

TOWN OF WALKER, LOUISIANA
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2005

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Release Date 10-25-06

**TOWN OF WALKER
WALKER, LOUISIANA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

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FOR THE YEAR ENDED DECEMBER 31, 2005

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Randy J. Bonnacaze, CPA*
 Joseph D. Richard, Jr., CPA*
 Ronnie E. Stamper, CPA*
 Fernand P. Genre, CPA*
 Stephen M. Huggins, CPA*
 Monica L. Zummo, CPA*
 Ronald L. Gagnet, CPA*
 Douglas J. Nelson, CPA*
 Celeste D. Vistor, CPA*
 Laura E. Monroe, CPA*
 R. David Wascom, CPA*

1175 Del Este Avenue, Suite B
 Denham Springs, LA 70726
 Phone: (225) 665-8297
 Fax: (225) 667-3813

*Members American Institute of
 Certified Public Accountants*

2322 Tremont Drive
 Baton Rouge, LA 70809

www.htbcpa.com

**A Professional Accounting Corporation*

September 12, 2006

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, 2005, 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.

Except as discussed in the following paragraph, 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.

We did not observe the taking of the physical inventory of the Business-Type Activities at December 31, 2004 (stated at \$298,022), since that date was prior to the time we were initially engaged as auditors for the Town of Walker. We were unable to satisfy ourselves about actual inventory quantities by means of other auditing procedures.

In addition, as discussed in Note 8 to the financial statements, management has not maintained detailed general fixed asset information and has not recorded certain general infrastructure assets in governmental activities and, accordingly, has not recorded depreciation expense on these assets. Accounting principles generally accepted in the United States of America require that those general fixed assets and infrastructure assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the Town of Walker, as of December 31, 2005, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to observe the physical inventory of the Business-Type Activities taken as of December 31, 2004, the financial statements referred to above present fairly in all material respects, the respective financial position of each Governmental Fund, and the aggregate remaining fund information of the Town of Walker, as of December 31, 2005, and the respective changes in financial position and where applicable cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the Town of Walker adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*; and Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; Statement No. 39, *Determining Whether Certain Organizations Are Component Units - an amendment of GASB Statement No. 14*; Statement No. 40, *Deposit and Investment Risk Disclosure*; and Interpretation No.6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements* as of January 1, 2005. This results in a change in the format and content of the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated September 12, 2006, 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 10 and the Required Supplemental Information in Schedule 1 on page 70 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

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, 2005. 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. However, this is the first GASB 34 compliant audit report issued for the Town; and, therefore, certain comparative information of the previous year is not presented. Previous year information is disclosed in cases where the information was readily available and it is feasible to show such information without expending excessive resources to present the data.

Financial Highlights

- The Town received an adverse opinion on the financial statements of the Governmental Activities because the Town failed to maintain detailed information on its general fixed assets and had not recorded certain general infrastructure assets required by accounting principles generally accepted in the United States of America. Because of the lack of detailed information, the Town was also unable to record depreciation expense within the Governmental Activities statements.
- In addition, the Town received a qualified opinion on the financial statements of the Business-Type Activities because the previous year's financial statements were not audited and therefore, no observation of the physical inventory as of December 31, 2004 was available.
- The Town's assets exceeded its liabilities at the close of the fiscal year by \$7,488,552 (*net assets*).
- Total revenue from both governmental and business-type activities was \$9,821,867. Total expenses were \$9,850,341.
- The Statement of Net Assets reflects a negative change in net assets of \$28,474.
- The Town's governmental funds reported combined ending fund balances of \$1,190,383, a decrease of \$267,196 in comparison with the prior year combined ending fund balances of \$1,457,579, as restated in the Notes to the Financial Statements.
- The Town's total debt decreased by \$647,224 (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. Infrastructure assets and accumulated depreciation were not available and therefore, were not included in these financial statements.

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). Depreciation expense for the Governmental Activities was not available and therefore, was not included in these financial statements.

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*).

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-3) 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. A budgetary comparison statement has been provided for the general fund (Exhibit B-5).

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 28-69 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, which are issued for the first time for the fiscal year ended December 31, 2005. It does not include comparative information for prior years. Such comparison of current and prior years will be included in future annual reports.

The Town's net assets at December 31, 2005 were \$7,488,552. 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, 2005.

Town of Walker
Condensed Statement of Net Assets
For the Year Ended December 31, 2005

	Governmental Activities	Business-Type Activities	Total
Assets:			
Current and Other Assets	\$ 874,442	\$ 2,453,755	\$ 3,328,197
Restricted Assets	534,602	1,267,499	1,802,101
Capital Assets	3,213,315	11,710,238	14,923,553
Total assets	4,622,359	15,431,492	20,053,851
Liabilities:			
Current Liabilities	194,735	1,318,684	1,513,419
Long-Term Liabilities	4,484,368	6,567,512	11,051,880
Total Liabilities	4,679,103	7,886,196	12,565,299
Net assets:			
Invested in Capital Assets			
Net of Debt	2,359,315	5,471,711	7,831,026
Restricted	534,602	565,541	1,100,143
Unrestricted	(2,950,661)	1,508,044	(1,442,617)
Total Net Assets	\$ (56,744)	\$ 7,545,296	\$ 7,488,552

At the end of the current fiscal year, the Town reports positive balances in all three categories of net assets for the business-type activities; however, this is neither the case for the governmental activities, nor for the government as a whole. Net assets decreased by \$382,376 for the business-type activities in the current year. Although the governmental activities report net assets of (\$56,744), this represents an increase of \$353,902 in net assets for governmental activities in the current year from the prior year restated net asset balance of (\$410,646).

The Statement of Activities for 2005 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 2005 were \$9,850,341 (\$3,496,446 for governmental activities and \$6,353,895 for business-type activities). For governmental activities, \$776,579 of these expenses was covered by program revenues. The remainder, or \$2,719,867, was funded by general revenues, primarily sales, franchise, and property taxes, occupational licenses, and permits. For business-type activities, \$5,900,728 of these expenses was covered by program revenues. Of the excess expenses, \$70,791 was covered by general revenues leaving excess expenses over revenues of \$382,376.

The table below reflects the condensed Statement of Changes in Net Assets for the year ended December 31, 2005.

Town of Walker Condensed Statement of Changes in Net Assets For the Year Ended December 31, 2005			
	Governmental Activities	Business-Type Activities	Total
Revenues:			
Program Revenues:			
Charges for Services	\$ 576,615	\$ 5,900,728	\$ 6,477,343
Operating Grants and Contributions	199,964	-	199,964
Capital Grants and Contributions	-	-	-
General Revenues:			
Sales Taxes	2,261,217	-	2,261,217
Other Taxes	706,614	-	706,614
Other Grants and Contributions not Restricted to Specific Programs	35,139	-	35,139
Interest Income	39,195	53,789	92,984
Miscellaneous Income	31,604	17,002	48,606
Total Revenues	<u>3,850,348</u>	<u>5,971,519</u>	<u>9,821,867</u>
Expenses:			
General Government	1,142,590	-	1,142,590
Public Safety	1,220,438	-	1,220,438
Highways and Streets	780,247	-	780,247
Parks and Recreation	178,722	-	178,722
Interest on Long-Term Debt	174,449	-	174,449
Gas	-	4,462,102	4,462,102
Water	-	550,547	550,547
Sewer	-	1,099,270	1,099,270
Sanitation	-	241,976	241,976
Total Expenses	<u>3,496,446</u>	<u>6,353,895</u>	<u>9,850,341</u>
Increase (Decrease) in Net Assets	353,902	(382,376)	(28,474)
Net Assets - Beginning of Year, as Restated	(410,646)	7,927,672	7,517,026
Net Assets - End of Year	<u>\$ (56,744)</u>	<u>\$ 7,545,296</u>	<u>\$ 7,488,552</u>

Governmental activities. Governmental activities increased the Town's net assets by \$353,902. Key areas of note are detailed below.

- Sales taxes increased by \$289,227 (15%) during the year. Most of this increase is attributable to the continued growth in Walker and the surrounding areas. A portion may also be attributed to the influx of evacuees during hurricanes Katrina and Rita.
- Public safety charges for services (fines and forfeits) nearly doubled with an increase of \$249,975 (49.69%) during the year, as did the number of citations issued with an increase of 2,098 (36.22%).

- Legal and professional fees are particularly high due to:
 1. Accounting fees totaling \$84,232 for the preparation of the Compiled Annual Financial Report for the Years Ended December 31, 2004 and 2003.
 2. Legal fees totaling \$32,087 related to the theft of public funds which occurred in fiscal years 2003 and 2004.
 3. Legal fees totaling \$8,729 related to past violations cited by the Louisiana Department of Environmental Quality.
- Salaries increased by \$592,422. A large portion of this increase is due to the reduction in contract labor whereby employees previously paid as contract labor have been correctly classified as employees and paid as such in accordance with applicable labor standards and laws. Other factors include increase in workforce, annual raises, salary adjustments and overtime related to hurricanes Katrina and Rita.

Business-type activities. Business-type activities decreased the Town's net assets by \$382,376. The key area of note is the operations of the sewer activity which resulted in \$715,405 excess expenses over revenues. 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. No ½ Cent Sales Tax Proceeds were transferred to the sewer activity for fiscal year 2005.

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 \$1,190,383, a decrease of \$267,196 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 decreased by \$719,803, while the fund balance of the 2000 ½ Cent Sales Tax Fund increased by \$452,607.

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 a net operating loss of \$128,437, a decrease in combined net assets of \$382,376, and a net decrease in cash and cash equivalents of \$668,593.

General Fund Budgetary Summary

The Town failed to amend the budget prior to year-end as required by state law where actual revenues are less than budgeted revenues or actual expenditures exceed budgeted expenditures by 5% or more. The General Fund had the following variances in excess of the allowed 5% variance:

Town of Walker Budget to Actual Variance December 31, 2005				
General Fund	Original and Final Budget	Actual	Unfavorable Variance	%
General Government	\$ 660,911	\$ 1,123,345	\$ 462,434	69.97%
Public Safety: Police	\$ 1,049,333	\$ 1,127,369	\$ 78,036	7.44%
Highway and Streets	\$ 639,189	\$ 780,950	\$ 141,761	22.18%
Parks and Recreation	\$ 153,408	\$ 178,828	\$ 25,420	16.57%
Transfers In	\$ 1,025,135	\$ -	\$ 1,025,135	100.00%

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, 2005, amounts to \$14,923,553 (net of accumulated depreciation in the Business-Type Activities). This investment in capital assets includes land, buildings, improvements, vehicles, machinery and equipment, furniture and fixtures, recreational equipment, and gas, water, and sewer systems. Values for Town infrastructure (roads, bridges, etc.) have not been determined, and are not included in capital assets. The net decrease in the Town's investment in capital assets for the current fiscal year was \$232,932 (a \$237,209 increase for governmental activities and a \$470,141 decrease for business-type activities). Depreciation expense recorded for the business-type activities totaled \$565,057.

Additional information on the Town's capital assets can be found in note 8 on pages 43-45 of this report.

Long-term debt. At the end of the current fiscal year, the Town had total debt outstanding of \$11,051,880, a decrease of \$647,224 (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 \$39,533 of the outstanding debt.
- \$318,820 represents a verbal settlement agreement with the Department of Environmental Quality due to past violations.
- The remaining \$10,693,527 is comprised of various certificates of indebtedness and bond issuances payable from Town revenues as noted below:

\$ 854,000	General Fund Revenues
3,601,000	Special Revenue Fund Revenues
6,238,527	Utility Enterprise Fund Revenues
<u>\$ 10,693,527</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 46-62.

Future Budget and Economic Outlook

The Town has struggled with numerous financial woes during the past few years; however, nothing positive can result from dwelling on the negatives of the past. The current administration and staff are dedicated to moving forward and building a positive future for the Town.

With continued growth, both residentially and commercially, the Town is in the early phases of transitioning from town to city. Although this transition brings with it certain "growing pains", growth also brings an economic boost with increases in the tax base and the number of utility customers. To ease the transition and be better prepared to meet the needs associated with the growth, the Town is working to develop a master plan that will provide a systematic description of what types of development are appropriate in what areas of town and assess the drainage, traffic, and utility infrastructure needs.

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, 2005

ASSETS	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 405,853	\$ 217,692	\$ 623,545
Receivables, Net	290,613	1,584,972	1,875,585
Due from Other Governments	486,725	-	486,725
Internal Balances	(362,736)	362,736	-
Inventories	-	247,238	247,238
Prepaid Items	53,987	41,117	95,104
Restricted Assets:			
Cash and Cash Equivalents	534,602	879,248	1,413,850
Investments	-	388,251	388,251
Capital Assets:			
Land and Improvements	761,604	99,464	861,068
Other Capital Assets, Net of Depreciation	2,451,711	11,610,774	14,062,485
Total Assets	<u>\$ 4,622,359</u>	<u>\$ 15,431,492</u>	<u>\$ 20,053,851</u>
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 173,126	\$ 1,292,977	\$ 1,466,103
Accrued Interest Payable	21,609	25,707	47,316
Non-Current Liabilities:			
Due Within One Year	402,342	290,541	692,883
Due in More Than One Year	4,082,026	6,276,971	10,358,997
Total Liabilities	<u>4,679,103</u>	<u>7,886,196</u>	<u>12,565,299</u>
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	2,359,315	5,471,711	7,831,026
Reserved for Debt Service	534,602	565,541	1,100,143
Unrestricted (Deficit)	(2,950,661)	1,508,044	(1,442,617)
Total Net Assets (Deficit)	<u>(56,744)</u>	<u>7,545,296</u>	<u>7,488,552</u>
Total Liabilities and Net Assets	<u>\$ 4,622,359</u>	<u>\$ 15,431,492</u>	<u>\$ 20,053,851</u>

The accompanying notes constitute an integral part of this statement.

TOWN OF WALKER
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General Government	\$ 1,142,590	\$ -	\$ -	\$ -
Public Safety	1,220,438	512,550	199,964	-
Highways and Streets	780,247	-	-	-
Parks and Recreation	178,722	64,065	-	-
Interest on Long-Term Debt	174,449	-	-	-
Total Governmental Activities	3,496,446	576,615	199,964	-
Business-Type Activities:				
Gas	4,462,102	4,590,132	-	-
Water	550,547	701,057	-	-
Sewer	1,099,270	383,865	-	-
Sanitation	241,976	225,674	-	-
Total Business-Type Activities	6,353,895	5,900,728	-	-
Total Primary Government	\$ 9,850,341	\$ 6,477,343	\$ 199,964	\$ -

General Revenues:

Taxes:

Property

Sales

Occupational and Permits

Franchise

Other Grants and Contributions not Restricted to Specific Programs

Interest Income

Miscellaneous Income

Total General Revenues

Change in Net Assets

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

Net Assets (Deficit) - End of Year

The accompanying notes constitute an integral part of this statement.

Exhibit A-2

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

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (1,142,590)	\$ -	\$ (1,142,590)
(507,924)	-	(507,924)
(780,247)	-	(780,247)
(114,657)	-	(114,657)
(174,449)	-	(174,449)
<u>(2,719,867)</u>	<u>-</u>	<u>(2,719,867)</u>
-	128,030	128,030
-	150,510	150,510
-	(715,405)	(715,405)
-	<u>(16,302)</u>	<u>(16,302)</u>
-	<u>(453,167)</u>	<u>(453,167)</u>
<u>(2,719,867)</u>	<u>(453,167)</u>	<u>(3,173,034)</u>
55,323	-	55,323
2,261,217	-	2,261,217
294,928	-	294,928
356,363	-	356,363
35,139	-	35,139
39,195	53,789	92,984
31,604	17,002	48,606
<u>3,073,769</u>	<u>70,791</u>	<u>3,144,560</u>
353,902	(382,376)	(28,474)
(410,646)	7,927,672	7,517,026
<u>\$ (56,744)</u>	<u>\$ 7,545,296</u>	<u>\$ 7,488,552</u>

FUND FINANCIAL STATEMENTS

TOWN OF WALKER

BALANCE SHEET
GOVERNMENTAL FUNDS

DECEMBER 31, 2005

	General	2000 1/2 Cent Sales Tax Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 8,965	\$ 804,497	\$ 813,462
Receivables:			
Ad Valorem Taxes, Net	12,851	-	12,851
Other	277,762	-	277,762
Due from Other Funds	405,106	-	405,106
Due from Other Governments	486,725	-	486,725
Cash - Restricted	118,650	415,952	534,602
Prepaid Interest	8,452	-	8,452
Total Assets	<u>\$ 1,318,511</u>	<u>\$ 1,220,449</u>	<u>\$ 2,538,960</u>
LIABILITIES			
Outstanding Checks in Excess of Bank Balances	\$ 407,609	\$ -	\$ 407,609
Accounts Payable	93,059	-	93,059
Payroll Liabilities	13,545	-	13,545
Accrued Salaries and Wages	66,522	-	66,522
Due to Other Funds	-	767,842	767,842
Total Liabilities	580,735	767,842	1,348,577
FUND BALANCES			
Fund Balances:			
Reserved for Debt Service	118,650	415,952	534,602
Reserved for Prepaid Interest	8,452	-	8,452
Unreserved, Reported In			
General Fund	610,674	-	610,674
Debt Service Fund	-	36,655	36,655
Total Fund Balances	<u>737,776</u>	<u>452,607</u>	<u>1,190,383</u>
Total Liabilities and Fund Balances	<u>\$ 1,318,511</u>	<u>\$ 1,220,449</u>	<u>\$ 2,538,960</u>

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, 2005

Fund Balances-Total Governmental Funds		\$ 1,190,383
<p>Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:</p>		
<p>Capital Assets Used in Governmental Activities are not Financial Resources and are not Reported in the Governmental Funds</p>		
Governmental Capital Assets	3,213,315	
Less Accumulated Depreciation	-	3,213,315
<p>Prepaid Insurance</p>		
		45,535
<p>Long-Term Liabilities are not Due and Payable in the Current Period and Therefore are not Reported in the Governmental Funds:</p>		
General Obligation Bonds	(3,890,000)	
Compensated Absences Payable	(29,368)	
General Obligation Certificates of Indebtedness	(565,000)	
Accrued Interest Payable	(21,609)	(4,505,977)
<p>Net Assets (Deficit) of Governmental Activities</p>		\$ (56,744)

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, 2005

	General	2000 1/2 Cent Sales Tax Fund	Total Governmental Funds
Revenues:			
Taxes	\$ 1,929,899	\$ 753,896	\$ 2,683,795
Licenses and Permits	294,928	-	294,928
Fines and Forfeits	503,095	-	503,095
Interest	20,565	18,630	39,195
Fees	61,785	-	61,785
Intergovernmental	224,211	-	224,211
Miscellaneous	43,339	-	43,339
Total Revenues	3,077,822	772,526	3,850,348
Expenditures:			
Current:			
General Government	1,123,345	16,559	1,139,904
Public Safety	1,221,856	-	1,221,856
Highways and Streets	780,950	-	780,950
Parks and Recreation	178,828	-	178,828
Capital Outlay	237,209	-	237,209
Debt Service:			
Principal Retirement	222,879	158,000	380,879
Interest and Administration Fees	32,558	145,360	177,918
Total Expenditures	3,797,625	319,919	4,117,544
Excess (Deficiency) of Revenues over Expenditures	(719,803)	452,607	(267,196)
Other Financing Sources (Uses):			
Transfers In	-	-	-
Transfer Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	(719,803)	452,607	(267,196)
Fund Balances at Beginning of Year, As Restated	1,457,579	-	1,457,579
Fund Balances at End of Year	\$ 737,776	\$ 452,607	\$ 1,190,383

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, 2005

Net Change in Fund Balances - Total Governmental Funds \$ (267,196)

Amounts Reported for Governmental Activities in the Statement of Activities
are Different Because:

Governmental Funds Report Capital Outlays as Expenditures. However, in
the Statement of Activities, the Cost of Those Assets is Allocated Over
Their Estimated Useful Lives and Reported as Depreciation Expense.

Capital Outlay	237,209	
Depreciation Expense	-	
		237,209

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.

Change in Prepaid Insurance	9,056
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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.

Repayment of Principal on Long-Term Debt	380,879
--	---------

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.

Increase in Compensated Absences Payable	(9,515)
(Increase) Decrease in Accrued Interest Payable	3,469

Change in Net Assets of Governmental Activities	<u>\$ 353,902</u>
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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, 2005

	Original and Final Budgeted Amounts	Actual	Variance With Final Budget
Revenues			
Taxes:			
Ad Valorem Taxes	\$ 52,547	\$ 55,323	\$ 2,776
Alcoholic Beverage Tax	6,000	10,892	4,892
Franchise Taxes	370,000	356,363	(13,637)
Sales Taxes	1,385,000	1,507,321	122,321
	<u>1,813,547</u>	<u>1,929,899</u>	<u>116,352</u>
Licenses and Permits:			
Occupational Licenses	435,000	252,181	(182,819)
Other Permits and Licenses	36,000	42,747	6,747
	<u>471,000</u>	<u>294,928</u>	<u>(176,072)</u>
Fines and Forfeits	375,000	503,095	128,095
Interest Income	14,250	20,565	6,315
Fees:			
Animal Adoption Fees	11,949	9,455	(2,494)
Parks and Recreation Fees	70,000	52,330	(17,670)
	<u>81,949</u>	<u>61,785</u>	<u>(20,164)</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, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Intergovernmental:			
FEMA Grants	-	24,247	24,247
Law Enforcement Grants	217,977	158,944	(59,033)
On Behalf Payments for Salaries	-	41,020	41,020
	<u>217,977</u>	<u>224,211</u>	<u>6,234</u>
Miscellaneous:			
Parks and Recreation Concessions	35,000	11,735	(23,265)
Miscellaneous	23,250	31,604	8,354
	<u>58,250</u>	<u>43,339</u>	<u>(14,911)</u>
Total Revenues	<u>\$ 3,031,973</u>	<u>\$ 3,077,822</u>	<u>\$ 45,849</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, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Expenditures			
General Government:			
General Provisions:			
Salaries	\$ 212,740	\$ 467,816	\$ (255,076)
Aldermen's Per Diem	12,000	12,500	(500)
Payroll Taxes, Retirement, and Group Insurance	116,771	147,648	(30,877)
Advertising	3,000	2,400	600
Collection Costs	5,900	26,834	(20,934)
Bank Charges	1,200	4,217	(3,017)
Contracted Services	17,000	45,051	(28,051)
Coroner Fees	5,000	2,750	2,250
Insurance	19,600	39,844	(20,244)
Legal and Professional	177,500	221,501	(44,001)
Membership Fees and Educational Training	14,500	6,827	7,673
Miscellaneous	-	3,727	(3,727)
Printing, Postage and Office Supplies	12,500	29,027	(16,527)
Rental Equipment	7,200	15,147	(7,947)
Repairs and Maintenance	12,700	22,789	(10,089)
Small Tools and Supplies	5,700	13,540	(7,840)
Telephone	15,000	33,119	(18,119)
Utilities	10,200	16,611	(6,411)
Uniforms	4,500	6,930	(2,430)
Vehicle Expenses	7,900	5,067	2,833
Total General Government	<u>660,911</u>	<u>1,123,345</u>	<u>(462,434)</u>
Public Safety:			
Animal Control:			
Salaries	45,871	52,804	(6,933)
Payroll Taxes, Retirement, and Group Insurance	10,253	10,631	(378)

(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, 2005

	Original and Final Budgeted Amounts	Actual	Variance With Final Budget
Public Safety (Continued):			
Animal Control (Continued):			
Animal Care Expense	5,000	3,357	1,643
Insurance	4,400	5,280	(880)
Legal and Professional	3,000	3,000	-
Miscellaneous	9,420	4,951	4,469
Small Tools and Supplies	3,860	2,579	1,281
Telephone	2,400	3,952	(1,552)
Utilities	4,800	2,627	2,173
Vehicle Expense	3,100	5,306	(2,206)
Total Animal Control	92,104	94,487	(2,383)
Police:			
Salaries	622,000	554,024	67,976
Payroll Taxes, Retirement, and Group Insurance	162,883	167,399	(4,516)
Contracted Services	2,500	18,272	(15,772)
Court Costs	12,000	44,744	(32,744)
Equipment Rental	-	4,608	(4,608)
Insurance	109,000	97,707	11,293
Membership Fees and Educational Training	4,950	9,424	(4,474)
Miscellaneous	1,000	3,538	(2,538)
Printing, Postage and Office Supplies	10,600	16,489	(5,889)
Professional Fees	7,000	34,770	(27,770)
Repairs and Maintenance	10,000	10,722	(722)
Small Tools and Supplies	2,900	27,960	(25,060)
Telephone	12,000	17,278	(5,278)

(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, 2005

	Original and Final Budgeted Amounts	Actual	Variance With Final Budget
Public Safety (Continued):			
Police (Continued):			
Uniforms	11,000	27,095	(16,095)
Utilities	5,500	5,272	228
Vehicle Expense	76,000	88,067	(12,067)
Total Police	1,049,333	1,127,369	(78,036)
Total Public Safety	1,141,437	1,221,856	(80,419)
Highway and Streets:			
Streets:			
Salaries	266,000	355,815	(89,815)
Payroll Taxes, Retirement, and Group Insurance	86,289	101,793	(15,504)
Contract Services	15,000	16,046	(1,046)
Equipment Expense	40,000	38,814	1,186
Equipment Rental	-	458	(458)
Insurance	130,000	76,565	53,435
Legal and Professional	-	17,443	(17,443)
Streets Maintenance and Materials	39,000	81,402	(42,402)
Membership Fees and Educational Training	500	340	160
Miscellaneous	-	1,862	(1,862)
Small Tools and Supplies	4,500	12,890	(8,390)
Telephone	3,900	5,334	(1,434)
Uniforms	5,000	5,754	(754)
Utilities	49,000	66,434	(17,434)
Total Highways and Streets	639,189	780,950	(141,761)

(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, 2005

	Original and Final Budgeted Amounts	Actual	Variance With Final Budget
Parks and Recreation:			
Salaries	32,000	17,986	14,014
Payroll Taxes, Retirement, and Group Insurance	10,733	6,080	4,653
Contract Services	-	40,088	(40,088)
Concession Supplies	25,000	-	25,000
Equipment Rental	6,000	2,922	3,078
Insurance	5,000	2,619	2,381
Membership Fees and Educational Training	2,500	135	2,365
Miscellaneous	1,225	2,790	(1,565)
Legal and Professional	-	4,788	(4,788)
Printing, Postage and Office Supplies	1,500	3,308	(1,808)
Repairs and Maintenance	17,750	46,928	(29,178)
Telephone	1,200	3,037	(1,837)
Tournament Expenses	40,000	31,263	8,737
Utilities	10,000	9,270	730
Uniforms	500	7,614	(7,114)
Total Parks and Recreation	153,408	178,828	(25,420)
Capital Outlay	395,000	237,209	157,791
Debt Service:			
Principal Retirement	215,000	222,879	(7,879)
Interest and Administration Fees	41,065	32,558	8,507
Total Debt Service	256,065	255,437	628
Total Expenditures	3,246,010	3,797,625	(551,615)

(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, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Excess (Deficiency) of Revenues Over Expenditures	(214,037)	(719,803)	(505,766)
Other Financing Sources (Uses):			
Transfers In	1,025,135	-	(1,025,135)
Transfers Out	<u>(30,000)</u>	<u>-</u>	<u>30,000</u>
Net Change in Fund Balances	781,098	(719,803)	(1,500,901)
Fund Balance at Beginning of Year - As Restated	<u>1,457,579</u>	<u>1,457,579</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 2,238,677</u>	<u>\$ 737,776</u>	<u>\$ (1,500,901)</u>

The accompanying notes constitute an integral part of this statement.

TOWN OF WALKER
PROPRIETARY FUND
STATEMENT OF NET ASSETS
DECEMBER 31, 2005

	<u>Business-Type Activities - Utility Enterprise Fund</u>
Current Assets:	
Cash and Cash Equivalents	\$ 217,692
Due From Other Funds	<u>362,736</u>
	580,428
Receivables:	
Accounts (Net of Allowance for Uncollectible Accounts of \$231,593)	1,059,386
Unbilled Utility Sales	<u>525,586</u>
	1,584,972
Inventory, at Cost	247,238
Prepaid Expenses	<u>41,117</u>
Total Current Assets	2,453,755
Noncurrent Assets:	
Restricted Cash, Cash Equivalents, and Investments:	
Revenue Bond Covenant Accounts	879,248
Investments - Customer Deposits	388,251
Capital Assets, at Cost (Net of Accumulated Depreciation)	<u>11,710,238</u>
Total Noncurrent Assets	<u>12,977,737</u>
Total Assets	<u><u>\$ 15,431,492</u></u>

The accompanying notes constitute an integral part of this statement.

Exhibit C-1

**Business-Type
Activities -
Utility
Enterprise Fund**

Current Liabilities:

Accounts Payable	\$ 797,633
Accrued Salaries and Wages	30,265
Accumulated Unpaid Vacation	2,541
Customers' Deposits	421,929
Other Current Liabilities	43,150
Bonds Payable - 1998 Series - Current Portion	288,000
Accrued Bond Interest	25,707
	<hr/>
Total Current Liabilities	1,609,225

Noncurrent Liabilities:

Bonds Payable - Less Current Portion	5,950,527
Environmental Assessment Liabilities	318,820
Accumulated Unpaid Vacation	7,624
	<hr/>
Total Noncurrent Liabilities	6,276,971
	<hr/>
Total Liabilities	7,886,196

Net Assets:

Invested in Capital Assets, Net of Related Debt	5,471,711
Reserved for Debt Service	565,541
Unrestricted	1,508,044
	<hr/>
Total Net Assets	7,545,296
	<hr/>
Total Liabilities and Net Assets	\$ 15,431,492

**TOWN OF WALKER
PROPRIETARY FUND**
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Business-Type Activities - Utility Enterprise Fund</u>
Operating Revenues:	
Charges for Services	\$ 5,900,728
Total Operating Revenues	5,900,728
Operating Expenses:	
Personal Services and Benefits	927,793
Contractual Services	612,085
Cost of Materials	2,952,003
Utilities	209,972
Repair and Maintenance	452,684
Supplies	132,405
Insurance	124,995
Depreciation	565,057
Penalties	11,171
Bad Debts	41,000
Total Operating Expenses	6,029,165
Operating Income (Loss)	(128,437)
Nonoperating Revenues:	
Interest	53,789
Miscellaneous	17,002
Total Nonoperating Revenues	70,791
Nonoperating Expenses:	
Interest and Administrative Fees	324,730
Total Nonoperating Expenses	324,730
Income (Loss) Before Contributions	(382,376)
Capital Contributions	-
Change in Net Assets	(382,376)
Total Net Assets at Beginning of Year - As Restated	<u>7,927,672</u>
Total Net Assets at End of Year	<u>\$ 7,545,296</u>

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, 2005

	<u>Business-Type Activities - Utility Enterprise Fund</u>
Cash Flows From Operating Activities:	
Cash Received from Customers	\$ 5,355,704
Cash Payments to Suppliers for Goods and Services	(4,263,166)
Cash Payments to Employees for Services and Benefits	(912,239)
Other Receipts (Payments)	<u>(210,823)</u>
Net Cash Used in Operating Activities	(30,524)
Cash Flows From Capital and Related Financing Activities:	
Acquisition and Construction of Capital Assets	(94,916)
Net Receipts from Customer Deposits	13,615
Principal Paid on Loans	(274,000)
Interest and Administrative Fees Paid on Loans	<u>(324,730)</u>
Net Cash Used in Capital and Related Financing Activities	(680,031)
Cash Flows From Investing Activities:	
Net Purchases of Investments	(11,827)
Interest Income	<u>53,789</u>
Net Cash Provided by Investing Activities	<u>41,962</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(668,593)
Cash and Cash Equivalents - Beginning of Year	<u>1,765,533</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 1,096,940</u></u>

(CONTINUED)

**TOWN OF WALKER
PROPRIETARY FUND**

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Business-Type Activities - Utility Enterprise Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash	
Provided by (Used in) Operating Activities:	
Operating Income (Loss)	\$ (128,437)
Adjustments to Reconcile Operating Income (Loss)	
to Net Cash Provided by (Used In) Operating Activities:	
Depreciation	565,057
Provision for Bad Debts	41,000
Miscellaneous Revenues	17,002
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(357,269)
(Increase) Decrease in Unbilled Utility Sales	(187,755)
(Increase) Decrease in Other Receivables	50,000
(Increase) Decrease in Due from Other Funds	(277,825)
(Increase) Decrease in Inventory	50,784
(Increase) Decrease in Prepaid Expenses	(2,506)
Increase (Decrease) in Accounts Payable	172,408
Increase (Decrease) in Accrued Salaries and Wages	17,414
Increase (Decrease) in Other Current Liabilities	12,943
Increase (Decrease) in Accrued Bond Interest	(1,480)
Increase (Decrease) in Accumulated Unpaid Vacation	(1,860)
	(30,524)
Net Cash Used in Operating Activities	\$ (30,524)

The accompanying notes constitute an integral part of this statement.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005

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.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

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.

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.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

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.

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.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

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.

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.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

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.

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.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

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 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.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

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 should prepare a proposed budget and submit 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 budget was not adopted timely for 2005.
- 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.
- 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. As reported in the accompanying Schedule of Findings and Questioned Costs, there were no amendments to the original budgets in 2005.
- 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

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

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, 2005, there were no advances between funds.

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, 2005.

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.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

I. Capital Assets

Fixed assets of governmental funds are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized (reported) in the general fixed asset account group. Public domain or infrastructures have not been capitalized as required by GASB 34. Interest cost incurred during construction are capitalized. No depreciation has been provided on general fixed assets as required by generally accepted accounting principles. All fixed assets are valued at historical cost or estimated cost if historical cost is not available.

Fixed assets used in the proprietary fund operations are included on the balance sheet of the funds net of accumulated depreciation. Depreciation of all exhaustible fixed assets used by proprietary fund operations is charged to an expense against operations.

Depreciation in the proprietary fund 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
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. At of December 31, 2005, the accrued liability for unpaid vacation benefits amounted to \$39,533. The amount applicable to the Enterprise Fund was \$10,165, and is recorded in that Fund, and the amount of \$29,368 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.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

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.

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."

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

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. Change in Accounting Principles and Restatement of Prior Year Fund Equity -

For the fiscal year ended December 31, 2005, the Town implemented the following GASB Standards:

Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*

Statement No. 37 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*

Statement No. 38 - *Certain Financial Statement Note Disclosures*

Interpretation No. 6 - *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

Statement No. 39 - *Determining Whether Certain Organizations are Component Units - an Amendment of GASB Statement No. 14*

Statement No. 40 - *Deposit and Investment Risk Disclosure*

The transition from Governmental Fund Balances total equity to Governmental Activities Net Assets for December 31, 2004, is presented below:

	<u>Governmental Activities</u>
Total Fund Balances/Fund	
Equity, as Previously Restated (See Note 20)	\$ 1,457,579
Capital Assets, Net of Depreciation of \$-0-	2,976,106
Prepaid Insurance	36,479
Compensated Absences	(19,853)
General Long-Term Debt and Accrued Interest Thereon	<u>(4,860,957)</u>
Restated Net Assets, December 31, 2004	<u>\$ (410,646)</u>

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

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 \$2,037,395 at December 31, 2005. 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, 2005.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Deposits in Bank Accounts per Balance Sheet	<u>\$ 940,455</u>	<u>\$1,096,940</u>	<u>\$2,037,395</u>
Bank Balances (Category 3 Only):			
a. Uninsured and Uncollateralized	\$ 797,925	\$1,011,281	\$1,809,206
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	-	-	-
Total Category 3 Bank Balances	<u>\$ 797,925</u>	<u>\$1,011,281</u>	<u>\$1,809,206</u>
Total Bank Balances (Regardless of Category)	<u>\$ 897,925</u>	<u>\$1,127,216</u>	<u>\$2,025,141</u>

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

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, 2005, \$1,809,206 of the Town's bank balance of \$2,025,141 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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, 2005, the Town holds investments totaling \$388,251 as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
U.S. Government Securities Fund – A	\$ 215,206	\$ 215,206
American Balanced Fund – A	83,038	83,038
The Income Fund of America – A	<u>90,007</u>	<u>90,007</u>
Total	<u>\$ 388,251</u>	<u>\$ 388,251</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, 2005

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, 2005, taxes of 2.20 mills were levied on property with assessed valuations totaling \$25,888,690 and were dedicated to general purposes.

Total taxes levied were \$56,955. Taxes receivable at December 31, 2005, consisted of the following:

Taxes Receivable - Current Roll	\$ 15,699
Taxes Receivable - Prior Years	-
	15,699
Allowance for Uncollectible Taxes	(2,848)
	\$ 12,851

5. Receivables

Receivables as of December 31, 2005, including the applicable allowance for uncollectible accounts, are as follows:

	<u>Ad Valorem Taxes</u>	<u>Walker Youth Sports Association</u>	<u>Franchise Taxes</u>	<u>Accounts</u>	<u>Unbilled Sales</u>	<u>Less: Allowance for Uncollectibles</u>	<u>Total - Net Receivable</u>
<u>Governmental Activities:</u>							
General Fund	\$15,699	\$ 3,315	\$267,858	\$ 6,589	\$ -	\$ (2,848)	\$ 290,613
2000 ½ Cent Sales Tax Fund	-	-	-	-	-	-	-
Total Governmental Activities	15,699	3,315	267,858	6,589	-	(2,848)	290,613
<u>Business-Type Activities:</u>							
Utility Fund	-	-	-	1,290,979	525,586	(231,593)	1,584,972
	\$15,699	\$ 3,315	\$267,858	\$1,297,568	\$525,586	\$(234,441)	\$1,875,585

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

6. Due From Other Governments -

Due from Other Governments as of December 31, 2005, consists of the following:

	<u>Livingston Parish School Board</u>
<u>Governmental Activities</u>	
General Fund	\$486,725
2000 ½ Cent Sales Tax Fund	<u> -</u>
Total Governmental Activities	486,725
<u>Business-Type Activities</u>	
Utility Fund	<u> -</u>
	<u>\$486,725</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	\$405,106	\$ -	\$ 405,106
2000 ½ Cent Sales Tax Fund	<u> -</u>	<u>(767,842)</u>	<u>(767,842)</u>
Total Governmental Activities	405,106	(767,842)	(362,736)
<u>Business-Type Activities</u>			
Utility Fund	<u>362,736</u>	<u> -</u>	<u>362,736</u>
	<u>\$767,842</u>	<u>\$(767,842)</u>	<u>\$ -</u>

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

8. Capital Assets

The following is a summary of the changes in capital assets for the governmental activities for the year ended December 31, 2005:

Governmental Activities:	Balance December 31, 2004	Increases	Decreases	Balance December 31, 2005
Land	\$ 745,929	\$ -	\$ -	\$ 745,929
Land Improvements	15,675	-	-	15,675
Buildings	272,470	42,969	-	315,439
Equipment and Vehicles	1,673,452	191,035	-	1,864,487
Furniture and Fixtures	168,793	3,205	-	171,998
Recreational Equipment	99,787	-	-	99,787
Total Governmental Activities				
Capital Assets	<u>\$2,976,106</u>	<u>\$ 237,209</u>	<u>\$ -</u>	<u>\$3,213,315</u>

The Town failed to maintain a detailed schedule of general fixed assets as of December 31, 2005. In addition, the Town has failed to include values for Town infrastructure (roads, bridges, etc.) as required by GASB 34. Because no detailed schedules of general fixed assets are available, management did not include depreciation expense in the governmental activities for the year 2005 nor was accumulated depreciation at December 31, 2005, available.

The following is a summary of the changes in capital assets for the Business-Type Activities for the year ended December 31, 2005:

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

	Balance December 31, 2004	Increases/ Adjustments	Decreases/ Adjustments	Balance December 31, 2005
Business-Type Activities:				
Capital Assets Not Depreciated:				
Land - Gas System	\$ 82,231	\$ -	\$ -	\$ 82,231
Land - Water System	17,233	-	-	17,233
Construction in Progress	-	-	-	-
Total Capital Assets Not Being Depreciated	99,464	-	-	99,464
 Other Capital Assets:				
Gas System	4,052,013	-	-	4,052,013
Water System	2,396,913	-	-	2,396,913
Sewer System	11,118,033	7,078	-	11,125,111
Buildings	154,953	-	-	154,953
Machinery & Equipment	1,147,858	87,838	-	1,235,696
Total Other Capital Assets	18,869,770	94,916	-	18,964,686
 Less Accumulated Depreciation:				
Gas System	2,159,342	86,262	-	2,245,604
Water System	1,253,631	79,220	-	1,332,851
Sewer System	2,331,393	322,277	-	2,653,670
Buildings	116,335	2,519	-	118,854
Machinery & Equipment	928,154	74,779	-	1,002,933
Total Accumulated Depreciation	6,788,855	565,057	-	7,353,912
Other Capital Assets, Net	12,080,915	(470,141)	-	11,610,774
Total Business-Type Activities, Capital Assets, Net	\$12,180,379	\$ (470,141)	\$ -	\$11,710,238

Property, plant, and equipment are stated at cost, less an allowance for accumulated depreciation.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets, as described in Significant Accounting Policies. (Note 1)

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

Business Type Activities:	
Water	\$ 79,220
Gas	160,177
Sewer	<u>325,660</u>
Total Depreciation Expense - Business-Type Activities	<u>\$565,057</u>

9. Accounts, Salaries, and Other Payables

The payables at December 31, 2005 are as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts Payable	\$ 85,717	\$ 797,633	\$ 883,350
Withholdings	13,545	-	13,545
Property Taxes to be Refunded	7,342	-	7,342
Accrued Salaries	66,522	30,265	96,787
Sales Tax Payable	-	43,150	43,150
Customer Deposits	-	421,929	421,929
Total	<u>\$ 173,126</u>	<u>\$1,292,977</u>	<u>\$ 1,466,103</u>

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 \$64,817, for the year ended December 31, 2005.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

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.

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 21.5% 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, 2005 was \$57,036, 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, 2005:

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

	Debt Payable 1/1/2005	Additions	Deletions	Debt Payable 12/31/2005	Due within 1 year
Governmental Activities:					
Compensated Absences	\$ 19,853	\$ 9,515	\$ -	\$ 29,368	\$ 7,342
Seller-Financed Promissory Note	4,879	-	4,879	-	-
Certificate of Indebtedness, Series 1998	732,000	-	167,000	565,000	178,000
Sales Tax Bonds, Series 2000	3,759,000	-	158,000	3,601,000	164,000
Refunding Series Bonds, Series 2004	340,000	-	51,000	289,000	53,000
Total Governmental Activities	4,855,732	9,515	380,879	4,484,368	402,342
Business-Type Activities:					
Compensated Absences	12,025	-	1,860	10,165	2,541
Environmental Assessment Liabilities	318,820	-	-	318,820	-
Gas & Water Revenue Bonds, Series 1999	4,020,000	-	175,000	3,845,000	185,000
Sewer Revenue Bonds, Series 2000	269,000	-	11,000	258,000	12,000
Sewer Revenue Bonds, Series 2001	2,223,527	-	88,000	2,135,527	91,000
Total Business-Type Activities	6,843,372	-	275,860	6,567,512	290,541
Total Debt	<u>\$11,699,104</u>	<u>\$ 9,515</u>	<u>\$656,739</u>	<u>\$11,051,880</u>	<u>\$692,883</u>

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

Long-term debt payable from Governmental Activities at December 31, 2005, is comprised of the following:

Seller-Financed Promissory Note -

The Town executed a promissory note for the purchase of a piece of real estate. The terms call for sixty monthly payments of \$1,650 at a rate of 8.2% interest. At December 31, 2005, the Town of Walker paid off the balance due on this promissory note.

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.

\$ 565,000

A schedule of the outstanding certificates of indebtedness and the principal and interest requirements are as follows:

Year Ended December 31,	Certificate of Indebtedness, Series, 1988		
	Principal	Interest	Total
2006	\$178,000	\$ 16,668	\$194,668
2007	188,000	11,417	199,417
2008	199,000	5,871	204,871
	\$565,000	\$ 33,956	\$598,956

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.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

The Certificates of Indebtedness, Series 1998 resolution provides that the Certificates 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. 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, 2005, the Certificates of Indebtedness, Series 1998 balance was fully funded with an actual balance of \$97,952.

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%.

\$ 3,601,000

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

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
2006	\$ 164,000	\$ 121,406	\$ 285,406
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 - 2015	1,086,000	376,809	1,462,809
2016 - 2020	1,326,000	169,257	1,495,257
2021	298,000	5,141	303,141
	\$3,601,000	\$ 1,098,119	\$4,699,119

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 20th 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, 2005, the Sales Tax Bond, Series 2000 Sinking Fund balance was fully funded with an actual balance of \$106,020.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

(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 20th 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, 2005, the Sales Tax Bond, Series 2000 Reserve Fund balance was fully funded with an actual balance of \$309,932.

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%.

\$ 289,000

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>
2006	\$ 53,000	\$ 9,219	\$ 62,219
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>\$289,000</u>	<u>\$ 28,455</u>	<u>\$317,455</u>

The Refunding Bonds, Series 2004, were issued for the purpose of refunding the September 1, 2005 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%.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

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, 2005, the Refunding Bonds, Series 2004 sinking fund was fully funded with an actual balance of \$20,698.

The annual requirements to amortize all outstanding debt of the governmental activities at December 31, 2005, including interest payments of \$1,160,530 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>
2006	\$194,668	\$ 285,406	\$ 62,219	\$ 542,293
2007	199,417	285,644	62,528	547,589
2008	204,871	287,641	63,774	556,286
2009	-	288,379	63,924	352,303
2010	-	290,842	65,010	355,852
2011 - 2015	-	1,462,809	-	1,462,809
2016 - 2020	-	1,495,257	-	1,495,257
2021 - 2025	-	303,141	-	303,141
	<u>\$598,956</u>	<u>\$4,699,119</u>	<u>\$317,455</u>	<u>\$5,615,530</u>

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

Long-term debt payable from the Business-Type Activities at December 31, 2005, 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%.

\$ 3,845,000

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

Year Ended December 31,	1999 Gas and Water Revenue Bonds		
	Principal	Interest	Total
2006	\$ 185,000	\$ 219,165	\$ 404,165
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 - 2015	1,380,000	649,800	2,029,800
2016 - 2020	1,420,000	208,050	1,628,050
	<u>\$ 3,845,000</u>	<u>\$1,841,670</u>	<u>\$5,686,670</u>

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 20th 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

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

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, 2005, the 1999 Natural Gas and Water Revenue Bonds Sinking Fund balance was fully funded with an actual balance of \$33,680.

- (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, 2005, 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 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 20th 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

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

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, 2005 and 2004, the 1999 Natural Gas and Water Revenue Bonds Depreciation and Contingency Fund balance was \$50,721, compared to a balance of \$516,783 at December 31, 2002. Sufficient financial data was not available to determine if the decrease of \$466,062 in the account balance from December 31, 2002 to December 31, 2004, 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.

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%.

\$ 258,000

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

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

<u>Year Ended December 31,</u>	<u>2000 Sewer Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 12,000	\$ 8,694	\$ 20,694
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 - 2015	78,000	26,979	104,979
2016 - 2020	95,000	12,161	107,161
2021 - 2025	21,000	362	21,362
	<u>\$ 258,000</u>	<u>\$ 78,660</u>	<u>\$336,660</u>

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 (20th) 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, 2005

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, 2005, the 2000 Sewer Revenue Bonds Sinking Fund balance was underfunded with an actual balance of \$6,424 compared to a required balance of \$7,849.

(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 20th 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.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

At December 31, 2005, the 2000 and 2001 Sewer Revenue Bonds Sinking Reserve Fund balance was overfunded with an actual balance of \$231,591, compared to a required balance of \$196,320.

(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 20th 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 of 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.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

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 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 20th 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, 2005, the 2000 Sewer Revenue Bonds Renewal and Replacement Fund balance was \$44,382. 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%.

\$ 2,135,527

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

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
2006	\$ 91,000	\$ 72,106	\$ 163,106
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 - 2015	597,000	233,639	830,639
2016 - 2020	726,000	119,909	845,909
2021 - 2025	320,527	10,964	331,491
	\$2,135,527	\$ 691,731	\$2,827,258

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.

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.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

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 20th 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, 2005, the 2001 Sewer Revenue Bond Sinking Fund was underfunded with an actual balance of \$48,358, as compared to a required balance of \$115,499.

(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.

(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.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

The annual requirements to amortize all outstanding debt of the business-type activities at December 31, 2005, including interest payments of \$2,612,061 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>
2006	\$ 404,165	\$ 20,694	\$ 163,106	\$ 587,965
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 - 2015	2,029,800	104,979	830,639	2,965,418
2016 - 2020	1,628,050	107,161	845,909	2,581,120
2021 - 2025	-	21,362	331,491	352,853
	<u>\$5,686,670</u>	<u>\$ 336,660</u>	<u>\$2,827,258</u>	<u>\$8,850,588</u>

13. Compensated Absences

At December 31, 2005, employees of the Town have accumulated and vested \$39,533 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. Of this amount, \$29,368 is recorded as an obligation of the Governmental Activities, and \$10,165 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, 2005, 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 \$37,720 of on-behalf payments as revenue and as expenses in the General Fund.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

16. Restricted Assets

Restricted assets were applicable to the following at December 31, 2005:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and Cash Equivalents:			
Certificates of Indebtedness, Series 1998	\$ 97,952	\$ -	\$ 97,952
Refunding Bonds, Series 2004	20,698	-	20,698
Sales Tax Bonds, Series 2000	415,952	-	415,952
Natural Gas and Water Revenue Bonds	-	496,983	496,983
Sewer Revenue Bonds, Series 2000	-	83,806	83,806
Sewer Revenue Bonds, Series 2001	<u>-</u>	<u>298,459</u>	<u>298,459</u>
Total Cash and Cash Equivalents	534,602	879,248	1,413,850
Investments:			
Customers Deposits	<u>-</u>	<u>388,251</u>	<u>388,251</u>
Total Restricted Assets	<u>\$534,602</u>	<u>\$1,267,499</u>	<u>\$1,802,101</u>

17. Revenues and Expenditures - Actual Budget

The following funds had actual expenditures and/or other uses over budgeted expenditures and/or other uses by 5% or more for the year ended December 31, 2005 in the following functions:

<u>General Fund</u>	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Government	\$ 660,911	\$1,123,345	\$ 462,434
Public Safety:			
Police	<u>\$1,049,333</u>	<u>\$1,127,369</u>	<u>\$ 78,036</u>
Highway and Streets	<u>\$ 639,189</u>	<u>\$ 780,950</u>	<u>\$ 141,761</u>
Parks and Recreation	<u>\$ 153,408</u>	<u>\$ 178,828</u>	<u>\$ 25,420</u>
Transfers In	<u>\$1,025,135</u>	<u>\$ -</u>	<u>\$1,025,135</u>
<u>Special Revenue Fund</u>			
General Government	<u>\$ -</u>	<u>\$ 16,559</u>	<u>\$ 16,559</u>
Debt Service	<u>\$ 287,560</u>	<u>\$ 303,360</u>	<u>\$ 15,800</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, 2005

**18. Schedule of Utility Enterprise Fund Net Income (Loss) from Operations
by Department for the Year Ended December 31, 2005 -**

	<u>Gas Department</u>	<u>Water Department</u>	<u>Sewer Department</u>	<u>Sanitation Department</u>	<u>Total Utility Enterprise Fund</u>
Operating Revenues:					
Charges for Services	\$ 4,416,984	\$ 675,113	\$ 375,734	\$ 221,506	\$ 5,689,337
Delinquent Charges	50,442	14,062	8,131	4,168	76,803
Miscellaneous	122,706	11,882	-	-	134,588
Total Operating Revenues	4,590,132	701,057	383,865	225,674	5,900,728
Operating Expenses:					
Direct	3,955,351	472,416	834,999	236,265	5,499,031
General and Administrative	272,462	78,131	173,830	5,711	530,134
Total Operating Expenses	4,227,813	550,547	1,008,829	241,976	6,029,165
Operating Income (Loss) by Department	362,319	150,510	(624,964)	(16,302)	(128,437)
Nonoperating Revenues	35,396	23,361	12,034	-	70,791
Nonoperating Expenses	(234,289)	-	(90,441)	-	(324,730)
Change in Net Assets					<u>\$ (382,376)</u>
Business-Type Activities					
Departmental Net Income (Loss)	<u>\$ 163,426</u>	<u>\$ 173,871</u>	<u>\$ (703,371)</u>	<u>\$ (16,302)</u>	

TOWN OF WALKER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

**19. Schedule of Utility Fund Operating Expenses by Department
for the Year Ended December 31, 2005 -**

	<u>Gas Department</u>	<u>Water Department</u>	<u>Sewer Department</u>	<u>Sanitation Department</u>	<u>Total Utility Enterprise Fund</u>
Direct Expenses:					
Natural Gas Purchases	\$ 2,952,003	\$ -	\$ -	\$ -	\$ 2,952,003
Salaries and Wages	485,223	74,447	160,311	-	719,981
Payroll Taxes, Retirement and Group Insurance	133,734	10,598	50,980	-	195,312
Contract Services	64,992	48,467	27,639	236,265	377,363
Depreciation	160,177	79,220	325,660	-	565,057
Equipment Expenses	51,399	9,986	12,597	-	73,982
Equipment Rental	5,946	2,948	2,466	-	11,360
Lab Fees	-	-	20,608	-	20,608
Maintenance	82,328	187,885	107,870	-	378,083
Meter Repairs	619	-	-	-	619
Small Tools and Supplies	7,269	5,251	6,058	-	18,578
Utilities	11,661	53,614	120,810	-	186,085
	<u>3,955,351</u>	<u>472,416</u>	<u>834,999</u>	<u>236,265</u>	<u>5,499,031</u>
General and Administrative Expenses:					
Aldermen's Salaries	6,250	4,125	2,125	-	12,500
Insurance	84,678	19,194	21,123	-	124,995
Miscellaneous	36,003	23,430	7,236	268	66,937
Office Expense	23,086	11,764	12,040	-	46,890
Penalties	9,823	1,348	-	-	11,171
Professional Fees	66,964	9,389	121,983	4,418	202,754
Telephone	14,908	2,731	6,248	-	23,887
Bad Debts	30,750	6,150	3,075	1,025	41,000
	<u>272,462</u>	<u>78,131</u>	<u>173,830</u>	<u>5,711</u>	<u>530,134</u>
Total Operating Expenses	<u><u>\$ 4,227,813</u></u>	<u><u>\$ 550,547</u></u>	<u><u>\$ 1,008,829</u></u>	<u><u>\$ 241,976</u></u>	<u><u>\$ 6,029,165</u></u>

TOWN OF WALKER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

**20. Schedule of Utility Enterprise Fund Operating Expenses by
Function for the Year Ended December 31, 2005 -**

Personal Services and Benefits:

Direct Labor	\$ 719,981
Aldermen's Salaries	12,500
Payroll Taxes, Retirement and Group Insurance	195,312
	927,793

Contractual Services:

Equipment Rental	11,360
Lab Fees	20,608
Subcontract Disposal Service	377,363
Professional Fees	202,754
	612,085

Cost of Materials:

Natural Gas Purchases	2,952,003
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Utilities:

Utilities	186,085
Telephone	23,887
	209,972

Repair and Maintenance:

Equipment Expenses	73,982
Maintenance	378,083
Meter Repairs	619
	452,684

Supplies:

Small Tools and Supplies	18,578
Office Expense	46,890
Miscellaneous	66,937
	132,405

Insurance

124,995

Depreciation

565,057

Penalties

11,171

Bad Debts

41,000

Total Operating Expenses	\$ 6,029,165
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TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005

21. Prior Period Adjustments -

The following prior period adjustments are necessary to the fund balances of the General Fund and the total net assets of the Enterprise Fund to properly correct account balances at December 31, 2004.

	<u>General Fund</u>	<u>Enterprise Fund</u>
Fund Balances/Net Assets at Beginning of Year, as Originally Reported	\$1,165,878	\$8,149,692
To correctly accrue November and December 2004 sales tax revenue collected in January and February 2005	211,784	-
To reverse prepaid insurance recorded in governmental fund in error	(36,479)	-
To correct compensated absence balances and other liabilities at December 31, 2004	8,021	35,792
To correct additional franchise taxes receivable at December 31, 2004	72,668	-
To correct cash at December 31, 2004	35,707	-
To correctly accrue unbilled utility sales receivable at December 31, 2004	-	95,008
To record estimated environmental assessment liabilities at December 31, 2004	-	(318,820)
To correct the allowance for uncollectible accounts at December 31, 2004	<u>-</u>	<u>(34,000)</u>
Fund Balances/Net Assets at Beginning of Year, as Restated	<u>\$1,457,579</u>	<u>\$7,927,672</u>

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

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 verbally agreed to 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 prior period adjustment and has recorded the Environmental Assessment Liabilities as a Noncurrent Liability on the Statement of Net Assets of the Proprietary Fund.

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.

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, 2005, 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.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

Department	Liability Amount
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.

26. Compensation Paid Mayor and Council Members

Travis B. Clark, Mayor 10136 Florida Blvd. P.O. Box 218 Walker, LA 70785 (225) 664-9737	\$ 54,610
Gary Griffin, Board Member P.O. Box 951 Walker, LA 70785 (225) 665-9125	5,000
James Phillips, Board Member 28081 Foxfire Ave. Walker, LA 70785 (225) 664-7046	5,000
Rick T. Ramsey, Board Member 16289 Pendarvis Lane Walker, LA 70785 (225) 665-7846	5,000
Richard Wales, Board Member 13964 Guy St. Walker, LA 70785 (225) 664-3085	5,000
Thomas D. Watson, Board Member 12395 Lakeland Dr. Walker, LA 70785 (225) 791-3944	<u>5,000</u>
	<u>\$ 79,610</u>

Terms end December 31, 2008.

OTHER SUPPLEMENTAL INFORMATION

TOWN OF WALKER

2000 1/2 CENT SALES TAX SPECIAL REVENUE FUND

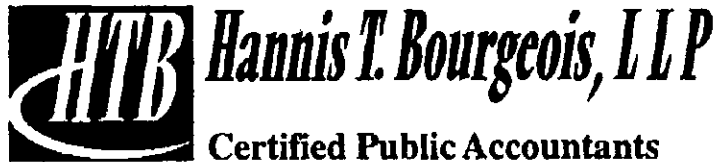
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2005

	Original and Final Budgeted Amounts	Actual	Variance With Final Budget
Revenues:			
Sales Taxes	\$ 615,000	\$ 753,896	\$ 138,896
Interest	-	18,630	18,630
Total Revenues	615,000	772,526	157,526
Expenditures:			
General Government:			
Collection Expenses	-	16,559	(16,559)
Total General Government	-	16,559	(16,559)
Debt Service:			
Principal Retirement	158,000	158,000	-
Interest and Administrative Fees	129,560	145,360	(15,800)
Total Debt Service	287,560	303,360	(15,800)
Total Expenditures	287,560	319,919	(32,359)
Excess (Deficiency) of Revenues over Expenditures	327,440	452,607	125,167
Other Financing Sources (Uses):			
Net Change in Fund Balance	327,440	452,607	125,167
Fund Balance at Beginning of Year	-	-	-
Fund Balance at End of Year	\$ 327,440	\$ 452,607	\$ 125,167

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**



Randy J. Bonnecaze, CPA*
Joseph D. Richard, Jr., CPA*
Ronnie E. Stamper, CPA*
Fernand P. Genre, CPA*
Stephen M. Huggins, CPA*
Monica L. Zumo, CPA*
Ronald L. Gagnet, CPA*
Douglas J. Nelson, CPA*
Celeste D. Viator, CPA*
Laura E. Monroe, CPA*
K. David Wascom, CPA*

*A Professional Accounting Corporation

1175 Del Este Avenue, Suite B
Denham Springs, LA 70726
Phone: (225) 665-8297
Fax: (225) 667-3813

Members American Institute of
Certified Public Accountants

2322 Tremont Drive
Baton Rouge, LA 70809

www.htbcpa.com

September 12, 2006

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, 2005 which collectively comprise the Town of Walker, Louisiana's basic financial statements, and have issued our report thereon dated September 12, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-1 to 2005-18.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2005-1 to 2005-7 to be 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 2005-19 through 2005-24.

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 J. Bourgeois, CPA

TOWN OF WALKER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2005

(A) Findings-Internal Control Over Financial Reporting-

Overall Lack of Preparation of Reconciliations and Review Thereof:

Finding 2005-1:

During our current 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 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.

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 was receiving 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 recommend 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 be done on at least a monthly basis. A formal reconciliation form should be developed for each account that should be completed and initialed by the preparer and then reviewed and initialed by the Finance Director. Any unreconciled outages should be 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 will be vastly improved. In addition, all payroll time records should be properly accounted for and approved by a supervisor.

TOWN OF WALKER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

Management's Response:

Management is aware of and concurs with the numerous deficiencies noted during the current year audit and those carried over from the prior years compilation. Management is working to improve in all aspects of financial accounting and reporting, including developing a complete policies and procedures manual. Once adopted by the Council, all employees will receive a copy of the policies and procedures manual, to which adherence will be mandatory.

Management's goal is to complete reconciliations for all balance sheet accounts by the 15th of each month to facilitate timely preparation of monthly financial statements.

Financial Reporting to Management and the Board of Alderman:

Finding 2005-2:

Due to the numerous findings reported in the current 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 Alderman are not receiving accurate, timely monthly financial statements.

Recommendation:

It is imperative that all recommendations cited in our report be implemented so that as an end result accurate, timely financial statements can be generated and presented to management and the Board of Alderman. This information can then be used to effectively monitor the financial condition of the Town and effectively monitor actual amounts compared to budgeted amounts.

Management's Response:

Management's goal is to complete reconciliations for all balance sheet accounts by the 15th of each month to facilitate timely preparation of monthly financial statements.

Bank Reconciliations:

Finding 2005-3:

During our current 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 are reflected in these financial statements.

TOWN OF WALKER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

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. It is 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.

Management's Response:

Management's goal is to complete reconciliations for all balance sheet accounts by the 15th of each month to facilitate timely preparation of monthly financial statements.

Consolidated Cash Accounts:

Finding 2005-4:

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 recommend for the Town to research and obtain an accounting system that can properly account for consolidated cash transactions. We further recommend for the Town to develop policies and procedures for personnel to follow with consolidated cash accounts. In addition, we recommend 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 is obtained and procedures developed for the handling of consolidated cash.

Management's Response:

The Town does plan to revert to separate bank accounts until such time that a proper accounting system and procedures for handling consolidated cash are place.

TOWN OF WALKER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

Utility Billing:

Finding 2005-5:

During the performance of our testing of utility billings, 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 be 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 dates 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 appears 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 has been 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. Management should 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:

All affected customers will be billed for the full amount of under billings from the date the error first occurred to the date of correction of the error.

Utility Franchise Tax Receipts:

Finding 2005-6:

During our current 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

TOWN OF WALKER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

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 recommend 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 are not received timely. We also recommend 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 is on target with the budget and the previous year collections.

Management's Response:

Management will monitor the franchise tax revenue account to ensure timely receipt of taxes due and determine if the collected balance is on target with the budget and comparable with prior year collections.

Sales Taxes on Commercial Water Customers:

Finding 2005-7:

During our 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 is required to be paid from the Town's funds without first being collected from utility customers. This amount has been accrued as a payable in these financial statements.

Recommendation

We recommend 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 are required to be paid to the Louisiana Department of Revenue monthly.

Management's Response:

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.

TOWN OF WALKER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

Occupational Licenses:

Finding 2005-8:

During our current 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.

Recommendation:

We recommend that in the future, procedures be implemented whereby all applications are required to be signed by the vendor. Also all applications should be accompanied by a Department of Finance letter to document the sales that the occupational license is calculated upon.

Management's Response:

Procedures for occupational licenses will be addressed in the policies and procedures manual.

Finding 2005-9:

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 the year.

Recommendation:

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

Management's Response:

The new accounting system being reviewed includes an occupational license module that will address this issue. In the interim, the Town is using receipt books that are pre-numbered in sequential order with the receipt number serving as the license number.

TOWN OF WALKER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

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 is as follows:

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

Recommendation:

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

Management's Response:

The Town of Walker payroll department no longer allows the advancement of vacation time that will create this deficit. All negative balances for vacation, sick, and compensatory time are now more closely monitored. If an employee terminates, all leave banks are checked to determine their status.

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 are considered immaterial to the financial statements, more care should be exercised in preparing the leave schedule that is used to adjust the general ledger balances.

TOWN OF WALKER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

Management's Response:

Every effort will be made to ensure the payroll records and the summary sheet correlate in the future.

Payroll:

Finding 2005-12:

While performing our payroll test, 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 is processed through a separate program by Quickbooks based on information supplied by the Town. Employees are paid by direct deposit. QuickBooks electronically sends a payroll file to the Town which is then downloaded to the general ledger. As part of this process, Quickbooks would require 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 includes numerous duplicated transaction id numbers which makes 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.

Recommendation:

We recommend 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.

Management's Response:

The Town no longer subscribes to the Quickbooks Payroll Processing. All transactions are handled in house by the payroll clerk; and are closely assessed to confirm proper sequential order prior to generating payroll.

Finding 2005-13:

While performing a payroll test on a sample of payroll disbursements, 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.

TOWN OF WALKER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

Recommendation:

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

Management's Response:

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** has 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 outlines all the information pertinent to the employees' raise and is placed in their personnel file.

Insuring all time card reports are signed and returned by all applicable employees per pay period has been vastly improved upon.

Cash Receipts:

Finding 2005-14:

During the performance of our 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.

Management's Response:

Care is 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.

Cash Disbursements:

Finding 2005-15:

During the performance of our sample testing of cash disbursements, 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.

TOWN OF WALKER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

Recommendation:

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

Management's Response:

Management is taking steps to ensure adherence to the Town's procedures.

Finding 2005-16:

In addition to the problem identified in 2005-5, we also 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.

Recommendation:

The number of problems noted above in only a sample of 25 customers is considered excessive. In addition, the Town's disconnect policy is not being consistently enforced with the proper fees being collected. We recommend the Town strictly enforce its disconnect policy and collect all fees in accordance with the policy. If a written policy doesn't exist one should be developed. Also, the billing department should perform a much more stringent review of the monthly billings for accuracy.

Management's Response:

Management is working to set policies and procedures in place to enforce disconnects and ensure collection of fees; as well as require more stringent review of the monthly billings.

TOWN OF WALKER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

Inventory:

Finding 2005-17:

We performed a test count of the inventory for the Water, Street and Sewer Departments. 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, 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, 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.

Recommendation:

We recommend 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 be included in these procedures. By developing stronger procedures in these areas, the accuracy of the counts should be improved. Also, all necessary entries to adjust the inventory balances in the general ledger to the physical counts should be made as part of the year-end closeout.

Management's Response:

Management is working to set policies and procedures in place to improve the accuracy of the physical inventory counts and incorporate inventory adjustments in the year-end closeout procedures.

Utility Customer Deposits:

Finding 2005-18:

During the current year audit, we noted the utility customer deposit liability on the enterprise fund totaled \$421,929 and the investments that are restricted to cover this liability totaled \$388,251 which indicates a deficiency of \$33,678.

Recommendation:

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

Management's Response:

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

TOWN OF WALKER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

(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 current year, due to the numerous findings and adjustments noted in our report, the Town failed to comply with the above revised statute regarding timely completion of their audit report. The current 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 recommend that all future reports be submitted timely as required by the revised statute mentioned above.

Management's Response:

Management is working to set policies and procedures in place to facilitate timely completion of the annual audit report.

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

TOWN OF WALKER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

Lack of Pledged Collateral:

Finding 2005-22:

As indicated in Note 2 of the financial statements, 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 recommend 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.

Management's Response:

Management is working to set policies and procedures in place to 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.

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 current 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 has begun the process of compiling the required listing.

TOWN OF WALKER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

Recommendation:

We recommend 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 is compiled, depreciation expense can 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.

Management's Response:

The Town is working to compile a complete fixed asset listing as required by state law. 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 contain certain debt covenant requirements which may include minimum sinking funds, reserve funds and contingency funds. At December 31, 2005, the following debt covenant provisions where 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

Recommendation:

We recommend 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.

Management's Response:

Management is more closely monitoring the sinking funds, reserve funds, and contingency funds to ensure adequate funding as required by the terms of the debt covenant requirements.

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2005

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

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 and is continuing an additional compliance investigation.

The Town of Walker was not able to correct this finding during the fiscal year ended December 31, 2005, as further discussed in the Schedule of Current Year Findings 2005-19.

Management's Response:

The Town of Walker will take corrective action to assure that future audits are completed and submitted to the Office of the Legislative Auditor on a timely basis.

As noted, the audit deadline was not met for 2005. Every effort is being made to get the financial matters of the Town under control and to have 2006 records in an auditable manner to allow for the 2006 audit to be completed in accordance with the legal requirements of the state law.

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

The management findings and recommendations listed below are for the fiscal years ended December 31, 2004 and prior. During fiscal year 2003, there was a documented lack of centralization for authorization, recording, and reporting financial transactions. During this time period and extending to the fiscal year 2004, financial records had often been destroyed and financial records had to be recreated by the current administration based on documentation obtained from bank records. Since the conditions described often occurred from a lack of control that occurred to the point of becoming accepted practice, many of the recommendations involve developing and approving written procedures to control how financial transactions are processed, changing the way business was being done.

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.

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

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.
- 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.

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

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 of Jay LaBarre and Associates, 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.

The Town has been reviewing several complete accounting software systems suitable to meet the needs of the Town over the past few months. Management had anticipated having a new system in place prior to December 31, 2006; however that deadline will not be met. The earliest a new system will be fully operational is April 1, 2007. Steps are being taken to ensure the accuracy of the data in the current system in order to have the 2006 financial records and account balances ready for audit.

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 are not consistently presented within the related financial reports and depreciation expense is presented for the utility funds and not presented for governmental activities.

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

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.

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:

1. The Town has temporarily 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.

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

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.

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.

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

- 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.
- 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.

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

Corrective Action Taken:

We noted the Town did appoint an asset manager who has started a process to catalogue all fixed assets. As of December 31, 2005, the asset manager has inventoried and photographed all movable fixed assets. A capital assets software package has not yet been purchased and there is no current listing of all capital assets which include the date purchased, the description, or the cost of the asset. The Town should continue identifying all capital and infrastructure assets including buildings, land and immovable plant equipment, and begin the process of identifying the costs of these capital assets and obtain the necessary software to properly track and calculate depreciation expense. See current year finding 2005-23 for additional recommendations.

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:

- 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.

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

- 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.
- 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.

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

- 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:

The Town has implemented some of the recommendations suggested above; however, we noted several instances where procedures were not followed during the current year (including missing or misplaced documents) or where we are recommending further procedures be adopted to strengthen internal control procedures. See the current year internal control findings over financial reporting for additional details on the particular findings and recommendations.

Management's Response:

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. The Town purchased new accounting software that provides for entry and tracking of purchase orders and encumbers budgeted funds upon issuance of an order for goods and services.

The new accounting software purchased has not been adequate to meet the financial management needs of the Town. We are currently reviewing complete accounting software packages and plan to have something in place before January 1, 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.

Ray Delatte, the employee designated as receiving agent, passed away mid year. Office employees at the Stump St. shop and the sewer plant (who have no purchasing authority) receive orders and verify packing slips. We are currently reviewing applications for a new receiving agent.

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

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 only in the event of absence of the Mayor or Municipal Clerk.

Done

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:

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

<u>Category</u>	<u>Activities to Review for Segregation of Duties</u>
Collection and Recording:	<p>Collection and recording by cash register, pre-numbered receipts, or other equivalent means.</p> <p>Summarizing and reconciling cash receipts.</p> <p>Deposit preparation.</p> <p>Deposit of funds on a daily basis.</p> <p>Input of customer payments and adjustments.</p> <p>Reconciliation of bank accounts.</p> <p>Reconciliation of customer account balances.</p> <p>Preparing general ledger postings and summaries.</p> <p>Making entries to general ledger system.</p>
Monitoring/Review:	<p>Daily monitoring of cash collections, recording, and processing.</p> <p>Review of security assignments per employee and the review of segregation of duties for input, adjustment of customer accounts, and posting.</p> <p>Review of source data/listings posted to general ledger and monthly accounts receivable reconciliations.</p>

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 / Additional Recommendation:

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 continues to have an overall lack of reconciliation process between supporting accounting records and the general ledger balances for cash and receivable accounts. See schedule of current year findings and questioned costs for further descriptions of findings noted during the current year audit.

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

Management's Response:

1. The Town has implemented new cash receipt controls simultaneously with the installation of the new utility with billing and accounting software. The majority of cash receipts in the operation of this municipality are associated with the utility billing system. The new software implemented in October, 2004, allowed the Town to install cash register printers to provide customers with computer generated receipts. Customer Service Representatives currently count cash in conjunction with their Supervisor at the end of each day.

Monies collected and daily cash receipt batch reports are then transported to the Accounting Department where personnel reconcile postings to collections and then prepare daily deposits. In addition, the Town has gone to a lock box method of collection since transferring its accounts to the custody of Hancock Bank. Mail in payments are received by the bank, opened and deposited to the Town's accounts. Details of those deposits are then provided by the bank to the Town and accounts are credited accordingly. Monies received at the Town Hall are currently transported to the bank via armored car personnel.

Done

2. Bank account reconciliations are current and are performed by personnel who have no responsibility for making deposits or disbursements.

This was being done; however, with the resignation of the Accounting Assistant, the Financial Director has taken over bank reconciliations until a new assistant is hired.

3. Exception reports are currently in place that alerts the Mayor, Municipal Clerk and Financial Director of any discrepancies related to cash receipts, i.e. cash shortages or overages, etc. Appropriate corrective action is being initiated from these reports with the responsible party and their supervisor.

Done

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, 2005

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 current year finding 2005-17 for additional current year finding on inventory. We recommend for the Town to develop procedures over the year end physical inventory counts along with a system to cross check the actual count and proper adjustments made to the general ledger accounts.

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, 2005

Recommendations:

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

Corrective Action Taken / Additional Recommendation:

We noted the Town discontinued the practice of categorizing employees as contractors during the current year audit; however, 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 recommend 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.

Management's Response:

In October, 2004, the current administration transferred all personnel previously treated as contract labor by the prior administration to employee status. For 2004, those persons who had been treated as contract labor were issued both an IRS Form 1099-Misc. for the period they were inappropriately treated as contractors, and an IRS Form W-2 for the period they were appropriately treated as employees. As of October, 2004, all of the affected parties were afforded the right to participate in the fringe benefit programs offered by the Town to its employees.

Management will develop a process to identify all unincorporated contractors paid an excess of \$600 and procedures will be developed to ensure those contractors are provided with and IRS Form 1099-Misc at year end.

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.

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

- Capital Asset Listings had not been updated.
- Interfund accounts had not been reconciled.

The Town continued to exhibit problems during the current year 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 continues in effect for the 2005 year as well.

Management's Response:

The current administration has been unable to provide complete monthly financial reports to its council due to the condition of financial records inherited from the previous administration. The previous Municipal Clerk, Janet Borne, never provided the previous audit firm, Leroy J. Chutz, CPA, with 2003 financial statements and related general ledger data. She was in fact employed through late June, 2004, within days of the date this municipality was required to submit audited financial statements to the Office of the Legislative Auditor. The current administration made efforts to reconstruct the Town's records, to the extent possible, from source documents available for the years 2003 and 2004. Our efforts have been hampered by both software and hardware complications, which we feel we have now addressed, and apparent deletions of data. Our efforts were further complicated due to the fact that the employee eventually convicted of embezzlement both altered financial records for the 2003 and 2004 accounting periods. This administration has procured new software which will allow it to track financial data, provide budget comparisons and provide financial statements by fund to the Council on a timely basis. We are currently in the process of entering the 12/31/2004 balance forwards provided by Bruce Harrell and Company into the software which will enable us to begin providing complete financial disclosures to the Council.

The new software purchased was QuickBooks. QB does provide an adequate general ledger; however, due to inconsistent coding practices, profit and loss statements were misleading at best. In addition, with the 2003 and 2004 compilation report not being completed until September 2005, beginning balances for balance sheet accounts were not available in order to produce meaningful balance sheets.

The Town is currently reviewing several complete accounting software applications suitable to meet the needs of the Town.

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

Additional accounting help has been hired to insure that information for 2006 is correct and complete. We were able to provide a reasonably accurate Governmental Funds income statement to the Board of Aldermen at the September 2006 Board meeting, with the promise of the Enterprise Funds income statement to be provided at the next meeting. Accurate Balance Sheets are pending completion of the 2005 audit.

Management's goal is to complete reconciliations for all balance sheet accounts by the 15th of each month to facilitate timely preparation of monthly financial statements.

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 current year, we noted the Town recovered approximately \$11,600 of the previously written off "Code 99" account balance. We recommend for the Town to continue to pursue collection of these accounts.

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

Management's Response:

The current administration has implemented new billing software that prevents the unauthorized transfer of utility receivables into uncollectible status. We have been executing disconnects in accordance with promulgated policy. It is our intent to perform further examination as time permits on the numerous accounts in uncollectible status as of December, 2003.

New billing software has been in place since October 2004.

The Town has been strictly enforcing disconnects.

"99" accounts were turned over to the Town's attorney for assistance with collections. Tonya Clark, the former billing clerk, has made payment of \$405.00 toward her balance.

Collections on the "99" accounts continue to be on-going.

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 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>

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

- 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, and there is to be a status meeting on the proposed projects for August or September 2005.
- Meter Deposit Fund Contingent Liability. As part of the review of gas and water account balances, the prior CPA noted that meter deposit funds were on a routine basis collected and deposited within the gas and water general account, and not properly recorded or classified as restricted funds. In addition, the records supporting records of funds collected and disbursed per customer for meter deposit funds were incomplete or inaccurate for the fiscal years ending December 31, 2004 and 2003. At December 31, 2004, the Gas and Water fund maintained a cash balance of \$17,633 for the meter deposit account, as compared to a liability for customer deposits of \$350,792 (\$275,646 for gas and \$75,146 for water).

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.

In relation to customer records for meter deposits, it was recommended by the prior CPA for the Town of Walker, update current customer records for meter deposits, and develop a plan for fund obligations to customers.

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 is reported in these financial statements as a

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

prior period adjustment in the amount of \$318,820. See Note 21 of the current year financial statements. The Town also identified certain investment accounts with balances totaling \$388,251 that are held to secure customer deposit balances in the current year and the balance is reported as a restricted asset on the enterprise fund balance sheet in the current year.

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.
2. The Town of Walker is currently negotiating its penalties for violations with the Department of Environmental Quality. At present, there is a proposal from the Town in the hands of officials at DEQ in which the Town proposes to perform approximately \$374,000.00 in Beneficial Environmental Projects in lieu of payment of the penalties to DEQ. A verbal agreement has been reached, although not yet signed in legal form and a prior period adjustment for \$318,820 has been included in the current year financial statements.
3. The meter deposits for the Town were never entered in any type of subsidiary ledger, there are only customer deposit cards in the files for each customer. Each customer file was reviewed and the correct deposit amount was recorded in CUSI which now acts as the outstanding ledger. The American Funds investment account was designated for customer deposits.

Reference Number: 2004M-10

Category: Fund Balance and Intrafund Receivables and Payables

Description of Finding:

The prior CPA noted in the review of account balances that the Town of Walker maintains separate fund balances accounts for departments within the general fund, and also records intrafund receivables and payables between the various departments. The separate fund balance accounts distort the financial reporting process since the general fund is only one fund, and the departmental fund balances must be consolidated for financial reporting. The intrafund receivables and payables attempt to track what is due between the various departments, but complicate the budgeting process since some departments will never generate the revenues to operate at a profit and must be subsidized by general revenues of the Town.

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

Recommendations:

Consistent with reporting under new financial reporting standards, 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, it was recommended by the prior CPA that each department be treated as a "cost center" showing the functional expenses associated with operation of that department. This involves placing the focus on the costs of operation of a department, and when that department operates at a loss, determining how much of the Town's general revenues (such as sales tax revenues not designated for debt service or expenditure per bond covenant) must be used to provide essential services to the Town. Consistent with generally accepted accounting standards, the elimination of departmental fund balances and receivables and payables between departments will allow department heads to focus on controlling the costs for which they are accountable and not to rely on amounts due from other departments that may or may not be available.

Corrective Action Taken:

We noted the Town has discontinued the practice of having a fund balance and due to/from accounts between departments in the current year.

Management's Response:

Financial accounting by department will be revised in accordance with the recommendation of Bruce Harrell and Company.

Each department has been segregated through the use of department codes.

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:

- 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.

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

- 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.”

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

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

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
		\$ 1,231,718	\$ 1,282,574	\$ 50,856

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.

As noted in financial statement note 12 and current year compliance finding 2005-24, the Town continued to fail to comply fully with all debt covenant requirements.

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

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.

These recommendations remain in effect for 2005.

Management's Response:

The Town of Walker will assign an employee in the accounting department the responsibility of monitoring compliance with all covenants of its bond indentures. This employee will be responsible to see that all provisions for reserves, contingencies and replacements are met as specified in the indentures. In addition, this person will monitor bond principal reductions.

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.

In the current year, we noted the Town has not designated an employee to manage the insurance accounts as recommended in the prior year; however, we noted that all insurance payments are being paid timely in the current year.

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

Recommendations:

It was recommended by the prior CPA 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. This recommendation remains in effect for 2005 as well.

Management's Response:

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 is working to 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 year 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.

Recommendations:

It was recommended by the prior CPA for the required contributions to the retirement plan be paid immediately.

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

Corrective Action Taken / Additional Recommendation:

In the current year audit, we noted the payment made to the retirement plan for the employee withholding portion paid in January 2006 was for withholdings from August through December 2005 or five months of withholdings; however, the payment made in January 2006 for the employer contribution was for the month of December 2005 with all previous payments for the year 2005 being made timely. We recommend for the payments of withholding contributions to the retirement system be paid more timely than once every five months.

Management's Response:

The Town has implemented a new payroll software. It is our intention to utilize features of that software that will allow us to automate the remittance of retirement contribution liabilities. The delinquency disclosed in this finding was remitted to the annuity company in December 2004. The Town is presently current on its contributions.

Done

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.

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

Additional Finding:

In the current year 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 31st customer receivable balances. Also, it appears fuel adjustments are not being done properly as the gross profit on gas sales continues 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 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 remain in effect for 2005.

Management's Response:

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 continue to be worked out during 2005 and into 2006.

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

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; however the accounts receivable account is not being reconciled to the report printed from the utility billing software. As policies and procedures are put in place to improve all aspects of financial accounting and reporting, monthly accounts receivable reconciliations will also be incorporated.

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 by the prior CPA that the Town of Walker had not adopted a Code of Ethics. We also noted this same finding in the current year.

Recommendations:

Considering the deficiencies noted, and the controls and procedures that must be implemented, the prior CPA 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. This recommendation remains in effect for 2005 as well.

Management's Response:

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 will be presented to all existing employees and future new hires along with a copy of the Code of Governmental Ethics.

Reference Number: 2004M-16

Category: Sales Tax Receipts and Creation of Special Revenue Fund

Description of Finding:

In the prior year, it was noted that the Town of Walker records sales tax receipts only within the general fund. This includes receipts related to general operations, but also to debt service and expenditures related to the Series 2000, Sales Tax Bond issue. The ½ sales tax approved by the voters of the Town of Walker provides receipts for debt service for the Series 2000 issue with any remaining funds to be designated for permitted activities of the sewer fund or streets and drainage.

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

Recommendations:

Since funds are designated by elections and bond covenants to specific purposes, the prior CPA recommended creation of a separate special revenue fund for sales tax receipts. This would allow the Town to properly budget operating transfers to the debt service fund for obligations related to the Series 2000 Sales Tax issue, with the balance of the ½ cent sales tax issue to be budgeted for transfers to the sewer and general fund per legal requirements. The balance of the sales tax receipts, from the remaining sales tax authorization, could be either recorded in the general fund for general operations, or recorded in the sales tax special revenue fund and budgeted as operating transfers into the general fund. The overall objective is to properly segregate funds per legal requirements and to allow the general fund to account for only current operations of the Town.

Corrective Action Taken:

In 2005, The Town created a separate special revenue fund to account for the collection of the ½ cent sales tax receipts to comply with the provisions of the resolution and bond covenants.

Management's Response:

The Town of Walker agrees and is reporting designated sales tax receipts in a separate special revenue fund.

Reference Number: 2004-M17

Category: Walker Youth Sports Association Funds

Description of Finding:

At December 31, 2004, a separate cash account totaling \$4,647 in the name of the Town of Walker was maintained for the Walker Youth Sports Association (WYSA), a separate non-profit entity. The account was maintained in the name of the Town of Walker and under the Town's Federal Identification Number. In addition, a certificate of deposit was also maintained for the Walker Youth Sports Association, totaling \$20,000 at December 31, 2004. Neither the cash account nor the certificate of deposit is recorded on the financial statements of the Town of Walker.

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

Recommendations:

The prior CPA recommended that the Town of Walker request a legal opinion to determine the entity that has rights to use of these funds. If the Town is determined to have rights to use these funds, the prior CPA recommended that these funds be reported within the financial statements of the Town of Walker.

Corrective Action Taken / Additional Recommendation:

The WYSA cash account of \$4,647 was recorded on the Town of Walker's books as the bank holding this deposit agreed the funds belonged to the Town of Walker. 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.

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-M18

Category: Christmas Club Account

Description of Finding:

Up until February 2004 a separate cash account was maintained for expenditures related to the Christmas season. The source and use of these funds was under review by the Louisiana Legislative Auditor's Office.

Recommendations:

The prior CPA recommended that the Town of Walker continue review of the Christmas Club account and periodically request an update of the on-going review by the Legislative Auditor.

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

Corrective Action Taken:

The Town discontinued the use of a Christmas Club account and we noted no indication of such an account during the current year audit. The final report issued by the Legislative Auditor dated July 27, 2005, made no reference to this account.

Management's Response:

The Christmas Fund referenced in this finding was closed in February 2004, by Councilman Ricky Goff and former Mayor Mike Grimmer. We are aware that the activities conducted through this account are being reviewed by the Legislative Auditor. We will continue to monitor their findings.

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.

Management's Response:

At the present time, the Town of Walker has credit cards with Capital One, Hancock Bank, Office Depot, Home Depot and Walmart. The account with Capital One will be closed as we conclude our banking relations with this institution. The Town currently has accounts payable controls in place which would prevent payment of charges without the disclosure of transaction details.

We have the same credit cards, however we did adopt 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.

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2005

Reference Number: 2004-M20

Category: Late Filing and Penalties for Payroll and Sales Tax Returns

Description of Finding:

In the prior year, the prior CPA noted, the Town incurred and received notices for penalties for failure to timely file and pay payroll and sales taxes.

Recommendation:

The prior CPA recommended the Town should implement a policy that all payroll and sales tax returns be timely filed and paid.

Management's Response:

When the Town of Walker converted its accounting system it secured full payroll services through Intuit. Intuit now calculates payroll, prepares wire transfer to employees' checking accounts, prepares all federal and state payroll reports, remits other liabilities to appropriate parties via electronic media. The Town will have to investigate sales tax liabilities and determine what liabilities exist. We are working with the Louisiana Department of Revenue to accomplish this. Current sales tax liabilities are being paid on a timely basis.

Intuit did perform the payroll functions listed above for 2005. However, this service was cancelled effective March 31, 2006 and these functions are now performed in house by Tammy Payton. Filing of federal and state payroll taxes are completed promptly for the specific periods due. A consolidated file is maintained to retain evidence of these returns and proof of payment.

Sales Tax Returns – Sales tax returns for the period October 2004 – April 2006 were prepared and submitted in June 2006. Monthly sales tax returns are now being submitted in a timely manner.