Fund may also be used to pay the principal and the interest on the Bonds, including any Parity Obligations issued hereafter in the manner provided by this Ordinance, for the payment of which there is not sufficient money in the Sinking Fund and Reserve Fund, but the money in said Renewal and Replacement Fund shall never be used for the making of improvements and extensions to the System or for payment of principal or interest on Bonds if the use of said money will leave in said Renewal and Replacement Fund for the making of emergency repairs or replacements less than the sum of Twenty-Five Thousand Dollars (\$25,000).

If at any time it shall be necessary to use moneys in the Reserve Fund for the purpose of paying principal of or interest on Bonds payable from the Sinking Fund as to which there would otherwise be default, then the moneys so used shall be replaced from the Net Revenues first thereafter received, not herein required to be used for current principal, interest and reserve requirements. If at any time there are sufficient moneys on deposit in the Reserve Fund and the Renewal and Replacement Fund to retire all outstanding Bonds payable from the Sinking Fund by exercising the prepayment option provided by such Bonds or by purchase on the open market, the Issuer may utilize such funds for such purpose.

All or any part of the moneys in the foregoing funds and accounts shall, at the written request of the Issuer, be invested in such investment securities as may be permitted by the laws of the State, provided that moneys in the Reserve Fund must be invested in Government Securities maturing no more than five (5) years from the date of investment. Any and all funds of the Issuer which may be placed on deposit with any bank in compliance with any provision of this or subsequent ordinances or of the Bonds, shall be secured by said bank at all times to the full extent thereof by direct

**TOWN OF WALKER**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006

obligations of the United States of America or the State having a market value of not less than the amount of money then on deposit.

All income derived from such investments shall be added to the money in said respective funds or to the Sewer Revenue Fund, and such investments shall, to the extent at any time necessary, be liquidated and the proceeds thereof applied to the purpose for which the respective funds are herein created.

All moneys remaining in the Sewer Revenue Fund on the 20<sup>th</sup> day of each month after making the required payments for the current month and for prior months during which the required payments may not have been made, shall be considered as surplus. Such surplus may be used by the Issuer for the purpose of retiring Bonds herein authorized in advance of their maturities, either by purchase of Bonds then outstanding at prices not greater than the prepayment prices of said Bonds or by retiring such Bonds at the prices and in the manner herein above set forth in this Ordinance, or for any other lawful purpose.

At December 31, 2006, the 2000 and 2001 Sewer Revenue Bonds Renewal and Replacement Fund combined balance was \$150,000. Financial data was not available from prior years to determine if deposits and withdrawals from this fund were in compliance with bond covenants.

**Series Revenue Bonds, Series 2001**

Sewer Revenue Bonds, Series 2001. \$2,400,000 Sewer Revenue Bonds due in annual installments of principal and semi-annual installments of interest through June 20, 2021; interest rate at 3.95%. \$ 2,044,527

A schedule of the outstanding Sewer Revenue Bonds, Series 2001 principal and interest requirements are as follows:

Year Ended December 31,	2001 Sewer Revenue Bonds		
	Principal	Interest	Total
2007	\$ 95,000	\$ 68,897	\$ 163,897
2008	98,000	65,568	163,568
2009	102,000	62,118	164,118
2010	106,000	58,530	164,530
2011	110,000	54,804	164,804
2012 - 2016	621,000	212,628	833,628
2017 - 2021	755,000	94,362	849,362
2022	157,527	2,718	160,245
	\$2,044,527	\$ 619,625	\$2,664,152

The 2001 Sewer Revenue Bonds were authorized at a total issue amount of \$2,400,000, and are due in annual principal installments and semi-annual installments of interest at 3.95% through June 2022.

## TOWN OF WALKER

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006

The Town entered into a financing arrangement with the State of Louisiana, Department of Environmental Quality, for the issuance of these Bonds in the amount of \$2,400,000 for the purpose of renovating the sewer system.

The 2001 Sewer Revenue Bond indenture requires the following fund be maintained:

(a) Sinking Fund.

Moneys from the Revenue Fund shall be deposited into the Sinking Fund in amount sufficient to pay promptly and fully the principal of and interest on the Borrower Bonds and any Parity Obligations issued hereafter as they severally become due and payable.

The authorizing ordinance specifies the following requirements for the 2001 Sewer Revenue Bonds Sinking Fund:

The maintenance of the "Sewer Revenue Bond Sinking Fund" (the "Sinking Fund"), heretofore established and maintained by the Parity Bond Ordinance, sufficient in amount to pay promptly and fully the principal and the interest on the Bonds and any Parity Obligations issued hereafter in the manner provided by this Ordinance, as they severally become due and payable, by transferring from the Sewer Revenue Fund to the Sinking Fund monthly in advance on or before the 20<sup>th</sup> day of each month of each year, a sum equal to the principal, interest and Administrative Fee accruing on the outstanding principal amount of the Bonds and any Parity Obligations for such calendar month, together with such additional proportionate sum as may be required to pay said principal, interest, and Administrative Fee as the same respectively become due. The depository for the Sinking Fund shall transfer from said Sinking Fund to the Paying Agent or any other paying agent bank or banks for the Bonds and any Parity Obligations payable from said Fund at least three (3) days in advance of the date on which each payment of principal or interest falls due, funds fully sufficient to pay promptly the principal, interest and Administrative Fee so falling due on such date.

At December 31, 2006, the 2001 Sewer Revenue Bond Sinking Fund was fully funded with an actual balance of \$62,381.

(b) Reserve Fund.

With the issuance of the 2001 Sewer Revenue Bonds, combined Reserve Fund requirements apply to the 2001 Sewer Revenue Bonds and the 2000 Sewer Revenue Bonds. Bond covenants, including requirements for maintaining Reserve Fund deposits are included within the Reserve Fund section above for the 2000 Sewer Revenue Bonds.

**TOWN OF WALKER**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006

(c) **Renewal and Replacement Fund.**

With the issuance of the 2001 Sewer Revenue Bonds, combined Renewal and Replacement Fund requirements apply to the 2001 Sewer Revenue Bonds and the 2000 Sewer Revenue Bonds. Bond covenants, including requirements for maintaining Renewals and Replacement Fund deposits are included within the Renewal and Replacement Fund section above for the 2000 Sewer Revenue Bonds.

The annual requirements to amortize all outstanding debt of the business-type activities at December 31, 2006, including interest payments of \$2,312,096 are as follows:

<u>Year Ended December 31,</u>	<u>Natural Gas and Water Revenue Bonds, Series 1999</u>	<u>Sewer Revenue Bonds, Series 2000</u>	<u>Sewer Revenue Bonds, Series 2001</u>	<u>Total</u>
2007	\$ 403,620	\$ 20,280	\$ 163,897	\$ 587,797
2008	407,505	20,849	163,568	591,922
2009	405,535	20,400	164,118	590,053
2010	407,995	20,935	164,530	593,460
2011	404,600	20,451	164,804	589,855
2012 - 2016	2,031,140	105,236	833,628	2,970,004
2017 - 2021	1,222,110	107,815	849,362	2,179,287
2022	-	-	160,245	160,245
	<u>\$5,282,505</u>	<u>\$ 315,966</u>	<u>\$2,664,152</u>	<u>\$8,262,623</u>

**13. Compensated Absences**

At December 31, 2006, employees of the Town have accumulated and vested \$46,505 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. Of this amount, \$31,633 is recorded as an obligation of the Governmental Activities, and \$14,873 is recorded as an obligation of the Business-Type Activities.

**14. Reserves and Dedications of Fund Equity**

The Town records reserves and dedications to indicate that a portion of the fund equity is legally segregated for a specific future use.

**15. On-Behalf Payments Made by State of Louisiana**

For the year ended December 31, 2006, the State of Louisiana made on-behalf payments in the form of supplemental pay to the Town's policemen. In accordance with GASB 24, the Town has recorded \$44,640 of on-behalf payments as revenue and as expenses in the General Fund.



**TOWN OF WALKER**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2006

**16. Restricted Assets**

Restricted assets were applicable to the following at December 31, 2006:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Cash and Cash Equivalents:</b>			
Certificates of Indebtedness, Series 1998	\$ 99,708	\$ -	\$ 99,708
Refunding Bonds, Series 2004	20,843	-	20,843
Sales Tax Bonds, Series 2000	418,761	-	418,761
Natural Gas and Water Revenue Bonds	-	673,305	673,305
Sewer Revenue Bonds, Series 2000 and 2001	<u>-</u>	<u>416,511</u>	<u>416,511</u>
Total Cash and Cash Equivalents	539,312	1,089,816	1,629,128
<b>Investments:</b>			
Customers Deposits	<u>-</u>	<u>423,103</u>	<u>423,103</u>
Total Restricted Assets	<u>\$539,312</u>	<u>\$1,512,919</u>	<u>\$2,052,231</u>

**17. Revenues and Expenditures - Actual Budget**

The Highways and Streets Department of the General Fund had actual expenditures and/or other uses over budgeted expenditures and/or other uses by 5% or more for the year ended December 31, 2006:

<u>General Fund</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Highway and Streets	<u>\$ 684,034</u>	<u>\$ 721,196</u>	<u>\$ (37,162)</u>

State law requires that budgets be amended when actual revenues are less than budgeted revenues or actual expenditures exceed budgeted expenditures by 5% or more.

**TOWN OF WALKER**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2006

**18. Schedule of Utility Enterprise Fund Net Income (Loss) from Operations  
by Department for the Year Ended December 31, 2006 -**

	<u>Gas Department</u>	<u>Water Department</u>	<u>Sewer Department</u>	<u>Sanitation Department</u>	<u>Total Utility Enterprise Fund</u>
<b>Operating Revenues:</b>					
Charges for Services	\$ 4,479,614	\$ 750,173	\$ 451,333	\$ 296,415	\$ 5,977,535
Delinquent Charges	85,027	17,967	8,786	6,005	117,785
Miscellaneous	95,065	39,552	15,778	-	150,395
Total Operating Revenues	4,659,706	807,692	475,897	302,420	6,245,715
<b>Operating Expenses:</b>					
Direct	3,490,572	368,411	834,568	267,380	4,960,931
General and Administrative	268,615	73,774	133,902	23,047	499,338
Total Operating Expenses	3,759,187	442,185	968,470	290,427	5,460,269
Operating Income (Loss) by Department	900,519	365,507	(492,573)	11,993	785,446
Nonoperating Revenues	48,712	26,538	14,153	-	89,403
Nonoperating Expenses	(170,276)	(48,216)	(92,906)	-	(311,398)
Transfers from Special Revenue	-	-	256,755	-	256,755
Transfers to General Fund	(600,334)	-	-	-	(600,334)
Change in Net Assets					<u>\$ 219,872</u>
<b>Business-Type Activities</b>					
Departmental Net Income (Loss)	<u>\$ 178,621</u>	<u>\$ 343,829</u>	<u>\$ (314,571)</u>	<u>\$ 11,993</u>	

**TOWN OF WALKER**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2006

**19. Schedule of Utility Fund Operating Expenses by Department  
for the Year Ended December 31, 2006 -**

	Gas Department	Water Department	Sewer Department	Sanitation Department	Total Utility Enterprise Fund
<b>Direct Expenses:</b>					
Natural Gas Purchases	\$ 2,616,343	\$ -	\$ -	\$ -	\$ 2,616,343
Salaries and Wages	393,687	85,994	172,400	-	652,081
Payroll Taxes, Retirement and Group Insurance	165,293	30,941	59,612	-	255,846
Contract Services	77,304	27,674	37,156	265,239	407,373
Depreciation	157,346	66,619	328,147	-	552,112
Equipment Expenses	47,356	6,842	16,203	-	70,401
Equipment Rental	6,621	6,263	4,820	1,056	18,760
Lab Fees	-	-	4,603	-	4,603
Maintenance	-	83,330	95,628	1,085	180,043
Meter Repairs	10,534	-	-	-	10,534
Small Tools and Supplies	7,830	629	2,084	-	10,543
Utilities	8,258	60,119	113,915	-	182,292
	<u>3,490,572</u>	<u>368,411</u>	<u>834,568</u>	<u>267,380</u>	<u>4,960,931</u>
<b>General and Administrative Expenses:</b>					
Insurance	91,251	17,322	20,912	-	129,485
Miscellaneous	76,355	12,432	12,439	2,881	104,107
Office Expense	26,307	11,505	11,017	3,233	52,062
Penalties	1,695	1,996	-	-	3,691
Professional Fees	30,008	20,083	76,907	14,523	141,521
Telephone	7,323	4,169	8,770	-	20,262
Bad Debts	35,676	6,267	3,857	2,410	48,210
	<u>268,615</u>	<u>73,774</u>	<u>133,902</u>	<u>23,047</u>	<u>499,338</u>
<b>Total Operating Expenses</b>	<b>\$ 3,759,187</b>	<b>\$ 442,185</b>	<b>\$ 968,470</b>	<b>\$ 290,427</b>	<b>\$ 5,460,269</b>

**TOWN OF WALKER**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2006**

**20. Schedule of Utility Enterprise Fund Operating Expenses by  
Function for the Year Ended December 31, 2006 -**

**Personal Services and Benefits:**

Direct Labor	\$ 652,081
Payroll Taxes, Retirement and Group Insurance	<u>255,846</u>
	907,927

**Contractual Services:**

Equipment Rental	18,760
Lab Fees	4,603
Subcontract Disposal Service	407,373
Professional Fees	<u>141,521</u>
	572,257

**Cost of Materials:**

Natural Gas Purchases	2,616,343
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**Utilities:**

Utilities	182,292
Telephone	<u>20,262</u>
	202,554

**Repair and Maintenance:**

Equipment Expenses	70,401
Maintenance	180,043
Meter Repairs	<u>10,534</u>
	260,978

**Supplies:**

Small Tools and Supplies	10,543
Office Expense	52,062
Miscellaneous	<u>104,107</u>
	166,712

**Insurance**

129,485

**Depreciation**

552,112

**Penalties**

3,691

**Bad Debts**

48,210

Total Operating Expenses

\$ 5,460,269

**TOWN OF WALKER**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006

**21. Prior Period Adjustments -**

The following prior period adjustments is necessary to restate the prior year net asset balances to record fixed asset balances in governmental activities December 31, 2005.

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Net Assets (Deficit) at Beginning of Year, as Originally Reported	\$ (56,744)	\$ 7,545,296	\$ 7,488,552
To record capital assets net of accumulated depreciation at December 31, 2005	<u>(1,075,982)</u>	<u>-</u>	<u>(1,075,982)</u>
Fund Balances/Net Assets at Beginning of Year, as Restated	<u>\$ (1,132,726)</u>	<u>\$ 7,545,296</u>	<u>\$ 6,412,570</u>

**22. Environmental Assessment Liabilities**

As a result of past violations, the Louisiana Department of Environmental Quality proposed approximately \$970,000 in environmental assessments and penalties. In response to the proposed assessments and penalties and after much negotiation, the Town and the Louisiana Department of Environmental Quality have draft a settlement whereby the Town of Walker must expend \$310,000 in various beneficial environmental projects outlined in the agreement as well as \$8,820 in penalties. Therefore, the Town of Walker has included an amount of \$318,820 as a Long-Term Obligation on the current Financial Statements and has recorded the Environmental Assessment Liabilities as a Noncurrent Liability on the Statement of Net Assets of the Proprietary Fund.

In the most recent meeting between the Town and DEQ, it appears (based on the Town's legal counsel) that the cash portion of the settlement will require the Town to pay DEQ the sum of \$20,000. Of this amount, \$8,800 is in the form of a fine and the remainder is a reimbursement by the Town of DEQ's cost of enforcement. Based upon information currently available, legal counsel believes that a settlement in the nature of that outlined above will be reached prior to the end of 2007.

**23. Litigation**

The Town is a defendant in several lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Town's counsel and management that resolution of these matters will not have a material adverse effect on the financial condition of the Town of Walker.

## TOWN OF WALKER

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006

#### **24. Fraud and Irregularities**

Extending from year 2003 to the second quarter of 2004, one of the Town's key employees was responsible for the theft of \$210,026 in public funds. The case was prosecuted and claims filed for recovery. As of the date of this report, insurance reimbursement to the Town of Walker totaled \$90,000. In addition, the Town has received \$1,457 in other reimbursements. The total of \$91,457 (\$90,000 plus \$1,457) was recorded as a receivable at December 31, 2004, and was collected in the year 2005. The amount of the remaining loss of \$118,569 (\$210,026 less \$91,457) was recorded in the 2004 financial statements as a loss due to fraud, since efforts to collect the remaining funds are continuing, but the probability of collection is not readily determinable. The Town of Walker has also instituted civil action against the key employee.

Other irregularities occurring in previous years have been disclosed in a Compliance Audit issued July 27, 2006, by the Louisiana Legislative Auditor.

#### **25. Contingent Liabilities**

Primarily during years 1996 - 1998, the Town of Walker entered into several contracts with the Louisiana Department of Transportation and Development (LDOTD) for the relocation of utility lines and facilities. Documentation obtained from LDOTD indicates the following amounts owed to LDOTD by the Town of Walker.

<u>Department</u>	<u>Liability Amount</u>
Water Department	\$ 293,136
Gas Department	427,445
Sewer Department	<u>653,766</u>
Total DOTD Contingent Liabilities	<u>\$1,374,347</u>

Since it could not be determined if LDOTD will enforce payment of these liabilities, the above amounts were recorded as a debit (increase) to capital assets and a credit to contributed capital in the prior year. Upon determination that the liability is enforceable and the Town must reimburse LDOTD, the Town must reclassify the total recorded as contributed capital to a liability account.

**TOWN OF WALKER**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2006

**26. Compensation Paid Mayor and Council Members**

Travis B. Clark, Mayor 10136 Florida Blvd. P.O. Box 218 Walker, LA 70785 (225) 664-9737	\$ 55,000
Gary Griffin, Board Member P.O. Box 951 Walker, LA 70785 (225) 665-9125	9,200
James Phillips, Board Member 28081 Foxfire Ave. Walker, LA 70785 (225) 664-7046	9,200
Rick T. Ramsey, Board Member 16289 Pendarvis Lane Walker, LA 70785 (225) 665-7846	9,200
Richard Wales, Board Member 13964 Guy St. Walker, LA 70785 (225) 664-3085	9,200
Thomas D. Watson, Board Member 12395 Lakeland Dr. Walker, LA 70785 (225) 791-3944	<u>9,200</u>
	<u>\$ 101,000</u>

Terms end December 31, 2008.

**OTHER SUPPLEMENTAL INFORMATION**



## TOWN OF WALKER

## 2000 1/2 CENT SALES TAX SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2006

	Original and Final Budgeted Amounts	Actual	Variance With Final Budget
<b>Revenues:</b>			
Sales Taxes	\$ 888,211	\$ 911,870	\$ 23,659
Total Revenues	888,211	911,870	23,659
<b>Expenditures:</b>			
General Government:			
Collection Expenses	12,230	15,762	(3,532)
Total General Government	12,230	15,762	(3,532)
Debt Service:			
Principal Retirement	164,000	164,000	-
Interest and Administrative Fees	139,001	139,001	-
Total Debt Service	303,001	303,001	-
Total Expenditures	315,231	318,763	(3,532)
Excess (Deficiency) of Revenues over Expenditures	572,980	593,107	20,127
<b>Other Financing Sources (Uses):</b>			
Operating Transfers Out	(260,255)	(260,255)	-
Total Other Financing Sources (Uses)	(260,255)	(260,255)	-
Net Change in Fund Balance	312,725	332,852	20,127
<b>Fund Balance at Beginning of Year</b>	452,607	452,607	-
<b>Fund Balance at End of Year</b>	\$ 765,332	\$ 785,459	\$ 20,127

See auditor's report.

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



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\*A Professional Accounting Corporation

June 18, 2007

The Honorable Mayor, Travis B. Clark  
and the Board of Aldermen  
Town of Walker  
Walker, Louisiana

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the Town of Walker, Louisiana, as of and for the year ended December 31, 2006 which collectively comprise the Town of Walker, Louisiana's basic financial statements, and have issued our report thereon dated June 18, 2007. 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 audit procedures for the purpose of expressing our 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 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 consider 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 the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting and is identified as item 2006-1.

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.

Our consideration of the 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 the internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is a not 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2006-2, 2005-20 and 2005-21.

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Town's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information of management, the Office of the Legislative Auditor, State of Louisiana, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specific parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

*Harold T. Bougeon, III*

## TOWN OF WALKER

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2006

#### **(A) Findings-Internal Control Over Financial Reporting-**

##### Finding 2006-1 Traffic Citations

During our current year audit procedures, we selected a sample of 25 traffic citations for testing. We noted the following exceptions:

- Police officers are required to sign a logbook that list the sequence of blank traffic citations assigned to them. One traffic citation selected for our review could not be located by the clerk of court. The police officer who signed the log book could not locate the ticket either.
- One of the traffic citations selected for review was not received by the clerk of court as it was issued but was still in the police officer's possession. Upon further discussion with the police officer, it was noted that although the traffic citation was issued, the officer had not properly transmitted it to clerk of court.
- Two of the traffic citations were dismissed prior to being presented to the town magistrate with no reason for the dismissal documented.
- One of the traffic citations was charged the wrong fine for a speeding ticket because it was entered incorrectly in the computer.

Upon further discussions with Town personnel, we were informed that there are other traffic citations issued and dismissed or not processed through the court.

##### Recommendation:

We recommend for the Town to adopt formal procedures for the Mayor's Court including requiring for all citations issued to be forwarded by the police officer and recorded into the records of the court. A procedure requiring the accountability of all traffic citations by the police department and the court also needs to be developed. In addition, the Town should consider requiring that the magistrate approve all traffic citation dismissals with a signature indicating agreement that the citation should be dismissed.

##### Management Response:

Management concurs and will coordinate with the Mayor's Court and the police department to develop formal procedures for handling of traffic citations.

**TOWN OF WALKER**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

**(B)-Findings-Compliance and Other Matters-**

**Finding 2006-2 Exchange of Land for Building Without a Formal Appraisal:**

During the current year audit, we noted the Town exchanged land (1/2 acre) for a building (to be used as an animal control / gas department office facility) with no formal appraisal to document the market value of each property. Although Article VI, Section 23 of the Louisiana Constitution authorizes the Town to acquire property through an exchange, we were not able to determine if this exchange was for approximate equal value since formal appraisals were not obtained. An appraisal is necessary to determine if the Town complied with the provisions of Article VII Section 14 of the Louisiana Constitution which prohibits governments from donating property. In addition, Louisiana Revised Statute 48:713 requires for the Town to advertise at least three weeks in advance in the official journal a declaration that the property being exchanged is no longer needed and an ordinance should then be adopted authorizing the exchange. In this case, the advertisement was published one day before the public hearing to adopt the ordinance.

**Recommendation:**

We recommend for management to follow the requirements of the Louisiana Constitution and relevant state laws regarding exchanges of property if the future.

**Management's Response:**

Management concurs and will develop procedures to ensure all applicable laws relating to property exchanges are followed should such an event occur in the future.

**TOWN OF WALKER**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

The following are prior year findings and recommendations with any corrective actions taken along with an updated Management's Response if applicable.

**(A) Findings-Internal Control Over Financial Reporting**

**Overall Lack of Preparation of Reconciliations and Review Thereof:**

**Finding 2005-1:**

During our prior year audit, we noted an overall lack of preparation of timely reconciliations of the various accounts comprising virtually all the major accounting cycles of the Town's various funds including but not limited to cash, accounts receivable, accounts payable, accrued liabilities, inter-fund accounts, fund balance etc. In addition during the prior year numerous items were recorded in the incorrect fund or were not recorded at all. The Town's new Finance Director, along with our firm's assistance, had to research numerous accounts and had to make an excessive number of journal entries (including some adjustments for very large amounts) to correct account balances.

In the prior year, we were originally informed by the prior Finance Director that all reconciliations were being accomplished and that trial balances for each of the individual funds and workpapers for the major accounts would be available for our audit process. Upon beginning our initial field work, we determined this had not been done. We subsequently scheduled several meetings to discuss updated progress with these trial balances and reconciliations. In each case, the prior Finance Director had an excuse why he could not meet and why the trial balances and reconciliations had not been completed. We also made note during this process that the prior Finance Director was seldom at the Town of Walker but were told he was working offsite, "so he could get things done". During this time he received his full salary but we could not verify the number of hours he was actually working. In the end, the final trial balances and account reconciliations had to be accomplished by the new Finance Director.

**Recommendation:**

We recommended that formal reconciliations be done on all of various accounts that comprise the major accounting cycles of the Town's various funds. These reconciliations should have been done on at least a monthly basis. A formal reconciliation form should be developed for each account that should have been completed and initialed by the preparer and then reviewed and initialed by the Finance Director. Any unreconciled outages should have been investigated and resolved accordingly. It is imperative that these reconciliations be done on a timely basis. By implementing these procedures, the overall accuracy and timeliness of financial reporting would be vastly improved. In addition, all payroll time records should have been properly accounted for and approved by a supervisor.

**TOWN OF WALKER**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

**Corrective Action Taken:**

Management was aware of and concurred with the numerous deficiencies noted during the prior year audit and those carried over from the prior year's compilation. In the current year audit, we noted great strides have been made in the reconciliation process. It now appears that timely reconciliations are being prepared for all of the major accounting cycles of the Town. We commend the Finance Director for accomplishing this goal.

**Financial Reporting to Management and the Board of Aldermen:**

**Finding 2005-2:**

Due to the numerous findings reported in the prior year and also unresolved findings cited in the prior year compilation report prepared by another accounting firm, it was noted that management and the Board of Aldermen were not receiving accurate, timely monthly financial statements.

**Recommendation:**

In the prior year, we noted that it was imperative that all recommendations cited in our report be implemented so that as an end result accurate, timely financial statements could be generated and presented to management and the Board of Aldermen. This information could then be used to effectively monitor the financial condition of the Town and effectively monitor actual amounts compared to budgeted amounts.

**Corrective Action Taken:**

In the current year audit it was noted that due to the vast improvements made in the accounting department in 2006, financial statements are now being prepared in a timely manner and presented to the Board of Aldermen at each meeting. We commend the Finance Director for accomplishing this goal. We recommend that the Town continue to develop and enhance the financial reporting process.

**Bank Reconciliations:**

**Finding 2005-3:**

During our prior year audit, it was noted that for the entire year, the various cash accounts were being reconciled only to the bank balance each month and not to the general ledger of the applicable fund. At our request, the new Finance Director reconciled the cash accounts to the general ledger as of December 31, 2005. In doing so, numerous large adjustments were necessary to the various cash balances in the general ledger. These adjustments were reflected in the prior year financial statements.



## TOWN OF WALKER

### SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2006

#### Recommendation

Monthly preparation of bank reconciliations in a timely manner and review thereof by the Finance Director play a crucial role in ensuring the accuracy of the monthly financial statements and detection of unauthorized transactions. We recommended that it was imperative that all cash accounts be reconciled not only to the bank balance but also to the general ledger balances. It is imperative that these reconciliations and corresponding review thereof be done on a timely basis at the end of each month. This review should also focus on any unusual or stale items. Any such items should be investigated and fully resolved.

#### Corrective Action Taken:

In the current year, it was noted that all cash accounts were reconciled to the general ledger as of December 31, 2006. The Finance Director now makes sure these reconciliations are prepared timely on a monthly basis.

#### **Consolidated Cash Accounts:**

##### Finding 2005-4:

As noted in the prior year, in August 2005, the Town's previous Financial Director decided to consolidate many of the Town's bank accounts and create one consolidated cash account; however, the Town's accounting software was not adequate nor was the Town's accounting personnel trained in procedures with handling a consolidated cash account. This premature consolidation of cash accounts without the proper software or procedures resulted in many accounting errors with account balances. The Town's accounting personnel was required to spend a great deal of time and effort to unravel these accounting errors prior to providing us with a working trial balance that could be audited.

#### Recommendation:

We recommended for the Town to research and obtain an accounting system that could properly account for consolidated cash transactions. We further recommended for the Town to develop policies and procedures for personnel to follow with consolidated cash accounts. In addition, we recommended for the Town to segregate this consolidated cash account to separate bank accounts for the general fund and utility fund and the various restricted debt covenant funds until the proper system was obtained and procedures developed for the handling of consolidated cash.

#### Corrective Action Taken:

In the current year audit, it was noted that management followed thru on its plan to revert to separate bank accounts until such time that a proper accounting system and procedures for handling consolidated cash can be put in place. As noted above, all cash accounts were adequately reconciled at December 31, 2006.

## TOWN OF WALKER

### SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2006

#### **Utility Billing:**

##### Finding 2005-5:

During the performance of our testing of utility billings in the prior year, it was noted that the portion of the utility billing for water for commercial customers could not be recalculated based on the water usage rates in effect. This difference occurred for two commercial customers included in our sample.

Upon further investigation, it was determined that the utility program contained a software programming error that affected certain commercial customers. A commercial customer should have been billed a flat rate of \$30.18 per month for the first 20,000 gallons of water usage and then .80 cents per 1,000 gallons used over the 20,000 gallons. The billing software was only adding an additional .80 cents to the \$30.18 charge no matter how many gallons over 20,000 gallons were being used. This error dated back to when the new utility program software was first implemented in September 2004.

At our recommendation, management researched this error further to determine the affected customers and the estimated amount of the error. The error appeared to have resulted in an under billing of approximately \$26,000 as of December 31, 2005. Management was also deciding if the affected customers were going to be billed retroactively for the under billing that has occurred. No adjustment was made in the December 31, 2005 financial statements for these under billed receivables.

##### Recommendation:

Management contacted the software vendor and the programming error was corrected in March 2006. We also recommended that Management attempt to recoup these under billings from the affected customers and/or the software vendor due to the programming error in the software.

##### Corrective Action Taken:

As noted above management contacted the software vendor and the programming error was corrected in March 2006.

##### Additional Recommendation:

We again recommend that management attempt to recoup these under billings from the affected customers and/or the software vendor due to the programming error in the software.

##### Management's Response:

Affected customers have not been billed. The Mayor is preparing a letter to be sent to each individual customer explaining the circumstances and the amount due as a result of the under billing. Management decided not to run the amount due through the utility billing system as this would cause the affected customers to have a past due amount and put them on the disconnect list if the balance is not paid in full by the next due date.

**TOWN OF WALKER**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

**Utility Franchise Tax Receipts:**

**Finding 2005-6:**

During our prior year test of utility franchise taxes collected, we determined through our audit procedures that \$105,430 in franchise taxes were paid by Entergy to the Town of Walker during 2005 but those receipts were never deposited into the Town's bank account. The Town's personnel contacted Entergy upon our request to find out the status of the payments. According to Entergy, the checks were listed as outstanding and had not cleared their company's bank account. We recommended for the Town to request replacement checks to collect these franchise taxes that were apparently misplaced or had not been received by mail. After requesting replacement checks, the Town subsequently collected the entire \$105,430.

**Recommendation:**

We recommended for the Town to develop procedures to monitor the standard payment dates of franchise taxes and take necessary steps to follow up with these companies in the event the taxes were not received timely. We also recommended for the Town to adopt procedures to reconcile the utility franchise tax revenue account periodically and compare the balances to the previous year to determine if the collected balance was on target with the budget and the previous year collections.

**Corrective Action Taken:**

In the current year, we noted no further problems in this area. Management now monitors the franchise tax revenue account to ensure timely receipt of taxes due and determine if the collected balance was on target with the budget and comparable with prior year collections.

**Sales Taxes on Commercial Water Customers:**

**Finding 2005-7:**

During our prior year audit of the Utility Fund, we noted the commercial customer accounts were not being billed sales taxes and sales taxes were not being collected or paid on these accounts. This resulted in the Louisiana Department of Revenue assessing an estimate of \$43,150 in past due sales taxes that was required to be paid from the Town's funds without first being collected from utility customers. This amount had been accrued as a payable in the prior year financial statements.

## TOWN OF WALKER

### SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2006

#### Recommendation

We recommended for the Town to properly identify its commercial utility customers and begin billing these customers the required sales taxes. The billing software should be immediately modified to make the necessary calculations. The collected sales taxes were required to be paid to the Louisiana Department of Revenue monthly.

#### Corrective Action Taken:

Based on discussion with management, sales tax returns are now current and continue to be submitted in a timely manner. The billing software has been modified to calculate sales tax on the appropriate customer accounts.

#### **Occupational Licenses:**

##### Finding 2005-8:

During our prior year testing of a sample of five occupational licenses, it was noted that for three of the items tested which were new businesses, the application was not signed by the vendor. Also for one of the items tested which was an existing business, there was no "Department of Finance" letter on file which documents the sales of the vendor which is used to calculate the occupational license fee. Because there was no Department of Finance letter in file, we could not determine if the correct license amount had been assessed for this vendor.

In our current testing of a sample of 15 occupational licenses, it was noted that one application was not signed, one application was not completed, and for another license there was no "Department of Finance" letter on file which documents the sales of the vendor which is used to calculate the occupational license fee. However, it was noted that these exceptions occurred in the months of February and March 2006.

#### Recommendation:

We again recommend procedures be implemented whereby all applications are required to be signed by the vendor. Also all applications should have been accompanied by a Department of Finance letter to document the sales that the occupational license was calculated upon.

#### Management's Response:

The responsibility for permits and occupational licenses previously fell on one person. In 2007, those responsibilities have been separated and occupational licenses are now being more closely monitored. The new accounting software (CSAS – Computer Systems Accounting Software) purchased and installed in December 2006 has a permits and licenses module that is now being integrated and will provide more complete tracking of occupational licenses.

## TOWN OF WALKER

### SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2006

#### Finding 2005-9:

In the prior year and again in the current year, it was also noted that the occupational licenses were not issued in sequential order which makes it difficult to account for all licenses issued during year.

#### Recommendation:

We recommended that occupational licenses be issued in sequential order. By following this procedure, internal controls over this area would be greatly strengthened.

#### Corrective Action Taken:

Based on this finding in late 2006, the Town began using pre-numbered receipt books until the new accounting software package (CSAS) permits and licenses module is fully implemented.

#### **Accrued Compensated Absences:**

#### Finding 2005-10:

Upon our review of the accrued compensated absences report at December 31, 2005, it was noted that there were a number of employees with negative accrued hours in the various categories of accrued compensated absences. These negative balances could be construed as advances to the employees and thus the Town would be in noncompliance of State law. A summary of the number of employees (by accrued compensated absence type) with negative balances as of that date was as follows:

- 2 employees with negative vacation hours
- 4 employees with negative sick leave hours
- 5 employees with negative comp hours

#### Recommendation:

We recommended that management and the payroll department begin monitoring the accrued compensated absences report and leave requests each pay period to ensure that an employee had ample time to cover the amount of leave they were requesting. No leave should have been granted in excess of time accrued. In the case of sick time, any requested leave in excess of the amount accrued should have been offset against another form of leave including vacation and comp time.

## TOWN OF WALKER

### SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2006

#### Corrective Action Taken:

Management has informed us that the Town of Walker's payroll department no longer allows the advancement of vacation time that would create this deficit. All negative balances for vacation, sick, and compensatory time are now more closely monitored. If an employee is terminated, all leave banks are checked to determine their status. Per our review of the 12/31/06 accrued compensated absences report, we noted no employees with negative leave balances.

#### Finding 2005-11:

For two of the employees selected for testing of accrued compensated absences balances at December 31, 2005, it was noted that the payroll records indicated the correct balance of accrued compensated absences but the summary sheet used to adjust the general ledger had incorrect amounts. The difference for one of the employees was 28 hours and the difference for the other employee was 4 hours.

#### Recommendation:

Although these differences were considered immaterial to the financial statements, we recommended more care should be exercised in preparing the leave schedule that was used to adjust the general ledger balances.

#### Corrective Action Taken:

During our current year testing, we noted no exceptions in the sample of employees we selected for testing.

#### **Payroll:**

#### Finding 2005-12:

While performing our payroll test in the prior year, it was noted that the same sequence of transaction identification numbers assigned to payroll transactions were used several times in the general ledger. The payroll was processed through a separate program by Quickbooks based on information supplied by the Town. Employees were paid by direct deposit. QuickBooks electronically sent a payroll file to the Town which was then downloaded to the general ledger. As part of this process, Quickbooks required the Town to supply the beginning and ending sequence to be used for the transaction identification numbers. The same numbers were supplied several times by Town personnel. As a result, the detail general ledger included numerous duplicated transaction id numbers which made it difficult to trace items into the general ledger and reconcile amounts. We were required to segregate payroll by date to be able to determine the accuracy of the payroll.

## TOWN OF WALKER

### SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2006

#### Recommendation:

We recommended in the future, all payroll transactions be entered into the general ledger with sequentially issued transaction identification numbers. By implementing this procedure, internal areas in this area would be greatly strengthened and necessary payroll reconciliations could be more efficiently and effectively completed.

#### Corrective Action Taken:

As noted in last year's response from Management, the Town no longer subscribes to the Quickbooks Payroll Processing. All transactions are now handled in house by the payroll clerk; and were closely assessed to confirm proper sequential order prior to generating payroll. Based on this information, it appears this finding has been resolved in 2006.

#### Finding 2005-13:

While performing a payroll test on a sample of payroll disbursements in the prior year, we noted the following exceptions or deficiencies where internal controls could be strengthened in this area:

- For 7 items tested, the pay raises were not documented in the employee files and therefore pay rates could not be recalculated for accuracy.
- For 2 items tested, original signed time cards could not be located.

#### Recommendation:

We recommended all pay raises whether they were merit raises, regularly scheduled step increases, or across the board standard of living raises should have been documented in all employees' files. We also recommended that before any payroll was processed; signed time cards (signed by the employee and the employee's supervisor) should have been present at the payroll department for all applicable employees.

#### Corrective Action Taken:

Management informed us in the prior year that prior to mid-year 2005, a pay rate chart was maintained and kept in the Town of Walker's Payroll Binder of all employees who became eligible to receive pay rate increases. However since June 2005, an Employee Pay Schedule had been generated for each employee who became eligible for regularly scheduled step increases, merit raises, or any across the board cost-of-living raises. This schedule outlined all the information pertinent to the employees' raise and is placed in their personnel file.

In our current year sample of 25 payroll disbursements selected for testing, there were no further exceptions noted.

**TOWN OF WALKER**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

**Cash Receipts:**

**Finding 2005-14:**

During the performance of our prior year audit, it was noted that a prepared deposit slip with the accompanying cash and checks was left unattended on an unsecured office desk.

**Recommendation:**

All checks and cash should at all times be maintained in a secure location. The employee responsible for the funds must secure the funds and lock the area before leaving.

**Corrective Action Taken:**

Management informed us that more care was being taken to more securely handle all checks and cash. Specific procedures for handling of checks and cash will be incorporated in the policies and procedures manual that is being developed. All deposits are kept in a locked office until being deposited at the bank.

**Cash Disbursements:**

**Finding 2005-15:**

During the performance of our sample testing of cash disbursements in the prior year, we noted two instances where the approval form for payment of tournament expenses to referees only contained one signature instead of the required two signatures.

**Recommendation:**

We recommended the Town comply with their procedures in this area and make sure all approval forms contained two signatures.

**Corrective Action Taken:**

Management has taken steps to ensure adherence to the Town's procedures. In our current year sample of 25 cash disbursements selected for testing, there were no further exceptions noted.



## **TOWN OF WALKER**

### **SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

#### **Finding 2005-16:**

In the prior year, we noted the following problems in the sample of 25 utility bills we selected for testing:

- For one of the customers included in our sample, the customer was charged double the minimum gas charge of \$9.60 when only the minimum should have been charged.
- For one of the customers included in our sample, the customer was charged \$60.50 for the water portion of the bill when in fact the actual charge should have been \$63.50.
- For eight of the customers selected for testing, there did not appear to be a deposit on file as their names could not be located on the customer deposit listing.
- For four of the customers selected for testing, the customers were delinquent in their payments and were either making partial payments or none at all. In one case, the customer was not charged penalties or interest on the amount overdue and the reconnect fee was not charged. In two instances, the service was not disconnected in accordance with the Town's disconnect policy. In another instance, penalties and interest were charged but the reconnect fee was not charged.
- We made several requests for the Town's written disconnect policy but was never provided with the policy. We were verbally informed of the Town's policy.

In our current year sample testing of utility bills, we noted instances where the Town's disconnect policy was not being enforced. Also it appears the reconnection fee charge is not being charged on a consistent basis as well. Also we noted that there still is not a formal written disconnect policy.

#### **Recommendation:**

While the number of exceptions noted in 2006 has been greatly reduced, the Town's disconnect policy is still not being consistently enforced with the proper fees being collected. We continue to recommend the Town strictly enforce its disconnect policy and collect all fees in accordance with the policy. We continue to recommend that if a written policy doesn't exist, the Town should develop a formal written policy. Also, the billing department should continue to perform a stringent review of the monthly billings for accuracy.

#### **Management's Response:**

A new billing clerk supervisor was hired in February 2007 to oversee all billing related matters. The previous billing clerk supervisor has assumed the role of collections and is focusing on disconnects and collection of past due accounts.

**TOWN OF WALKER**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

**Inventory:**

**Finding 2005-17:**

We performed a test count of the inventory for the Water, Street and Sewer Departments in the current year and in the prior year. In the prior year, there were various items we noted in the yards that were not included on the inventory count sheets. We discussed these items with management who concurred that these items should have been included on the count sheets. Upon receipt of the final inventory listings in the prior year, it was noted that a few of the items had been properly added to the final listing but the majority of the items had not been properly added. Also, in the prior year the enterprise fund general ledger had to be adjusted by approximately \$72,000 to be in agreement with the amount of inventory value per the final inventory listing.

While performing test counts of the inventory in the current year, we again did note some inaccuracies in the test counts including a few items that had been counted twice. These items were to be corrected on the final count sheets. It was also noted that the general ledger balance had been adjusted to the final count sheets for each of the departments.

**Recommendation:**

We recommended in the future better procedures be developed over the year-end physical count of the various inventories. These procedures should be explained to the employees responsible for the counts and a system of cross checks and recounts should have been included in these procedures. By developing stronger procedures in these areas, the accuracy of the counts should be improved. We also recommended that all necessary entries to adjust the inventory balances in the general ledger to the physical counts be made as part of the year-end closeout.

**Corrective Action Taken:**

As noted above the general ledger accounts had been adjusted to the final inventory count numbers for each department.

**Additional Recommendation:**

While we noted improvements in this area, we further recommend that management continue to develop the procedures for year-end physical inventory counts and continue to emphasize to their employees the importance of the accuracy of these counts.

**Management's Response:**

The Town has contracted with Mr. Claude Ezell to establish inventory control and act as purchasing agent. The Town hired Mr. Lee Kent to train under Mr. Ezell and eventually take over.

**TOWN OF WALKER**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

**Utility Customer Deposits:**

**Finding 2005-18:**

During the prior year audit, we noted the utility customer deposit liability on the enterprise fund totaled \$421,929 and the investments that were restricted to cover this liability totaled \$388,251 which indicates a deficiency of \$33,678. In the current year, it was noted that as of December 31, 2006, the utility customer deposit liability exceeded the restricted investment balance by \$110,015.

**Recommendation:**

We again recommend sufficient cash or investments be segregated to at least equal the customer deposit liability balance and these balances should be maintained to cover the customer deposit liability at all times.

**Management's Response:**

Management was working to set policies and procedures in place to ensure adequate cash and investments were segregated to equal the customer liability balance.

**(B)-Findings-Compliance and Other Matters-**

**Failure to Complete Audit Report Within Six Months of the Close of the Fiscal Year (LSA-R.S. 24:513):**

**Finding 2005-19:**

During the prior year, due to the numerous findings and adjustments noted in the 2005 report, the Town failed to comply with the above revised statute regarding timely completion of their audit report. The 2005 audit was not completed and submitted to the Legislative Auditor until October 2006. As reported in detail in the Summary Schedule of Prior Audit Findings, the Town had not completed an audit since the audit of the fiscal year ended December 31, 2002.

**Recommendation**

We recommended that all future reports be submitted timely as required by the revised statute mentioned above.

**Corrective Action Taken:**

Management has implemented the necessary policies and procedures to facilitate timely completion of the annual audit report. The 2006 audit report has been submitted timely.

**TOWN OF WALKER**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

**Failure to Amend Budget (LSA-R.S. 39:1310):**

**Finding 2005-20:**

State law requires that budgets be amended when actual revenues are less than budgeted revenues or actual expenditures exceed budgeted expenditures and other financing uses exceed budgeted amounts by 5% or more. For the 2005 year, the budget was not effectively monitored since the accounting records and corresponding financial statements were not being produced timely or accurately. Actual expenses of the general fund and special revenue fund exceeded budgeted expenditures by a greater than 5% variance in the following departments:

	<u>Unfavorable Variance</u>
<u>General Fund</u>	
• General Government	\$ 462,434
• Police	\$ 78,036
• Highway and Streets	\$ 141,761
• Parks and Recreation	\$ 25,420
• Transfers In	\$1,025,135
<u>Special Revenue Fund</u>	
• General Government	\$ 16,559
• Debt Service	\$ 15,800

Also the budgets were not formally amended at any time during the 2005 year.

**Additional Finding:**

In the current year it was noted that due to the vast improvements in the accounting records, budget to actual amounts were being more closely monitored. It was also noted that the applicable budgets were amended during the year. There was only one department in the general fund where actual expenses exceeded budgeted expenditures by a greater than 5% variance as follows:

	<u>Unfavorable Variance</u>
<u>General Fund</u>	
• Highway and Streets	\$ 37,162

**TOWN OF WALKER**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

**Recommendation:**

We recommended that the management of the Town familiarize themselves with all of the provisions of the Louisiana Local Governmental Budget Act to make sure all relevant statutes are followed in the future.

**Corrective Action Taken:**

We commend the Town on its efforts to better monitor the budgets versus the actual amounts. The one variance noted above appears to be just an oversight as the budgets were amended prior to year end for the various funds. The 2006 budget was amended in December 2006 to bring the Town in compliance with budget laws. The 2007 budget is being monitored more closely. The monthly financial statements presented to the Council include the budget to actual variance to allow council members to act accordingly.

**Failure to Adopt Budget Timely for General Fund and Special Revenue Fund (LSA-R.S. 39:1308):**

**Finding 2005-21:**

The Budgets for the General Fund and Special Revenue Fund for the fiscal year ending December 31, 2005 were not formally adopted by the Town until March 14, 2005. As required by the above referenced revised statute, the Town should take all action necessary to adopt and implement the budget for an ensuing fiscal year prior to the beginning of that fiscal year. Therefore, the original budgets were not adopted timely for the 2005 fiscal year.

The original budgets for 2006 were not adopted timely as they were not formally adopted until March 2006. However it should be noted that this finding occurred prior to the new Finance Director being hired by the Town. The 2006 budgets were amended prior to year as required.

**Recommendation**

We recommended that the management of the Town familiarize themselves with all of the provisions of the Louisiana Local Governmental Budget Act to make sure all relevant statutes are followed in the future.

**Corrective Action Taken:**

Management now has procedures in place to timely adopt and amend the necessary budgets. The new Finance Director is familiar with the Louisiana Local Governmental Budget Act. In addition, all the original budgets for the year 2007 were adopted by ordinance on December 11, 2006.

## TOWN OF WALKER

### SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2006

#### **Lack of Pledged Collateral:**

##### Finding 2005-22:

As indicated in Note 2 of the financial statements for the year 2005, the Town failed to maintain adequate federal deposit insurance or obtain a sufficient amount of pledged collateral for their Cash and Cash Equivalents. At December 31, 2005 the Town was underinsured by \$1,809,206. This finding relates to the Town's custodial bank failing to pledge adequate securities on the deposits. Management stated that Hancock bank failed to provide the collateral while dealing with the aftermath of Hurricane Katrina. It was also noted that securities were pledged as collateral by the bank subsequent to year end (March 2006).

##### Recommendation:

We recommended that the Town more closely monitor the pledged collateral on all deposits and make sure the Town's fiscal agents have pledged adequate collateral to insure all deposits.

##### Corrective Action Taken:

As noted above, in March 2006 management had the custodial bank pledge the necessary securities as collateral for the Town's bank accounts. At December 31, 2006, we noted that the Town's bank balances were completely covered by FDIC insurance and pledged securities as required by state law. The Town now receives monthly collateral reports from the bank.

#### **Failure to Maintain Fixed Asset Listing (LSA-R.S. 24:515 (B)(1)):**

##### Finding 2005-23:

As noted by the prior CPA and again in the prior year's audit, the Town has failed to maintain a fixed asset listing for their governmental activities. The above revised statute requires that the Town "maintain records of all land, buildings, improvements other than buildings, equipment and any other general fixed assets which were purchased or otherwise acquired, and for which such entity is accountable". In addition, because of GASB 34, the Town must also include infrastructure (roads, bridges, etc.) within its fixed asset listing. The statute requires an inventory of assets should be done at least annually. Also, since the fixed asset listing was not kept the financial statements could not be prepared in accordance with GASB 34. This statement now requires calculations of depreciation on fixed assets of governmental activities in a manner similar to business-type activities. It was noted that the Town had begun the process of compiling the required listing.

##### Recommendation:

We recommended that the Town continue in its efforts to inventory and record the fixed assets of the Town as required by state law. Once an accurate listing was compiled, depreciation expense could be calculated for financial statement purposes. This listing should then be updated for current year acquisitions and disposals. An inventory should be then taken at least annually.

**TOWN OF WALKER**

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2006

Corrective Action Taken:

The Town conducted a physical inventory of its fixed assets and has compiled a fixed asset listing as of December 31, 2006. These amounts have been properly adjusted for in these financial statements. We commend the Town on completing this very time consuming task. Procedures for annual inventory of fixed assets will be incorporated in the policies and procedures manual.

**Failure to Comply with Debt Covenant Requirements:**

Finding 2005-24:

As noted in Note 11 to the December 31, 2005 financial statements, several bonds or loans owed by the Town contained certain debt covenant requirements which may include minimum sinking funds, reserve funds and contingency funds. At December 31, 2005, the following debt covenant provisions were not met by the Town:

Description of Bond	Type Fund	Required Balance at 12/31/05	Actual Balance at 12/31/05	Amount Over (Under) Funded
Gas & Water Revenue Bonds, Series 1999	Contingency	Undetermined	50,721	Undetermined
Sewer Revenue Bonds, Series 2000	Sinking	7,849	6,824	(1,025)
Sewer Revenue Bonds, Series 2001	Sinking	115,449	48,358	(67,091)
Sewer Revenue Bonds, Series 2000 & 2001	Reserve	196,320	231,591	35,271
Sewer Revenue Bonds, Series 2000	Contingency	Undetermined	44,382	Undetermined

At December 31, 2006, the Town was in compliance with the debt covenants of the Sewer Revenue Bonds Series 2000 sinking fund, the Sewer Revenue Bonds series 2001 sinking fund, and the Sewer Revenue Bonds, Series 2000 & 2001 reserve fund. Due to the lack of prior years financial information, it is still undetermined if the Town was in compliance with the debt covenant requirements of the Gas & Water Revenue Series 1999 contingency fund and the Sewer Revenue Bonds, Series 2000 contingency fund.

Recommendation:

We recommended the Town appoint an employee to monitor and fund all of the sinking funds, reserve funds and contingency funds as required by the terms of the debt covenant requirements.

## TOWN OF WALKER

### SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2006

#### Corrective Action Taken:

As indicated above the Town is in compliance with all debt covenants with the exception of the two that the financial records from prior years do not exist. The Town has also opened separate bank accounts for each fund to maintain this restricted cash in November 2006. Actual cash was transferred to these separate cash accounts in 2007.

**Reference Number:** 2002-2

**Fiscal Year Finding Occurred:** Ending December 31, 2002, 2003 and 2004

#### **Description of Finding:**

The finding issued for the December 31, 2002 audit indicated that the financial audit is required by law to be completed and issued no later than six months after the close of the fiscal year. It was noted that the audit for the fiscal year ending December 31, 2002 was not released until July 22, 2003, pending receipt of legal representations.

Because of the delay in recreating financial data for the fiscal years ending December 31, 2004 and 2003, the Louisiana Legislative Auditor's Office granted permission to the Town of Walker to have the financial statements audited for the two fiscal years ending December 31, 2004 and 2003. The audit was not able to be submitted by June 30, 2005. Since at July 25, 2005, the Town of Walker was still attempting to recover data from computer systems and print financial data for the 2004 fiscal year, and extensive assistance was required to report 2004 financial data, on the approval of the Louisiana Legislative Auditor the engagement was downgraded to a compilation from an audit. The decision to downgrade the engagement from an audit to a compilation was required since extensive assistance was required by the audit firm to adjust and establish account balances, and Independence Standards for auditors preclude the auditor from materially adjusting account balances. The Louisiana Legislative Auditor has issued a separate compliance audit on July 27, 2005.

#### **Corrective Action Taken:**

As indicated in Finding 2005-19, The Town of Walker was able to complete its audit timely for the 2006 audit.



## TOWN OF WALKER

### SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2006

#### **Reference Number: 2004M-1**

**Category: Computer Systems**

#### **Description of Finding:**

Throughout the prior year compilation engagement, the Town of Walker was required to recreate financial data either destroyed as a result of alleged fraud or as result of hardware and/or software malfunction. Specifically, the current administration was required to recreate financial transactions for the year 2003 and 2004. Concurrent with the attempts to recreate financial data, the following occurred:

- 1) The utility billing software, providing billing for approximately 8,300 customers, began to malfunction and required replacement. The implementation process covered 3-4 months and required direct involvement of the chief financial officer.
- 2) Numerous computer problems and crashes were encountered, resulting in the delay of financial information. Financial data for year 2003 was printed in May 2005; financial data for the fiscal year ending December 31, 2004, was lost during re-input numerous times. Financial data through June 30, 2004, was printed on July 20, 2005, with additional printouts for the fiscal year 2004 provided on July 25, 2005.
- 3) The most recent computer problems resulted in delay of utility billings by over two weeks. Although design of the backup system was supposed to provide for multiple backups, it was found that only one backup was available to restore, and general ledger data for the month of December 2004 had been corrupted. As of the date of the prior year compilation report, the integrity of financial data was at a critical stage. Backup procedures were insufficient for the current general ledger system, and the Town is limited to one backup, although computer hardware is available for multiple backups.

As noted in the "Accountants Compilation Report, dated September 6, 2005, financial statements for the fiscal year ending December 31, 2003, were not presented, since the presentation of such statements would be materially misleading.

#### **Recommendations:**

The Town responded to the numerous catastrophes by hiring consultants to restore data and re-configure systems. For the one incident, the individual profiles had to be redefined per station to allow printing. The overall result was to restrict the time of key executive employees to data input and reacting to computer problems, rather than to management. For the Town to move forward, the Town must adopt procedures to ensure the integrity of financial data. The prior CPA recommended that the Town immediately obtain professional consultation to determine:

- Adequacy of current hardware and software inventory.
- Steps necessary to protect the integrity of data.

## TOWN OF WALKER

### SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2006

- Data backup and recovery plans.
- The development of alternate procedures whereby processing can continue during data system failures.
- Review of the current system for data system security, and review of assignment of responsibility for managing data system security.
- Active review of how security profiles have been defined and enforced.

It is extremely important that the administration obtain consultation from vendors with previous experience with systems of a size and complexity similar to the Town of Walker's computer systems.

#### **Additional Finding:**

The Town of Walker continued to experience accounting software problems during 2005 which resulted in errors with account balances and delays with getting requested information to auditors to efficiently complete audit procedures. In addition, these software malfunctions resulted in the Town's personnel spending a significant amount of time and effort to correct accounting errors and reconciling accounts to get the financial records and account balances ready for audit.

#### **Management's Response:**

1. The utility billing software which failed in the prior year has been replaced by a system which has many more edits and controls over the transactions related to providing utility services to the customers of the Town of Walker Utility System. The new software has provisions so that a system administrator may restrict program functions by user, thus providing better control and an audit trail of information entered into the system. In conjunction with the purchase of this software, the Town also acquired training for its employees in the operation of the new software. The Town acquired new servers and work stations in October, 2004 under the state contract with Dell Computers.

The utility billing software, servers and work stations purchased are sufficient to meet the needs of the Town; and those Town employees using the software have received training in the operation of the software.

2. The Town of Walker retained the services of RAM Computers to support its network. They were to have taken corrective action to stabilize the condition of the network and have implemented an automated backup system to prevent the loss of data previously experienced. RAM Computers were also assigned the responsibility to assure the integrity of backup tapes. Town personnel transport backup tapes to the bank as off site storage facility. In addition, the Town has purchased new accounting software which was installed and being utilized by the Town's staff to record financial transactions.

The stability of the network and the integrity of backups were questionable under the reign of RAM Computers. With continued network problems and purported data loss by the previous financial director, the services of RAM Computers were terminated in May, 2006. Facility Systems, a division

## TOWN OF WALKER

### SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2006

of Labarre Associates, Inc. have been retained to provide said services. Both servers have been rebuilt from the ground up, the first serving as the powerhouse of the network, the second serving as a mirror of the first. In the event of the first server failing, the second will automatically step up with no interruption in the network. Both servers have an internal backup. In addition, there is an on-site tape backup and all critical data (CUSI, QB, and designated user date) is uploaded to a secure location at Facility Systems nightly.

The new accounting software purchased was QuickBooks. QB is sufficient to record financial transactions; however, it does not meet the full scope of financial needs of the Town.

#### **Corrective Action Taken:**

The Town reviewed several complete accounting software systems suitable to meet the needs of the Town. After this review was complete the Town purchased a new accounting software system in December 2006. This new system was installed and has become operational in 2007. We commend the Town on completing this task. The new software (CSAS) has a utility billing module that is fully integrated. The Town will be converting to this new module in 2007.

**Reference Number: 2004M-2**

**Category: Fixed Assets (Capital Assets)**

#### **Description of Finding:**

The fixed asset management software, and final capital asset listings, could not be located for fiscal years 2003 and 2004, and therefore fixed assets were not consistently presented within the related financial reports and depreciation expense was only presented for the utility funds and not presented for governmental activities.

Louisiana Revised 25:513(A) states that the Town "...shall maintain records of all land, buildings, improvements other than buildings, equipment, and any other general fixed assets which were purchased or otherwise acquired, and for which such entity is accountable." The statute requires an inventory of assets on no less than an annual basis. Governmental Accounting Standard Board Statement Number 34 (GASB 34) further extends requirements to include maintaining asset listings for governmental and enterprise funds in a format that allows calculation of depreciation expense in a manner similar to depreciation calculated for business enterprises, and adopts the terminology "capital assets" to refer to land, equipment, furniture, vehicles, and building improvements, and infrastructure with a useful life of more than one year.

Capital asset listings provided for year 2002 did not provide a detail of assets necessary to properly classify assets or trace assets to source. The prior CPA did locate older asset listings, but could not find detailed current asset listings.

## TOWN OF WALKER

### SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2006

Documentation was not maintained for construction in progress. During year 2003, the Town maintained 50 construction in progress accounts, but did not maintain centralized documentation for purchases, and often re-used the same project numbers. In addition, during May of 2005, the Town received an additional \$64,000 in unreported invoices related to fiscal year 2004 for various construction and improvement projects.

#### **Management's Response:**

As noted in the prior year:

1. The Town designated Darren Blevins of the Town's staff as Asset Officer who will be responsible for record-keeping for all fixed assets of the Town. Mr. Blevins was selected due to his familiarity with the fixed assets of the Town. He will schedule the initial inventory and assign asset identification numbers and tag property in accordance with adopted policies of the administration. Annual physical inventories will be conducted by other members of the Town's staff. Members of the accounting staff will be responsible for recording transactions involving asset acquisitions and retirement and depreciation in the general ledger. After initial information gathering activities are complete, an Asset Officer will be appointed who is neither responsible for initiating or approving capital asset transactions. This approach was taken due to the fact that Bruce Harrell and Company were provided asset listings by the predecessor audit firm that do not adequately describe and identify the assets reported.

As noted above, Mr. Darren Blevins is acting Asset Officer. Mr. Blevins has been able to tag and list, with descriptions and location, all movable fixed assets. Inventory was performed on all tagged movable fixed assets. Procedures for physical inventory on all other assets is still in draft form.

2. It is the intent of the current administration to acquire and/or implement capital asset accounting software to be operated as a subsidiary supporting system for the general ledger system. The previous administration, in fact, acquired Best Software to accomplish this task but apparently never implemented the program. We will pay particular attention to assure that any software utilized is adequate and will allow the Town to comply with the requirements of GASB 34.

At the present time, we are reviewing complete accounting software packages which will include a fixed asset management module.

3. The Town will generate a policy to govern the management of capital assets that will include monthly reports, as well as the records and reconciliations necessary to provide for proper disclosure. In conjunction with the development of capital asset policies, a written procedure will be developed to centralize capital asset accounting and assure compliance with applicable state and federal bid laws. New purchasing procedures have already been implemented in the Town that both restrict and centralize the authority of person's who can initiate capital transactions.

Mr. Blevins has compiled written fixed asset procedures, which are still in draft form.

## TOWN OF WALKER

### SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2006

#### **Recommendations:**

It was recommended by the prior CPA for the Town to immediately implement a capital asset accounting system or program. Recommended steps for implementation are as follows:

- 1) Designate an "Asset Officer" to be responsible for the management of capital assets. The segregation of duties for the "Asset Officer" is dependent on the available personnel, but the assignment of duties should be made with consideration of the following criteria:
  - The "Asset Officer" should not be responsible for initiating or approving capital transactions.
  - Duties should be restricted to record-keeping for fixed asset management and the "Asset Officer" should not be involved in general ledger input or accounting.
  - The responsibility for physically conducting the inventory should be assigned to responsible employees who have no custodial record-keeping responsibilities. The "Asset Officer" may be more actively involved in the initial inventory.
- 2) Select and implement capital asset accounting software. Software should meet the following minimum criteria:
  - Ability to record capital asset listings for separate companies (such as for governmental and enterprise funds).
  - Capability of recording depreciation expense on capital assets.
  - Ability to categorize each capital asset at a minimum by department, type asset, function, and general ledger code. Department and type asset generally are required for management control and financial statement reporting; further grouping by function (such as "general government, public safety, public works, etc.) is generally necessary to meet the reporting requirements of GASB Statement No. 34. Listing asset additions by general ledger code allows reconciliation to monthly general ledger records of capital asset purchases. It is also helpful to code assets that can be inventoried (not built in to the ground) to produce listings for periodic inventory. Additional software capabilities for coding, such as tracing to specific locations and employees, are based on client evaluation and needs.
  - Ability to produce a variety of reports but at a minimum monthly and annual reports that provide an audit trail for the total capital assets owned by the Town, additions and deletions, and reporting within the minimum categories noted above.
  - Consideration should be given, based on available funds, to the purchase of capital asset software that permits the use of bar codes to facilitate periodic inventory of assets.
- 3) Concurrent with the selection of software should be the development of written procedures for managing capital assets. Written procedures will describe the detail of capital asset records including the monthly reports, records, and reconciliations that must be maintained for proper disclosure. In addition, the procedures will also list the "Capital Asset Threshold" that has been adopted by the Town. The Town must specify the minimum value of capital assets to be maintained in the capital assets software. Setting too small a value, such as \$100 per item, may make the capital asset system burdensome.

## TOWN OF WALKER

### SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2006

- 4) Conduct an inventory separately for governmental and enterprise funds, and update or create capital asset records based on the inventory. "Governmental" for the Town of Walker will include all but the enterprise (utility) funds.

In addition to State and applicable Federal Bid Law requirements and purchasing procedures adopted by the Town, the prior CPA recommended that accounting for capital projects be centralized. Generally, for projects that have been formally bid, requests for payment require prior approval of the chief executive and are reviewed by the board of aldermen. The following recommendations apply primarily to the numerous capital construction projects, totaling 50 in year 2003, for which prior authorization or documentation was not on file or was incomplete:

- Clearly identify those individuals authorized to initiate capital transactions and define their limits of authority. Avoid decentralization of authority.
- Require written executive or legislative approval for all capital expenditures.
- Limit the excessive use of "construction-in-progress" accounts for numerous small projects.
- Centralize and standardize the filing of supporting documentation for construction projects.
- Compile documentation available and close whenever possible all outstanding construction in progress accounts.

#### **Corrective Action Taken:**

We noted the Town did appoint an asset manager who completed the process of cataloguing all fixed assets. As of December 31, 2006, the asset manager has inventoried and photographed all movable fixed assets. A capital assets software package was purchase and now there is a current listing of all capital assets including the date purchased, the description, and the cost of the asset. The Town has identified all capital and infrastructure assets including buildings, land and immovable plant equipment. In instances where actual costs could not be determined estimated costs were used. Now that the fixed asset listing has been created, the necessary depreciation calculations have been made and are included in our report as required by GASB 34.

#### **Reference Number: 2004M-3**

**Category:** Purchasing/Control over Disbursements

#### **Description of Finding:**

During the second quarter of year 2004, and extending from the prior administration's term ending December 31, 2003, one of the Town's key employees allegedly was responsible for theft of approximately \$210,026 in public funds. The case was prosecuted and claims filed for recovery of funds. The following factors contributed to the occurrence:

## TOWN OF WALKER

### SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2006

- Lack of segregation of duties for processing financial transactions. The employee in question was allowed to control the disbursement of funds, receive funds, reconcile bank accounts, and control the reporting of financial transactions. This key employee had payroll checks manually issued separate from the normal payroll process circumventing garnishment of wages, etc.
- During the time of the alleged occurrence, financial transactions were either not reviewed or not reviewed on a timely basis.

Other weaknesses noted in internal controls over disbursements included:

- Lack of centralization and control over disbursements for recreational activities. Contractors were allowed to operate recreational facilities and activities without providing proper documentation of gate receipts and related operating expenditures. Receipt of funds by the town did not provide the documentation necessary to determine if a reasonable profit was earned on recreational activities or to determine whether receipts were sufficient for the number of persons attending the activity. The new administration has taken significant steps to correct control and reporting of recreational activities.
- Lack of control over construction activities. During the fiscal year ending December 31, 2003, the Town reported 50 construction in progress accounts on its general ledger. Controls were not in place to ensure that all transactions were properly authorized or documentation maintained.
- General lack of control over filing and maintenance of supporting documentation. Files were in part destroyed by the alleged occurrences of fraud, but files have not been located for numerous construction activities.

#### **Recommendations:**

The overall goal is the segregation of duties for the requisitioning, purchasing, and receiving functions from the invoice processing, accounts payable, and general ledger functions. Further, the goal should be to segregate each of these functions to the extent possible, to increase management's control on the purchasing process. In addition, the segregation of duties is no more important than the centralization of control for purchases. Duties can be properly segregated, but if transactions are initiated and processed without proper authorization, the result is unauthorized purchases contributing to over-expenditure and bid compliance findings. Key procedural controls, the goal of which is to obtain authorized approvals before purchases are made, that must be incorporated into purchasing procedures are as follows:

- Initiations of purchases of goods and services through the use of properly authorized requisitions - authorized by department head or designee.
- Using and accounting for pre-numbered requisitions.
- Approval required prior to placing order.
- Review of budget authority for purchase and approval by authorized administrative personnel prior to placing order.
- Documentation of compliance to bid law prior to placing order.

## TOWN OF WALKER

### SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2006

- System for assignment of purchase order numbers and assignment of responsibility for maintaining a central listing of purchase orders issued.
- Authority must be designated for placing purchase orders.
- If assignment of purchase orders is allowed for routine purchases (prior to issuance of requisitions), adoption of the following or similar procedures to record purchases:
  - Authorized employee calling for purchase order must provide name of vendor, item descriptions, and total amount of purchase.
  - Purchase information must be posted to central register; purchase order must be assigned.
  - Requisition form to match called in purchase must be submitted by department head or designee and restrictions must be placed on future purchases if required requisitions are not submitted on a timely basis.
  - Responsibility for receipt of goods must be segregated from person placing orders.
  - System and responsibility must be defined for maintaining documentation for purchases, including requisitions, purchase orders, invoices, and bid compliance documentation - alphabetically by vendor.
  - Approval process for payment of invoice batches and listings by personnel not directly involved in order or approval process.
  - Signing of checks by two or more authorized parties not involved in purchase or authorization process.

#### **Corrective Action Taken:**

1. The Town has implemented new purchasing procedures that provide for requisitions, purchase orders, receiving reports with appropriate segregation of duties which should adequately safeguard the assets of the Town.
2. As noted above, The Town purchased new accounting software in December of 2006 that provides for entry and tracking of purchase orders and encumbers budgeted funds upon issuance of an order for goods and services. This software was installed in 2007.
3. The Town has designated a new employee as Purchasing Agent. This employee is the sole source for execution of purchase orders but has no authority to initiate or approve any transactions. The former Purchasing Agent for the Town currently acts as a Receiving Agent for all purchases. Purchase orders, invoices and receiving reports are currently being appropriately compared prior to payment. Any discrepancies noted are being investigated and resolved.
4. All checks issued by the Town of Walker require dual signatures. Most checks are signed by the Mayor and the Municipal Clerk, but members of the Town Council are authorized signers also, in the event of the absence of the Mayor or Municipal Clerk.



**TOWN OF WALKER**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)**

FOR THE YEAR ENDED DECEMBER 31, 2006

**Reference Number: 2004M-4**

**Category: Cash Receipts/Revenues**

**Description of Finding:**

The new administration has made significant progress in improving controls for the collection and recording of cash receipts. Most notable is the implementation of a new utility billing program that permits more detailed analysis and review, and the overall effort to centralize collections. However, for the two fiscal years under review, we were unable to obtain four of the year-end bank reconciliations for the fiscal year ending December 31, 2003, and since the financial data for the fiscal year ending December 31, 2004 was delayed, bank reconciliations for year 2004 were either significantly delayed or had to be re-constructed.

Considering these findings and the findings included in Reference Number 2004-M3 above, it was recommended that the Town of Walker review each cash collection site and develop and approve written procedures governing the collection of cash receipts and revenues.

**Recommendations:**

Based on review of internal controls, many of the procedures have been implemented and simply need to be reduced to writing to standardize procedures and provide continuity during staff changes. To the extent possible the system for recording cash receipts should be reviewed within each department, re-structured where necessary, and written procedures developed and approved based on maximum possible segregation of duties for each segment of processing including the following key activities:

<u>Category</u>	<u>Activities to Review for Segregation of Duties</u>
Collection and Recording:	Collection and recording by cash register, pre-numbered receipts, or other equivalent means. Summarizing and reconciling cash receipts. Deposit preparation. Deposit of funds on a daily basis. Input of customer payments and adjustments. Reconciliation of bank accounts. Reconciliation of customer account balances. Preparing general ledger postings and summaries. Making entries to general ledger system.

**TOWN OF WALKER**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

**Monitoring/Review:**

Daily monitoring of cash collections, recording, and processing.

Review of security assignments per employee and the review of segregation of duties for input, adjustment of customer accounts, and posting.

Review of source data/listings posted to general ledger and monthly accounts receivable reconciliations.

The actual segregation of duties is dependent on the availability of personnel, but the goal is to separate duties to the maximum extent possible. Procedures for managing cash receipts should be developed in writing and approved by the finance committee. To the extent feasible, these procedures should recognize that monitoring and reporting is a key element of control and must be separated from duties involving the collection and recording of receipts. Duties are often only performed if the internal control system provides feedback on performance.

**Corrective Action Taken:**

As noted above, the Town has implemented some of the procedures described above but has not developed written procedures for the cash receipts/revenue transaction cycles. We noted the Town has hired a new Finance Director and now has implemented new procedures and is now reconciling the major accounts on a timely basis.

**Reference Number: 2004M-5**

**Category:** Supplies Inventory

**Description of Finding:**

For the fiscal year ending December 31, 2003, a handwritten supplies inventory was provided for the utility fund totaling \$158,785 for the gas and water department, and \$32,443 for the sewer department. The 2004 inventory was provided for the Gas and Water Department only at a total of \$252,872. Since the 2003 supplies inventory was provided at the end of year 2004, and the 2004 inventory approximately six months after fiscal year end, the inventory totals could not be verified. It was noted in the prior year that supplies were being stored in open areas where access was not controlled. In addition, there was no evidence that supplies inventories were being taken on a scheduled basis.

## TOWN OF WALKER

### SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2006

#### **Recommendations:**

Recording inventory at fiscal year end provides only a description of inventory on hand and does not provide evidence that the inventory was consumed for eligible Town projects during the fiscal year. Considering the size of the utility department and the exposure to misuse of public assets, it was recommended by the prior CPA for the Town to implement additional controls to manage supplies inventory. It was also recommended by the prior CPA that inventory software be purchased and that records be maintained on a perpetual basis to track the daily disposition of supplies inventory. It was further recommended by the prior CPA that supplies inventories be conducted on no less than a quarterly basis, pending implementation of a perpetual inventory system, and that controls be implemented to secure and limit access to inventory.

#### **Additional Finding/Recommendation:**

The Town continues to take an inventory count and make inventory adjustments once at the end of the fiscal year. See finding 2005-17 for additional finding on inventory.

#### **Management's Response:**

The current administration has implemented inventory controls that we feel will better safeguard the assets of the Town. Steps have been taken to secure inventory at the various storage sites utilized by the Town and we do plan to implement an inventory requisition system to track items from stores inventory to use at particular jobs. In addition, inventories will be tracked perpetually utilizing the new accounting software purchased by the Town.

To date, inventory software has not been purchased. The Town is currently reviewing several complete software applications suitable to meet the financial management needs of the Town. One component of the software package will be inventory control. The intent is to place a computer at the stores inventory location and have an employee responsible for checking in new supplies and filling requests from field employees in order to more closely monitor usage of inventory.

#### **Reference Number: 2004M-6**

**Category:** Payroll Reporting

#### **Description of Finding:**

In the prior year review of payroll records and documentation for the fiscal years ending December 31, 2004, and 2003, the prior CPA noted that employees were routinely paid as contractors and the paid amounts sometimes not reported on IRS Form 1099-Misc. Applicable labor standards and laws require that employees under the supervision and control of the Town are required to be paid as employees.

## TOWN OF WALKER

### SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2006

#### **Recommendation:**

The prior CPA recommended that personnel classifications be corrected to employee status as required.

#### **Corrective Action Taken:**

We noted the Town discontinued the practice of categorizing employees as contractors during the current year audit; however, in 2005 we noted instances where the IRS Form 1099-Misc was not being issued as required to unincorporated contractors paid over \$600 during the year. We recommended for management to develop a process to identify all unincorporated contractors paid an excess of \$600 and provide those contractors with an IRS Form 1099-Misc at year end. In 2006, management issued IRS Form 1099-Misc to any contract labor that was paid over \$600 during the year.

#### **Reference Number: 2004M-7**

**Category:** Financial Reporting

#### **Description of Finding:**

As noted in previous findings, there were substantial delays in recreating financial data for years 2004 and 2003. Since financial data was incomplete, an audit of the financial statements was not performed. In addition, financial statements could not be presented on a government-wide basis, as required by Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999. The prior CPA noted additional deficiencies in financial reporting as follows:

- Budget-to-actual reports presented to the board during the fiscal years ending December 31, 2004 and 2003 were inaccurate.
- Limited data was provided to support December 31, 2003 account balances.
- Supporting data for account balances for the fiscal year ending December 31, 2004, to the extent possible, was developed with client assistance in August 2005.
- Capital Asset Listings had not been updated.
- Interfund accounts had not been reconciled.

The Town continued to exhibit problems during the 2005 audit with reconciling account balances with supporting documentation as noted in numerous current year findings and questioned costs.

#### **Recommendation:**

It was recommended by the prior CPA that the administration focus its efforts on providing monthly budget-to-actual reports, submitting budget-to-actual reports to finance committee and board on a scheduled basis. This recommendation was not fulfilled and continued in effect for the 2005 year.

## TOWN OF WALKER

### SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2006

#### **Corrective Action Taken:**

As noted in Finding 2005-2, in the 2006 year audit it was noted that due to the vast improvements made in the accounting department, financial statements are now being prepared in a timely manner. We commend the Finance Director for accomplishing this goal. We recommend that the Town continue to develop and enhance the financial reporting process.

#### **Reference Number: 2004M-8**

**Category:** Uncollectible Utility Billing Accounts

#### **Description of Finding:**

At December 31, 2003, the Town of Walker reported a total of \$146,494 in the "Code 99" utility billing account category. This code includes amounts that had been written off and reportedly turned over to a collection agency. Per a Compliance Audit, issued July 27, 2005, by the Louisiana Legislative Auditor, at December 31, 2004, accounts totaling \$55,676 were not turned over for collection, accounts totaling \$101,574 were deemed uncollectible by the collection agency, and accounts totaling \$5,957 are still being pursued for collection. In addition, the Town has not submitted delinquent accounts to a collection agency since December 2003. The report also noted that Ms. Tonya Clark, a former Town Utility Billing Supervisor, received \$1,558 in unpaid utility services that were coded to various "Code 99" accounts.

#### **Recommendations:**

It was recommended for the Town of Walker to:

- Extend review of "Code 99" accounts to prior fiscal years to determine if any additional active accounts were improperly coded to "Code 99", and upon completion of the review, formally report any improprieties, and submit past due accounts for proper collection.
- Upon completion of review, remove prior uncollectible accounts from the utility billing system, maintaining a record of any unpaid balances.

#### **Corrective Action Taken / Additional Recommendation:**

In the 2005 year, we noted the Town recovered approximately \$11,600 of the previously written off "Code 99" account balance. Only minimal amounts of collections were noted in the 2006 audit. We continue to recommend for the Town to continue to pursue collection of these accounts.

#### **Management's Response:**

A new billing clerk was hired in February 2007 to oversee all billing related matters. The previous clerk has assumed the role of collections.

**TOWN OF WALKER**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

**Reference Number: 2004M-9**

**Category: Contingent Liabilities**

**Description of Finding:**

As financial input is finalized for the fiscal year ending December 31, 2004 and as corrected balances are carried forward into the current fiscal year, the Town of Walker must make decisions on the recording and/or disclosure of contingent liabilities. Contingent liabilities are liabilities for which the Town may have a financial obligation that has not been disclosed. Some of those contingent liabilities the prior CPA reviewed are as follows:

- **Contingent Liability to Louisiana Department of Transportation and Development (DOTD).** Primarily during the years 1996 - 1998, the Town of Walker entered into several contracts for relocation of utility lines and facilities. Documentation obtained from DOTD indicates the following amounts owed to DOTD by the Town of Walker.

<u>Department</u>	<u>Liability Amount</u>
Water Department	\$ 293,136
Gas Department	427,445
Sewer Department	653,766
Total DOTD Contingent Liabilities	<u>\$ 1,374,347</u>

- Many local communities in Louisiana have obligations to the Louisiana Department of Transportation and Development, but the nature and disposition of this liability must be disclosed. The prior CPA was unable to determine if DOTD will enforce payment of these liabilities and recorded these totals as a debit to capital assets and a credit to contributed capital. Upon determination that the liability will be enforceable, the Town of Walker must reclassify the total recorded as contributed capital to a liability account.
- Department of Environmental Quality Contingent Payments. As a result of past violations, the Town of Walker has a contingent liability of approximately \$970,000 for past assessments and penalties for violations. In response to the DEQ assessment, the Town of Walker must either fund (pay) the assessments or conduct "Beneficial Environmental Projects". Engineers have been drafting proposals for "Beneficial Environmental Projects" that could be conducted in lieu of paying fines.

## TOWN OF WALKER

### SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2006

#### **Recommendations:**

It was recommended by the prior CPA for the Town to review the above contingent liabilities, and additional liabilities disclosed as current balances be corrected, and either record the corrected liabilities in the Town's monthly financial statements, or compile the documentation necessary for annual financial statement disclosure.

#### **Corrective Action Taken:**

The possible liability due to the Louisiana Department of Transportation has not been determined and is still reported as a contingent liability in these financial statements. The liability due to the Louisiana Department of Environmental Quality is in the process of being settled and was reported in the 2005 financial statements as a prior period adjustment in the amount of \$318,820. See Note 22 of the current year financial statements.

#### **Management's Response:**

1. The Town of Walker will seek the opinion of its attorney relative to the liability created when utilities were relocated by the Louisiana Department of Transportation and Development. We will determine the appropriate disclosure in accordance with the legal opinion. As of December 31, 2006 any liability is still not determined.
2. The Town of Walker is still negotiating its penalties for violations with the Department of Environmental Quality. At present, there is a draft of a settlement agreement between the two parties. The settlement, if approved, will result in the implementation of BEPs (Beneficial Environmental Projects), which are assigned an economic value and are considered "payment in kind" as part of the fine plus a cash payment. In the prior year, a prior period adjustment of approximately \$319,000 was made to the financial statements for the estimated amount of these BEPs. In the most recent meeting between the Town and DEQ, it appears (based on the Town's legal counsel) that the cash portion of the settlement will require the Town to pay DEQ the sum of \$20,000. Of this amount, \$8,800 is in the form of a fine and the remainder is a reimbursement by the Town of DEQ's cost of enforcement. Based upon information currently available, legal counsel believes that a settlement in the nature of that outlined above will be reached prior to the end of 2007.

#### **Reference Number: 2004M-11**

**Category:** Review of Bond Covenant Requirements

#### **Description of Finding:**

For each category of debt, consisting of either certificates of indebtedness or bonds, the debt documents require any of three accounts to be maintained as follows:

## TOWN OF WALKER

### SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2006

- 1) Sinking Fund (or Debt Service Fund). Unless bond principal and interest payments are made on a monthly basis, there is generally a requirement to make monthly deposits in an amount that will allow the accumulation of sufficient funds to make bond payments by the agreed-upon due dates.
- 2) Reserve Fund. Depending on the type of bond, generally for all bonds backed by specific revenues of the Town, there is a general requirement to maintain a reserve Fund. This reserve of funds may be met by depositing a specific amount at loan or bond closing and maintaining that amount, or by making specified monthly payments to the Reserve Fund.
- 3) Contingency Funds (or Renewal and Replacement Funds). As with the Reserve Fund, the deposit requirement may be met by depositing a specific amount at loan or bond closing and maintaining that amount, or by making specified monthly payments. The required monthly payments for the Town of Walker involve a percentage (five percent) of the gross revenues of the prior month of operation. These funds can generally be used for certain categories such as emergency repairs, renewals, and replacements. Depending on the wording of the bond documents, these funds may sometimes be used for making bond payments if other funds are not available.

In addition to the above funds, there is sometimes a requirement that the utility system generate funds sufficient to ensure operation of the system and to provide for servicing of the bonds and all additional accounts that may be required by the bond documents. Such a compliance requirement exists for the Natural Gas and Water Revenue Bonds, Series 1999. That requirement is as follows:

*“The issuer, through its governing authority, hereby covenants to fix, establish, and maintain such rates, fees, rents or other charges for the services, and facilities of the System, and all parts thereof, and revise the same from time to time whenever necessary, as will always provide revenues in each year sufficient to pay the reasonable and necessary expenses of operating and maintaining the System in each year and as will provide Net Revenues at least equal to one-hundred twenty percent (120%) of the principal and interest requirements in such year on all bonds and other obligations payable from the revenues of the System and as will provide revenues at least sufficient to pay all reserves or sinking funds or other payments required for such year by this Ordinance and ordinances authorizing the issuance of all other obligations or indebtedness payable out of the Revenues during such year and that such rates, fees, rents or other charges shall not at any time be reduced so as to be insufficient to provide adequate revenues for such purposes.”*



**TOWN OF WALKER**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

For the fiscal year ending December 31, 2004, the prior CPA found the Sinking Fund and Reserve Fund Accounts to be funded as follows:

Description of Bond	Type Fund	Required Balance at 12/31/04	Actual Balance at 12/31/04	Amount Over (Under) Funded
Certificate of Indebtedness, Series 1998	Sinking	\$ 94,297	\$ 34,389	\$ (59,908)
Sales Tax Bonds, Series 2000	Sinking	104,540	44,514	(60,026)
Refunding Bonds, Series 2004	Sinking	20,615	5,528	(15,087)
Gas & Water Revenue Bonds, Series 1999	Sinking	33,678	112,399	78,721
Sewer Revenue Bonds, Series 2000	Sinking	12,659	49,741	37,082
Sewer Revenue Bonds, Series 2001	Sinking	52,678	81,898	29,220
Sales Tax Bonds, Series 2000	Reserve	308,321	309,933	1,612
Gas & Water Revenue Bonds, Series 1999	Reserve	408,610	412,581	3,971
Sewer Revenue Bonds, Series 2000 & 2001	Reserve	196,320	231,591	35,271
		<u>\$ 1,231,718</u>	<u>\$ 1,282,574</u>	<u>\$ 50,856</u>

As presented above, overall funding for the Sinking Funds and Reserve Funds was sufficient, but the under funding of the first three Sinking Funds above (for governmental fund indebtedness) resulted in non-compliance to bond covenants.

There are Contingency Funds (Renewal and Replacement Funds) for the 1999 Natural Gas and Water Bonds, and for the 2001 and 2000 Sewer Revenue Bonds. Sufficient documentation was not available to determine if the transfer of funds from these accounts was for eligible expenditures. For the 1999 Natural Gas and Water Contingency Fund, the balance in this account decreased by \$466,062 from \$516,783 at December 31, 2002 to \$50,721 at December 31, 2004. Part of this decrease was for a bond payment on 11/30/04 for the 1999 Natural Gas and Water Revenue Bonds totaling \$284,273. For the 2001 and 2000 Sewer Revenue Bonds Renewal and Replacement Fund, the balance of this account increased from \$89,389 at December 31, 2002, to \$95,892 at December 31, 2004.

In addition, since sufficient documentation was not available to determine compliance to deposit and expenditure requirements of the Contingency Funds (Renewal and Replacement Funds), the requirement for the Gas and Water System that the Town of Walker "...generate funds sufficient to ensure operation of the system and to provide for servicing of the bonds and all additional accounts that may be required by the bond documents" (as noted above), could not be tested. Adjustment of rates may be necessary when sufficient financial data is available to complete this review and analysis and to determine compliance to this bond covenant.

## TOWN OF WALKER

### SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2006

#### **Recommendations:**

It was recommended by the prior CPA for the Town of Walker designate a specific individual to monitor compliance to bond covenants. This employee should provide periodic reports to the Mayor and/or finance committee detailing the status of compliance to bond covenants. In addition, the prior CPA recommended the Town of Walker review the transfers from the Natural Gas and Water Contingency Fund to determine if the decrease in account balance of \$466,062 for the period from December 31, 2002 to December 31, 2004, was in accordance with bond covenants.

#### **Corrective Action Taken:**

As noted in the corrective action to Finding 2005-24, the Town of Walker has assigned an employee in the accounting department the responsibility of monitoring compliance with all covenants of its bond indentures.

The Town is in compliance with all debt covenants with the exception of the two that relate to contingency funds for the Series 1999 Gas and Water Revenue Bonds and the Series 2000 Sewer Revenue Bonds. Financial records from prior years do not exist to determine contingency fund compliance for these bond issues.

#### **Reference Number: 2004M-12**

**Category:** Insurance Liability/Review of Coverages

#### **Description of Finding:**

In the prior year review of account balances and interview with management by the prior CPA, it was noted the following relating to insurance coverages:

- Prepaid insurance schedules had to be prepared after-the-fact allowing adjustment of the prepaid insurance account. Proper recording of costs and allocation of insurance costs to respective departments per period requires recording and adjusting the prepaid insurance account.
- An individual had not been designated to manage the insurance account. In particular, the listing of town vehicles owned by the Town was inaccurate.
- A total of \$180,276 in insurance costs, due by June 2004, had not been paid. Payment was made in July 2005.

It was also noted in the prior year, that the Town had not designated an employee to manage the insurance accounts as recommended in the prior year; however, we noted that all insurance payments were being paid timely in the 2005 audit.

**TOWN OF WALKER**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)**

FOR THE YEAR ENDED DECEMBER 31, 2006

**Recommendation:**

It was recommended for an employee to be designated for the management of the insurance account, separate from employees responsible for authorizing and paying premiums, and that prepaid insurance be recorded and insurance costs allocated to respective departments on a timely basis.

**Corrective Action Taken:**

1. The Town of Walker has designated an employee with the responsibility of managing its insurance coverages. Financial transactions associated with insurance activities will be recorded in accordance with generally accepted accounting principles.
2. Insurance premiums will be paid as due in accordance with procurement policies for disbursement as mentioned above in response to Finding Reference Number 2004-M3.
3. Management now has set policies and procedures in place to ensure proper management of the insurance account, including recording of prepaid insurance and timely allocation of costs to respective departments.

**Reference Number: 2004M-13**

**Category:** Disclosure of Liability for Retirement Contributions

**Description of Finding:**

In the prior years management determined that the correct employer contribution for the retirement program had not been forwarded to the plan provider. The minimum per employee had been forwarded, and not the applicable percentage of salary required under the program, although the required percentage had been accrued as a payable. It was also noted that employee retirement withholdings were not being remitted timely.

**Recommendations:**

It was recommended for the required contributions to the retirement plan be paid timely.

**Corrective Action Taken:**

In the current year audit, it was noted that necessary payments to the retirement plan for the employee withholding portion were made timely and all payments are current.

**TOWN OF WALKER**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

**Reference Number: 2004M-14**

**Category: Utility Billing Controls**

**Description of Finding:**

Utility billing findings are addressed separately in the Louisiana Legislative Auditor Compliance Report dated July 27, 2005. In addition, management responded by implementing a new utility billing program intended to provide a more extensive audit trail for tracking individual user input. This finding is listed as a management finding since management has taken significant corrective action, including implementation of new utility billing software. This finding was intended to build on current management efforts to improve utility billing controls and to address the following deficiencies:

- 1) Proper control had not been maintained for authorizing and reviewing changes to customer accounts.
- 2) The prior CPA noted no instance during the fiscal year ending December 31, 2003, or 2004, that the utility billing customer account balance had been reconciled to the general ledger control account for customer accounts receivable. Excel spreadsheets had been used to recreate monthly activity (billings, payments, adjustments, etc.) and there were often clerical errors, or significant adjustments that required explanation. Many of the adjustments were related to fuel adjustments, with no adequate explanation of the basis for fuel adjustment calculations. The prior CPA noted that fuel adjustments had not been recalculated from January 2004 through August 2004.

**Additional Finding:**

In the 2005 audit, we noted the Town posted all utility billing revenue and related receivable balances to the general ledger once at year end. As noted in the following recommendation, the Town should post and reconcile these balances monthly, at a minimum, instead of waiting until year end to record the revenue for the entire year and the December 31<sup>st</sup> customer receivable balances. Also, it appears fuel adjustments were not being done properly as the gross profit on gas sales continued to decline.

**Recommendations:**

It was recommended by the prior CPA for the utility billing director to review on no less than a monthly basis individual employee codes assigned to ensure that input is identifiable to a specific station and user. Any variations should be discussed with management at a level above the utility billing director. In addition, management should review, on a scheduled basis, the data and input coded to the utility billing director.

In relation to the monthly accounts receivable reconciliation, the new utility billing software provides an "A/R Posting Summary" report, printable in various groupings and level of detail, including customer activity by routes. The report recreates an accounts receivable reconciliation by beginning with the

## TOWN OF WALKER

### SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2006

beginning customer accounts, listing transaction activity for the month (billings, adjustments, penalties, payments) by type service, and the resulting ending accounts receivable balance. It was recommended by the prior CPA that the ending accounts receivable balance be reconciled monthly to the general ledger control account and that as a check on the integrity of the utility billing software, management periodically cross reference monthly total cash collection of customer payments reported by the utility billing software to totals reported in bank reconciliations.

It was also recommended by the prior CPA for the Town to standardize calculations for fuel adjustments so that Town can recover additional costs as incurred for increases in fuel costs.

The above mentioned recommendations remained in effect for 2005.

#### **Corrective Action Taken:**

1. The Town implemented new utility billing software in October, 2004. The new software has internal control and authorization capabilities that provide extensive control over what employees may enter or change in the system. A new supervisor has been hired for the utility department who is monitoring the activities of the employees. Currently the town is performing monthly reconciliation to verify the integrity of data and calculations being entered.

Although the new billing software was implemented in October, 2004 and monthly reconciliations are being performed, some "glitches" with the software continued to be worked out during 2005 and into 2006.

2. The Town did not adjust its billing for fuel adjustments from January, 2004 through August, 2004. Commencing in September, 2004, the new administration began to recalculate the fuel adjustment on a monthly basis and adjust its billing accordingly.
3. All utility billing activity is being posted to the general ledger on a monthly basis; starting in 2006 the accounts receivable account is now being reconciled to the report printed from the utility billing software. As policies and procedures were put in place by the new Finance Director to improve all aspects of financial accounting and reporting, monthly accounts receivable reconciliations have been implemented. Also the Town purchased a new accounting software package in December 2006. The new software has a utility billing module that is fully integrated. The Town will be converting to this utility module in 2007 which should further enhance the utility billing function. Also it appears that as of December 31, 2006, the Town is now making necessary fuel adjustments on the utility billings.

**TOWN OF WALKER**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

**Reference Number: 2004M-15**

**Category: Code of Ethics**

**Description of Finding:**

In the review of procedures and the documentation of internal controls, it was noted that the Town of Walker had not adopted a Code of Ethics. This finding was repeated in the 2005 audit.

**Recommendations:**

It was recommended that the Town of Walker formally adopt a Code of Ethics and communicate the policy statement to its employees. Guidance and a copy of the Louisiana Code of Governmental Ethics can be found on the website for the Louisiana State Board of Ethics.

**Corrective Action Taken:**

The Town of Walker adopted the Code of Ethics as promulgated by the Louisiana Board of Ethics in the form of a formal resolution of the Council on February 13, 2006. A copy of that resolution was presented to all existing employees and future new hires along with a copy of the Code of Governmental Ethics.

**Reference Number: 2004-M17**

**Category: Walker Youth Sports Association Funds**

**Description of Finding:**

At December 31, 2004, a certificate of deposit is being maintained for the Walker Youth Sports Association (WYSA-a separate non-profit entity), totaling \$20,000 at December 31, 2004. Since that date interest has continued to accrue on the account. The certificate of deposit is not recorded on the financial statements of the Town of Walker. At December 31, 2006, this certificate of deposit remains in dispute.

**Recommendation:**

The ownership of the Certificate of Deposit remains in dispute and the bank is waiting on a resolution of the dispute between the Town of Walker and Walker Youth Sports Association; therefore, this certificate of deposit has not been recorded on the books of the Town of Walker pending a resolution of the dispute. Once this dispute is resolved, the Town of Walker should record these funds on their books, if applicable.

**TOWN OF WALKER**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

**Management's Response:**

The Town has referred this matter to its legal counsel for investigation and recommendation. While it has been confirmed that these accounts carry the federal identification number of the Town, it has not been determined who actually owns the funds. Upon receipt of an opinion, if the Town is deemed owner, said funds will be reported in the General Fund of the Town.

Legal counsel has advised that the ownership of the Certificate of Deposit is still under dispute.

**Reference Number: 2004-M19**

**Category:** Credit Cards Issued by Town

**Description of Finding:**

The Town had credit cards issued to the former mayor and clerk. Detailed documentation supporting the expenditures on those credit cards was not available. The former mayor stated that he provided receipts in support of credit card purchases.

**Recommendations:**

The Town should adopt a written policy regarding issuance and use of Town credit cards.

**Corrective Action Taken:**

The Town currently has accounts payable controls in place which would prevent payment of charges without the disclosure of transaction details.

The board adopted an ordinance by motion of Rick Ramsey and seconded by James Phillips on May 8, 2006 entitled "Issuance of Credit Cards, Travel Requirements and Reimbursement for Applicable Town Expenses." This ordinance provides guidelines on these types of expenses.