

TOWN OF WALKER, LOUISIANA
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2010

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

Release Date 6/29/11

**TOWN OF WALKER
WALKER, LOUISIANA**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

TABLE OF CONTENTS

	<u>EXHIBIT/ SCHEDULE/ TABLE</u>	<u>PAGE NUMBER</u>
Independent Auditor's Report		1 - 2
Management's Discussion and Analysis		3 - 10
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Assets	Exhibit A-1	11
Statement of Activities	Exhibit A-2	12
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	Exhibit B-1	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	Exhibit B-2	14
Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit B-3	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	Exhibit B-4	16
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - General Fund	Exhibit B-5	17 - 23
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual - 2000 ½ Cent Sales Tax - Special Revenue Fund	Exhibit B-6	24
Proprietary Funds:		
Statement of Net Assets	Exhibit C-1	25
Statement of Revenues, Expenses, and Changes in Net Assets	Exhibit C-2	26
Statement of Cash Flows	Exhibit C-3	27 - 28
Notes to Financial Statements		29 - 57

**TOWN OF WALKER
WALKER, LOUISIANA
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

TABLE OF CONTENTS (CONTINUED)

	<u>EXHIBIT/ SCHEDULE/ TABLE</u>	<u>PAGE NUMBER</u>
Other Supplemental Information:		
Schedule of Expenditures of Federal Awards	Schedule 1	58 - 59
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 <u>Government Auditing Standards</u>		60 - 61
Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133		62 - 63
Schedule of Findings and Questioned Costs		64 - 65
Schedule of Prior Year Findings		66 - 69

2322 Tremont Drive • Baton Rouge, LA 70809
178 Del Orleans Avenue, Suite C • Denham Springs, LA 70726
Phone: 225.928.4770 • Fax: 225.926.0945
www.htbcpa.com

May 18, 2011

Independent Auditor's Report

The Honorable Bobby Font, 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 budgetary comparison statements of the General Fund and the 2000 ½ Cent Sales Tax Special Revenue Fund of the Town of Walker, Louisiana, as of and for the year ended December 31, 2010, 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. The prior year summarized comparative information has been derived from the Town of Walker's December 31, 2009 financial statements and, in our report dated May 24, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the budgetary comparison for the general fund.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, and the respective budgetary comparison statements of the General Fund and the 2000 ½ Cent Sales Tax Special Revenue Fund of the Town of Walker, as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 18, 2011, 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 assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Walker's financial statements as a whole. The accompanying schedule of expenditures of federal awards, identified on the Table of Contents as Schedule 1, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the financial statements of the Town of Walker. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

Harris J. Bourgeois, CPA

TOWN OF WALKER

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Walker, Louisiana ("the Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2010. The intent of Management's Discussion and Analysis ("MD&A") is to look at the overall financial performance of the Town using an objective, easily readable analysis of the Town's financial activities. Therefore, we encourage readers to consider the information presented here in conjunction with additional information furnished in the Notes to the Basic Financial Statements. Please reference the Table of Contents for the exact location of those items.

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

Financial Highlights

- Government wide
 - ✓ net assets increased by \$1,621,914 (14.15%).
 - ✓ unrestricted net assets increased by \$2,059,178 (71.53%).
 - ✓ revenues and expenses were \$12,951,627 and \$11,329,713, respectively.
- Governmental activities
 - ✓ net assets increased by \$662,250 (29.48%).
 - ✓ unrestricted net assets increased by \$605,376 (119.32%).
 - ✓ ending fund balance increased by \$406,089 (17.75%).
- Business-type activities
 - ✓ net assets increased by \$959,664 (10.42%).
 - ✓ unrestricted net assets increased by \$1,453,802 (42.93%).

Overview of the Financial Statements

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with an organization-wide overview similar in nature to a private-sector business. The two components of this presentation are the *Statement of Net Assets* and the *Statement of Activities*.

The *Statement of Net Assets* (Exhibit A-1) presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *Statement of Activities* (Exhibit A-2) presents information showing how the Town's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes, licenses, permits, fines and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town of Walker include general government, public safety, highways and streets, and parks and recreation. The business-type activities of the Town of Walker include gas and water distribution operation, a sewer disposal operation, and a contracted solid waste disposal operation. All business-type activities are included in a single Utility Enterprise Fund.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet (Exhibit B-1) and governmental fund statement of revenues, expenditures, and changes in fund balances (Exhibit B-3) provide a reconciliation (Exhibits B-2 and B-4) to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains two individual governmental funds. The *General Fund* is the chief operating fund of the Town. The activities of the General Fund include general and administrative functions, public safety (police and animal control), highways and streets, 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 long term debt portion of the Refunding Bonds Series 2009, and other expenditures specifically allowed in tax proposition. 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) and the special revenue (Exhibit B-6) as both funds are considered major funds.

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 29 - 57 of this report.

Government-wide Financial Analysis

This analysis pertains to the government-wide financial statements for the fiscal year ended December 31, 2010. The Town's net assets at December 31, 2010 were \$13,081,278. 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, 2010 with comparative figures for 2009.

Town of Walker
Condensed Statement of Net Assets
For the Years Ended December 31, 2010 and 2009

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets:						
Current and Other Assets	\$ 3,283,706	\$ 2,747,215	\$ 4,976,095	\$ 3,819,559	\$ 8,259,801	\$ 6,566,774
Restricted Assets	-	21,670	848,605	761,838	848,605	783,508
Deferred Bond Issuance Cost	146,908	157,425	259,801	245,895	406,709	403,320
Capital Assets	<u>2,810,744</u>	<u>2,795,200</u>	<u>10,093,063</u>	<u>10,343,604</u>	<u>12,903,807</u>	<u>13,138,804</u>
Total assets	<u>6,241,358</u>	<u>5,721,510</u>	<u>16,177,564</u>	<u>15,170,896</u>	<u>22,418,922</u>	<u>20,892,406</u>
Liabilities:						
Current Liabilities	558,702	455,877	1,145,468	1,205,371	1,704,170	1,661,248
Long-Term Liabilities	<u>2,773,876</u>	<u>3,019,103</u>	<u>4,859,598</u>	<u>4,752,691</u>	<u>7,633,474</u>	<u>7,771,794</u>
Total Liabilities	<u>3,332,578</u>	<u>3,474,980</u>	<u>6,005,066</u>	<u>5,958,062</u>	<u>9,337,644</u>	<u>9,433,042</u>
Net assets:						
Invested in Capital Assets						
Net of Debt	2,810,744	2,732,200	5,263,524	5,826,578	8,074,268	8,558,778
Restricted	-	21,670	68,916	-	68,916	21,670
Unrestricted	<u>98,036</u>	<u>(507,340)</u>	<u>4,840,058</u>	<u>3,386,256</u>	<u>4,938,094</u>	<u>2,878,916</u>
Total Net Assets	<u>\$ 2,908,780</u>	<u>\$ 2,246,530</u>	<u>\$ 10,172,498</u>	<u>\$ 9,212,834</u>	<u>\$ 13,081,278</u>	<u>\$ 11,459,364</u>

The Statement of Activities for 2010 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 2010 were \$11,329,713. Of the governmental activities expenses, \$1,234,860 was covered by program revenues and operating grants. The remainder, or \$4,023,546, was funded by general revenues, primarily sales, franchise, and property taxes, occupational licenses, and permits. For business-type activities, program revenues exceeded expenses by \$1,527,785.

The table below reflects the condensed Statement of Activities for the year ended December 31, 2010 with comparative figures for 2009.

Town of Walker
Condensed Statement of Activities
For the Years Ended December 31, 2010 and 2009

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for Services	\$ 815,330	\$ 989,212	\$ 7,500,324	\$ 6,303,091	\$ 8,315,654	\$ 7,292,303
Operating Grants and Contributions	287,007	553,134	-	-	287,007	553,134
Capital Grants and Contributions	132,523	-	98,768	20,352	231,291	20,352
General Revenues:						
Taxes	4,009,521	4,002,479	-	-	4,009,521	4,002,479
Other Grants and Contributions not Restricted to Specific Programs	13,266	13,784	-	-	13,266	13,784
Interest Income	10,058	4,160	42,683	19,699	52,741	23,859
Net Gain (Loss) on Sale of Assets	-	49,934	-	-	-	49,934
Miscellaneous Income	19,618	41,270	22,529	36,646	42,147	77,916
Transfers	633,333	341,280	(633,333)	(341,280)	-	-
Total Revenues	5,920,656	5,995,253	7,030,971	6,038,508	12,951,627	12,033,761
Expenses:						
General Government	1,512,504	1,718,122	-	-	1,512,504	1,718,122
Public Safety	2,262,734	2,013,214	-	-	2,262,734	2,013,214
Highways and Streets	1,078,968	1,213,038	-	-	1,078,968	1,213,038
Parks and Recreation	278,322	265,901	-	-	278,322	265,901
Interest on Long-Term Debt	125,878	120,690	-	-	125,878	120,690
Gas	-	-	3,669,258	3,322,404	3,669,258	3,322,404
Water	-	-	913,270	569,266	913,270	569,266
Sewer	-	-	1,133,453	1,057,817	1,133,453	1,057,817
Sanitation	-	-	355,326	334,592	355,326	334,592
Total Expenses	5,258,406	5,330,965	6,071,307	5,284,079	11,329,713	10,615,044
Increase (Decrease) in Net Assets	662,250	664,288	959,664	754,429	1,621,914	1,418,717
Net Assets - Beginning of Year	2,246,530	1,582,242	9,212,834	8,458,405	11,459,364	10,040,647
Net Assets - End of Year	\$ 2,908,780	\$ 2,246,530	\$ 10,172,498	\$ 9,212,834	\$ 13,081,278	\$ 11,459,364

Governmental activities. Governmental activities increased the Town's net assets by \$28,917 (before net transfers from the utility fund of \$633,333.) Key areas of note are detailed below:

- General Government expenses decreased by \$205,618 (11.97%) from prior year.
- Highways and Streets expenses decreased by \$134,070 (11.05%) from prior year.

Business-type activities. Business-type activities increased the Town's net assets by \$1,592,997 (before net transfers to governmental activities of \$633,333). Key areas of note are detailed below:

- Gas department revenues exceeded expenses by \$1,533,282 with \$800,000 being transferred to the general fund leaving departmental net income of \$733,282.
- Sewer department expenses exceeded revenues by \$14,957. 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. \$166,667 was transferred to the sewer activity for fiscal year 2010, resulting in a net income of \$151,710.

- Water department revenues exceeded expenses by \$101,175, while the Sanitation department expenses exceeded revenues by \$26,503.

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 \$2,694,521, an increase of \$406,089 in the current year. The general fund, which is the chief operating fund of the Town, reported \$939,091 excess expenditures over revenues. The transfer of \$800,000 from the Gas department resulted in a \$139,091 net decrease in fund balance. The 2000 ½ Cent Sales Tax Fund reported \$711,847 excess revenues over expenditures; and a \$545,180 net increase in fund balance after the \$166,667 transfer to the Sewer department.

Proprietary funds. The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The proprietary funds report net operating income of \$1,620,884, an increase in combined net assets of \$959,664, and a net increase in cash and cash equivalents of \$653,313.

General Fund Budgetary Summary

During the fiscal year, the Town adopted one budget amendment. Generally, budget amendments fall into three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once more precise information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. The Town was awarded a Safe Routes to School Grant from the United States Department of Transportation, passed through the Louisiana Department of Transportation and Development. As of the time the budget amendment was prepared, only preliminary work would commence during 2010 with the bulk of the work being completed in 2011. Therefore, costs for this project were not included in the 2010 budget amendment.

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets (net of depreciation) for its governmental and business type activities as of December 31, 2010, amounts to \$12,903,807, a decrease of \$234,997 from the December 31, 2009 amount. This investment in capital assets includes land, buildings, improvements, roads and bridges, vehicles, machinery and equipment, furniture and fixtures, recreational equipment, and gas, water, and sewer systems. Depreciation expense recorded for the governmental activities for 2010 amounted to \$328,018, while depreciation expense recorded for the business-type activities totaled \$573,931.

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 \$7,633,474, a decrease of \$138,320 (1.78%) 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:

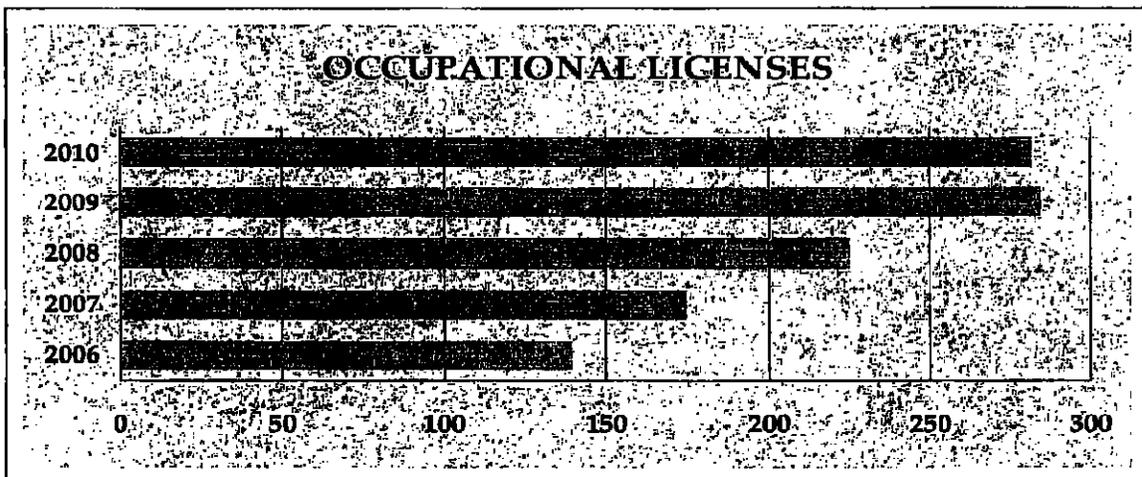
- The 2009 Utility Revenue Bonds have an outstanding balance of \$7,195,000, with \$2,710,000 payable from the ½ Cent Sales Tax Fund and \$4,485,000 payable from the Enterprise Fund.
- Compensated absences total \$105,271.
- The Town issued the 2010 Utility Revenue Bonds to fund improvements to water system infrastructure. These bonds were issued in two parts. Series 2010A issued in the amount of \$156,000 were 100% principal forgiveness through American Recovery and Reinvestment Act of 2009. Series 2010B were issued in the amount of \$364,000 and have an outstanding balance of \$363,300.

Additional information on the Town’s long-term debt can be found in note 12 on pages 47-51.

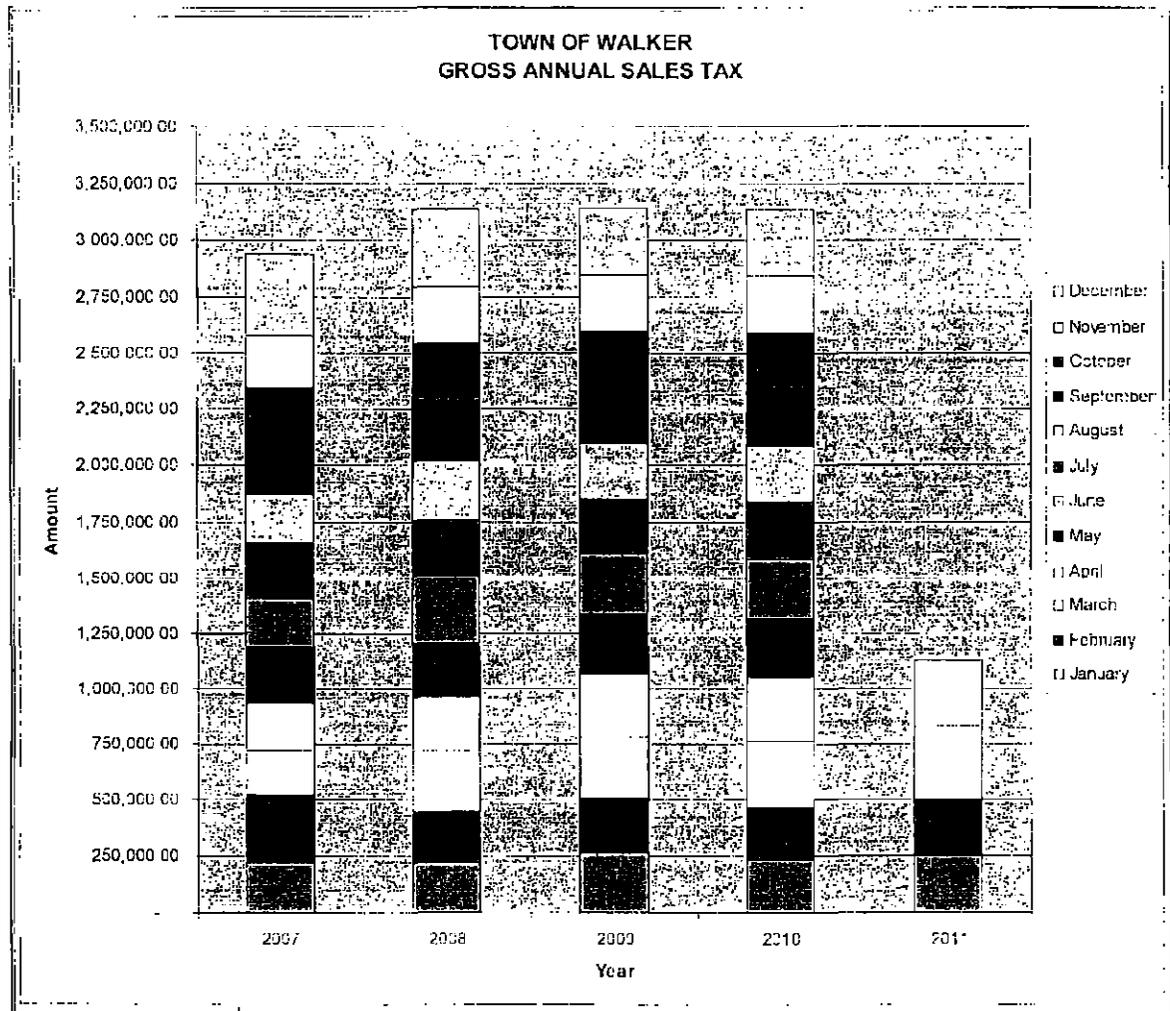
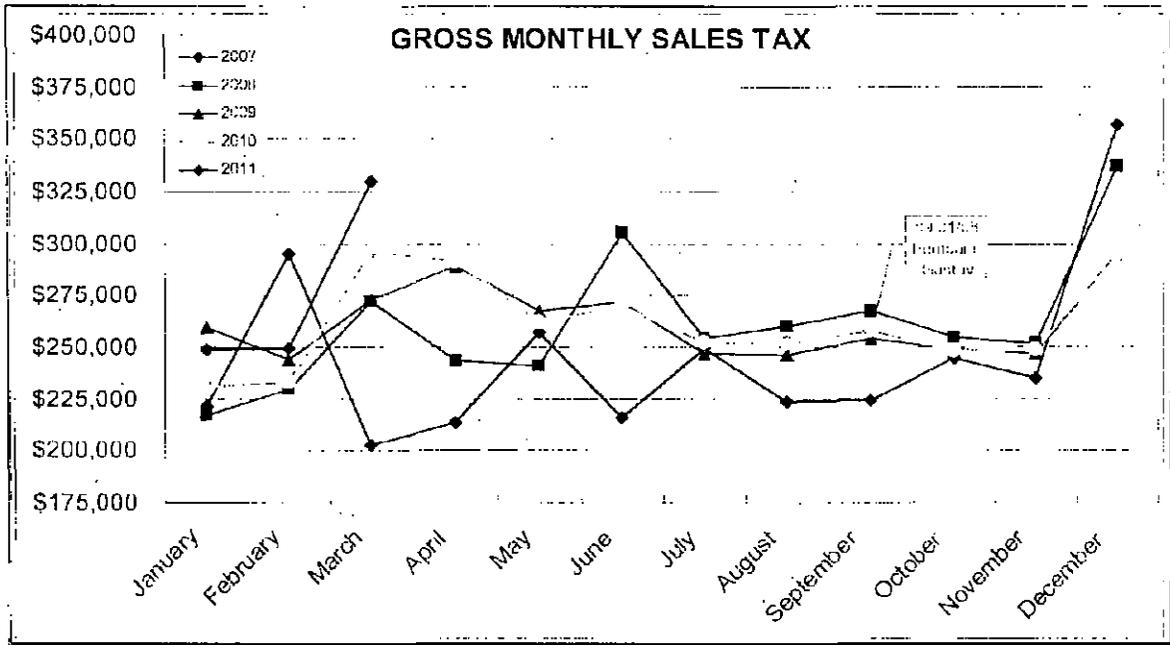
Future Budget and Economic Outlook

It’s true that 2010 was full of accomplishments, but 2011 promises to be even better. Walker begins working on our comprehensive master plan to articulate a shared vision and blueprint for the future of the Town; and it couldn’t have come at a more opportune time as we begin making the transition from a town to a city based on the release of the 2010 Census. With the support of a \$95,000 state grant and after going through the sealed bid process, the Town has hired national award-winning planning consultant Kendig Keast Collaborative to drive the citizen based process. Residents, leaders, and business owners will have opportunities to attend public gatherings to design Walker’s future.

Walker continues to welcome enterprise and entrepreneurship, adding another 54 new businesses in 2010; holding steady in comparison to the 59 new businesses added in 2009. Walker Works is a new resource for our entrepreneurs, connecting them to our workforce via an online career listing.



Facing a struggling economy, the Town’s sales tax revenue has experienced little or no growth for the past two years. Gross sales tax revenue for 2009 increased less than 1% over 2008, with 2010 decreasing less than 1% from 2009. However, cumulative gross sales tax for January through April 2011 reports a 7.12% increase over the same period for 2010 and 5.72% increase over the same period for 2009.



The administration continues to evolve Walker's presence in the on-line community, as well as promote community involvement. Information is readily available to residents and visitors via the Town's website, *The Walker Report* e-newsletter, Facebook, and Twitter, as well as the *2010 Annual Report*. Numerous community events were held throughout the year, including our first Mardi Gras parade, a Fourth of July Celebration, and expansion of our Christmas celebration which included moving the event from Punk Smith Park to Sidney Hutchinson Park and adding a real snow day. The Walker Museum, which opened in 2009, now offers Summer Art Camps for Kids which brought hundreds of young people to the museum for wholesome, educational summer activities.

Please visit our website at www.walker.la.us. From there you can subscribe to the *Walker Report* e-newsletter, view archives of the newsletter, join our 2,000+ fans on Facebook, or our followers on Twitter. A complete guide to doing business in Walker can be found on the website under Doing Business, and the *2010 Annual Report* under Public Records.

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:

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF WALKER
STATEMENT OF NET ASSETS

DECEMBER 31, 2010

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2009)

	Governmental Activities	Business-Type Activities	Totals 2010	Totals 2009
ASSETS				
Cash and Cash Equivalents	\$ 2,157,641	\$ 3,187,194	\$ 5,344,835	\$ 3,861,861
Investments	300,000	-	300,000	-
Receivables, Net	197,782	1,193,741	1,391,523	1,552,803
Due from Other Governments	843,175	2,007	845,182	837,190
Internal Balances	(306,637)	306,637	-	-
Inventories	-	218,991	218,991	202,142
Prepaid Items	91,745	67,525	159,270	112,778
Restricted Assets:				
Cash and Cash Equivalents	-	201,634	201,634	171,355
Investments	-	646,971	646,971	612,153
Deferred Bond Issuance Costs	146,908	259,801	406,709	403,320
Capital Assets:				
Land and Construction in Progress	956,326	265,280	1,221,606	1,025,448
Other Capital Assets, Net of Depreciation	1,854,418	9,827,783	11,682,201	12,113,356
Total Assets	\$ 6,241,358	\$ 16,177,564	\$ 22,418,922	\$ 20,892,406
LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 531,486	\$ 1,097,748	\$ 1,629,234	\$ 1,564,376
Accrued Interest Payable	27,216	47,720	74,936	96,872
Non-Current Liabilities:				
Due Within One Year	217,966	92,513	310,479	328,557
Due in More Than One Year	2,555,910	4,767,085	7,322,995	7,443,237
Total Liabilities	3,332,578	6,005,066	9,337,644	9,433,042
NET ASSETS				
Investment in Capital Assets, Net of Related Debt	2,810,744	5,263,524	8,074,268	8,558,778
Reserved for Debt Service	-	68,916	68,916	21,670
Unrestricted	98,036	4,840,058	4,938,094	2,878,916
Total Net Assets	2,908,780	10,172,498	13,081,278	11,459,364
Total Liabilities and Net Assets	\$ 6,241,358	\$ 16,177,564	\$ 22,418,922	\$ 20,892,406

The accompanying notes constitute an integral part of this statement.

TOWN OF WALKER

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2010

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009)

<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	\$ 1,512,504	\$ -	\$ 26,473	\$ -
Public Safety	2,262,734	676,336	236,186	-
Highways and Streets	1,078,968	4,600	5,000	132,523
Parks and Recreation	278,322	134,394	19,348	-
Interest on Long-Term Debt	125,878	-	-	-
Total Governmental Activities	<u>5,258,406</u>	<u>815,330</u>	<u>287,007</u>	<u>132,523</u>
Business-Type Activities:				
Gas	3,669,258	5,142,036	-	-
Water	913,270	926,750	-	84,518
Sewer	1,133,453	1,102,895	-	14,250
Sanitation	355,326	328,643	-	-
Total Business-Type Activities	<u>6,071,307</u>	<u>7,500,324</u>	<u>-</u>	<u>98,768</u>
Total Primary Government	<u>\$ 11,329,713</u>	<u>\$ 8,315,654</u>	<u>\$ 287,007</u>	<u>\$ 231,291</u>

General Revenues:

Taxes:

 Property

 Sales

 Occupational and Permits

 Franchise

Other Grants and Contributions not Restricted to Specific Programs

Transfers

Interest Income

Net Gain (Loss) on Sale of Assets

Miscellaneous Income

Total General Revenues

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - 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)

Governmental Activities	Business-Type Activities	Totals 2010	Totals 2009
\$ (1,486,031)	\$ -	\$ (1,486,031)	\$ (1,556,292)
(1,350,212)	-	(1,350,212)	(955,942)
(936,845)	-	(936,845)	(1,001,234)
(124,580)	-	(124,580)	(154,461)
(125,878)	-	(125,878)	(120,690)
(4,023,546)	-	(4,023,546)	(3,788,619)
-	1,472,778	1,472,778	1,182,549
-	97,998	97,998	321,799
-	(16,308)	(16,308)	(457,010)
-	(26,683)	(26,683)	(7,974)
-	1,527,785	1,527,785	1,039,364
(4,023,546)	1,527,785	(2,495,761)	(2,749,255)
104,851	-	104,851	105,778
3,136,164	-	3,136,164	3,138,300
380,727	-	380,727	408,816
387,779	-	387,779	349,585
13,266	-	13,266	13,784
633,333	(633,333)	-	-
10,058	42,683	52,741	23,859
-	-	-	49,934
19,618	22,529	42,147	77,916
4,685,796	(568,121)	4,117,675	4,167,972
662,250	959,664	1,621,914	1,418,717
2,246,530	9,212,834	11,459,364	10,040,647
<u>\$ 2,908,780</u>	<u>\$ 10,172,498</u>	<u>\$ 13,081,278</u>	<u>\$ 11,459,364</u>

TOWN OF WALKER
BALANCE SHEET
GOVERNMENTAL FUNDS

DECEMBER 31, 2010

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2009)

	General	2000 1/2 Cent Sales Tax Fund	Total Governmental	
			2010	2009
ASSETS				
Cash and Cash Equivalents	\$ 621,799	\$ 1,535,842	\$ 2,157,641	\$ 1,276,031
Investments	300,000	-	300,000	-
Receivables:				
Ad Valorem Taxes, Net	47,239	-	47,239	66,834
Other	150,543	-	150,543	156,483
Insurance Deposits	34,046	-	34,046	-
Due from Other Funds	-	-	-	350,674
Due from Other Governments	665,532	177,643	843,175	834,806
Cash - Restricted	-	-	-	21,670
Total Assets	\$ 1,819,159	\$ 1,713,485	\$ 3,532,644	\$ 2,706,498
LIABILITIES				
Accounts Payable	\$ 308,399	\$ -	\$ 308,399	\$ 221,553
Payroll Liabilities	99,620	-	99,620	88,463
Accrued Salaries and Wages	123,467	-	123,467	108,050
Due to Other Funds	8,984	297,653	306,637	-
Total Liabilities	540,470	297,653	838,123	418,066
FUND BALANCES				
Fund Balances:				
Reserved for Debt Service	-	-	-	21,670
Reserved for Insurance Deposits	34,046	-	34,046	-
Unreserved, Reported In				
General Fund	1,244,643	-	1,244,643	1,396,110
Special Revenue Fund	-	1,415,832	1,415,832	870,652
Total Fund Balances	1,278,689	1,415,832	2,694,521	2,288,432
Total Liabilities and Fund Balances	\$ 1,819,159	\$ 1,713,485	\$ 3,532,644	\$ 2,706,498

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, 2010

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2009)

	<u>2010</u>	<u>2009</u>
Fund Balances-Total Governmental Funds	\$ 2,694,521	\$ 2,288,432
<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	5,536,990	5,193,428
Less Accumulated Depreciation	<u>(2,726,246)</u>	<u>(2,398,228)</u>
	2,810,744	2,795,200
Prepaid Insurance	57,699	62,387
Deferred Bond Issuance Costs	146,908	157,425
<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	(2,698,664)	(2,954,853)
Compensated Absences Payable	(75,212)	(64,250)
Accrued Interest Payable	<u>(27,216)</u>	<u>(37,811)</u>
	<u>(2,801,092)</u>	<u>(3,056,914)</u>
Net Assets of Governmental Activities	<u>\$ 2,908,780</u>	<u>\$ 2,246,530</u>

The accompanying notes constitute an integral part of this statement.

FUND FINANCIAL STATEMENTS

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

FOR THE YEAR ENDED DECEMBER 31, 2010

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009)

	2000		Total	
	General	1/2 Cent Sales Tax Fund	Governmental	
			2010	2009
Revenues:				
Taxes	\$ 2,596,672	\$ 1,045,388	\$ 3,642,060	\$ 3,607,447
Licenses and Permits	380,727	-	380,727	408,816
Fines and Forfeits	651,180	-	651,180	866,385
Interest	7,692	2,366	10,058	4,160
Fees	127,493	-	127,493	88,578
Intergovernmental	419,530	-	419,530	553,134
Miscellaneous	56,275	-	56,275	75,519
Total Revenues	4,239,569	1,047,754	5,287,323	5,604,039
Expenditures:				
Current:				
General Government	1,432,014	18,772	1,450,786	1,671,188
Public Safety	2,129,188	-	2,129,188	1,915,855
Highways and Streets	967,032	-	967,032	1,100,146
Parks and Recreation	241,854	-	241,854	227,469
Capital Outlay	343,562	-	343,562	379,696
Debt Service:				
Principal Retirement	63,000	194,000	257,000	245,000
Interest and Administration Fees	2,010	123,135	125,145	94,247
Cost of Issuance	-	-	-	157,425
Total Expenditures	5,178,660	335,907	5,514,567	5,791,026
Excess (Deficiency) of Revenues over Expenditures	(939,091)	711,847	(227,244)	(186,987)
Other Financing Sources (Uses):				
Sale of Capital Assets	-	-	-	49,934
Issuance of Bonds	-	-	-	2,904,000
Payment to Refund Bonds	-	-	-	(2,904,000)
Discounts on Bond Issuance	-	-	-	(12,147)
Transfers In	800,000	-	800,000	941,280
Transfer Out	-	(166,667)	(166,667)	(600,000)
Total Other Financing Sources (Uses)	800,000	(166,667)	633,333	379,067
Net Change in Fund Balances	(139,091)	545,180	406,089	192,080
Fund Balances at Beginning of Year	1,417,780	870,652	2,288,432	2,096,352
Fund Balances at End of Year	\$ 1,278,689	\$ 1,415,832	\$ 2,694,521	\$ 2,288,432

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, 2010
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009)

	<u>2010</u>	<u>2009</u>
Net Change in Fund Balances - Total Governmental Funds	\$ 406,089	\$ 192,080
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	343,562	379,696
Depreciation Expense	<u>(328,018)</u>	<u>(305,203)</u>
	15,544	74,493
In the Statement of Activities, Only the Gain on the Sale of Capital Assets is reported. However, in the Governmental Funds, the Proceeds from the Sale Increase Financial Resources. Thus, the Change in Net Assets Differs from the Change in Fund Balance by the Cost of the Capital Assets Sold.		
Add Accumulated Depreciation on Capital Assets Retired	-	301,478
Less Cost Basis of Capital Assets Retired During the Year	<u>-</u>	<u>(301,478)</u>
	-	-
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	(4,688)	5,811
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	257,000	245,000
Discount on Issuance of Refunding Bonds	-	12,147
Issuance of Refunding Bonds	-	(2,904,000)
Payment to Refund Bonds	-	2,904,000
Cost of Issuance of General Obligation Bonds	-	157,425
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) Decrease in Compensated Absences Payable	(10,962)	3,775
(Increase) Decrease in Accrued Interest Payable	10,595	(26,443)
Amortization of Cost of Issuance	(10,517)	-
Amortization of Discount Paid on Issuance of General Obligation Bonds	<u>(811)</u>	<u>-</u>
Change in Net Assets of Governmental Activities	<u>\$ 662,250</u>	<u>\$ 664,288</u>

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, 2010

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes:				
Ad Valorem Taxes	\$ 78,470	\$ 105,500	\$ 104,851	\$ (649)
Alcoholic Beverage Tax	11,744	13,800	13,266	(534)
Franchise Taxes	457,163	361,000	387,779	26,779
Sales Taxes	2,150,794	2,154,000	2,090,776	(63,224)
	<u>2,698,171</u>	<u>2,634,300</u>	<u>2,596,672</u>	<u>(37,628)</u>
Licenses and Permits:				
Occupational Licenses	324,849	322,800	329,695	6,895
Other Permits and Licenses	55,196	43,600	51,032	7,432
	<u>380,045</u>	<u>366,400</u>	<u>380,727</u>	<u>14,327</u>
Fines and Forfeits	940,994	643,200	651,180	7,980
Interest Income	1,716	2,400	7,692	5,292
Fees:				
Animal Adoption Fees	7,767	4,600	4,398	(202)
Parks and Recreation Fees	56,237	86,000	97,737	11,737
Police Extra Duty Charges	-	14,400	20,758	6,358
Road Maintenance	12,267	9,200	4,600	(4,600)
	<u>76,271</u>	<u>114,200</u>	<u>127,493</u>	<u>13,293</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, 2010

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Intergovernmental:				
State and Local Grants:				
Law Enforcement Grants	18,050	23,800	17,896	(5,904)
Other State and Local Grants	-	16,500	26,473	9,973
On Behalf Payments for Salaries	84,600	99,600	98,067	(1,533)
Street Department Grant	47,830	17,951	5,000	(12,951)
Federal Grants:				
FEMA Hurricane Disaster Grant	100	48,639	-	(48,639)
Street Landscape and Beautification Grant	-	-	132,523	132,523
Federal Parks and Recreation Grant	100	19,350	19,348	(2)
Law Enforcement Grants	129,421	103,000	120,223	17,223
	<u>280,101</u>	<u>328,840</u>	<u>419,530</u>	<u>90,690</u>
Miscellaneous:				
Parks and Recreation Concessions	39,631	37,100	36,657	(443)
Miscellaneous	28,279	15,725	19,618	3,893
	<u>67,910</u>	<u>52,825</u>	<u>56,275</u>	<u>3,450</u>
Total Revenues	4,445,208	4,142,165	4,239,569	97,404

(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, 2010

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance With Final Budget
Expenditures				
General Government:				
General Provisions:				
Salaries	630,049	652,750	675,541	(22,791)
Aldermen's Per Diem	48,000	48,000	48,600	(600)
Payroll Taxes, Retirement, and Group Insurance	236,076	236,250	231,040	5,210
Advertising	11,116	9,600	13,537	(3,937)
Collection Costs	49,663	46,600	45,502	1,098
Bank Charges	8,502	7,000	7,055	(55)
Community Events	4,098	12,000	29,562	(17,562)
Contracted Services	36,539	28,750	31,114	(2,364)
Coroner Fees	867	2,900	3,800	(900)
Economic Development	10,000	10,000	10,000	-
Insurance	62,475	64,750	69,989	(5,239)
Legal and Professional	55,135	60,550	57,882	2,668
Membership Fees and Educational Training	17,186	14,550	20,820	(6,270)
Miscellaneous	3,360	3,563	3,501	62
Printing, Postage and Office Supplies	53,930	56,050	54,227	1,823
Rental Equipment	14,038	19,036	18,465	571
Repairs and Maintenance	21,625	64,639	21,263	43,376
Small Tools and Supplies	36,903	9,250	16,985	(7,735)
Telephone	30,189	23,000	23,294	(294)
Utilities	14,153	21,000	23,721	(2,721)
Uniforms	10,889	8,750	8,968	(218)
Vehicle Expenses	11,566	16,500	17,148	(648)
Total General Government	<u>1,366,359</u>	<u>1,415,488</u>	<u>1,432,014</u>	<u>(16,526)</u>
Public Safety:				
Animal Control:				
Salaries	94,603	83,750	79,859	3,891
Payroll Taxes, Retirement, and Group Insurance	44,710	49,878	46,446	3,432

(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, 2010

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance With Final Budget
Public Safety (Continued):				
Animal Control (Continued):				
Animal Care Expense	2,529	3,450	5,054	(1,604)
Insurance	2,144	3,000	3,563	(563)
Legal and Professional	4,725	2,175	2,175	-
Miscellaneous	13,828	22,150	25,998	(3,848)
Printing, Postage and Office Supplies	8,854	6,125	9,034	(2,909)
Small Tools and Supplies	1,143	900	1,585	(685)
Telephone	5,042	5,050	5,281	(231)
Utilities	6,970	7,500	7,180	320
Vehicle Expense	2,131	2,800	3,234	(434)
Total Animal Control	186,679	186,778	189,409	(2,631)
Police:				
Salaries	1,086,949	1,071,210	1,068,359	2,851
Payroll Taxes, Retirement, and Group Insurance	349,622	391,750	387,827	3,923
Contracted Services	5,419	5,500	7,755	(2,255)
Court Costs	12,000	13,200	12,000	1,200
Equipment Rental	20,152	18,500	18,513	(13)
Insurance	100,065	100,000	118,185	(18,185)
Membership Fees and Educational Training	12,748	8,500	8,750	(250)
Miscellaneous	6,091	9,784	10,485	(701)
Printing, Postage and Office Supplies	17,973	10,500	11,489	(989)
Professional Fees	15,431	11,750	12,096	(346)
Repairs and Maintenance	46,077	36,000	46,099	(10,099)
Small Tools and Supplies	32,541	70,750	71,817	(1,067)
Telephone	30,807	28,000	31,908	(3,908)

(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, 2010

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance With Final Budget
Public Safety (Continued):				
Police (Continued):				
Uniforms	24,834	15,000	16,252	(1,252)
Utilities	7,233	7,275	7,855	(580)
Vehicle Expense	94,130	93,000	110,389	(17,389)
Total Police	1,862,072	1,890,719	1,939,779	(49,060)
Total Public Safety	2,048,751	2,077,497	2,129,188	(51,691)
Highway and Streets:				
Streets:				
Salaries	353,293	352,000	366,681	(14,681)
Payroll Taxes, Retirement, and Group Insurance	139,957	131,000	132,851	(1,851)
Contract Services	119,520	130,000	155,750	(25,750)
Equipment Expense	30,964	33,600	36,442	(2,842)
Equipment Rental	382	1,250	998	252
Insurance	68,209	64,500	74,498	(9,998)
Landscaping and Beautification	47,830	47,830	21,285	26,545
Legal and Professional	20,317	17,000	15,299	1,701
Streets Maintenance and Materials	47,777	36,750	38,410	(1,660)
Membership Fees and Educational Training	800	1,750	1,302	448
Miscellaneous	384	1,172	1,435	(263)
Small Tools and Supplies	13,838	17,500	18,275	(775)
Telephone	11,520	11,500	12,330	(830)
Uniforms	9,511	7,250	8,711	(1,461)
Utilities	67,847	79,000	82,765	(3,765)
Total Highways and Streets	932,149	932,102	967,032	(34,930)

(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, 2010

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance With Final Budget
Parks and Recreation:				
Salaries	40,118	48,500	48,818	(318)
Payroll Taxes, Retirement, and Group Insurance	22,120	23,600	18,406	5,194
Contract Services	2,254	1,000	1,026	(26)
Concession Supplies	29,397	32,500	33,373	(873)
Equipment Rental	4,685	3,500	3,315	185
Insurance	4,860	8,500	10,180	(1,680)
Membership Fees and Educational Training	799	1,000	1,064	(64)
Miscellaneous	2,994	2,559	2,674	(115)
Legal and Professional	7,700	6,100	6,260	(160)
Printing, Postage and Office Supplies	316	650	1,902	(1,252)
Recreational Supplies	24,731	21,500	22,640	(1,140)
Repairs and Maintenance	37,436	20,000	20,636	(636)
Small Tools and Supplies	8,330	8,950	6,917	2,033
Telephone	4,071	5,750	5,118	632
Tournament Expenses	27,366	28,500	35,743	(7,243)
Utilities	20,082	24,000	23,431	569
Uniforms	129	879	351	528
Total Parks and Recreation	237,388	237,488	241,854	(4,366)
Capital Outlay	292,471	263,471	343,562	(80,091)
Debt Service:				
Principal Retirement	63,000	63,000	63,000	-
Interest and Administration Fees	2,010	2,010	2,010	-
Total Debt Service	65,010	65,010	65,010	-
Total Expenditures	4,942,128	4,991,056	5,178,660	(187,604)

(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, 2010

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Excess (Deficiency) of Revenues Over Expenditures	(496,920)	(848,891)	(939,091)	(90,200)
Other Financing Sources (Uses):				
Sale of Capital Assets	5,525	240,000	-	(240,000)
Transfers In	600,000	800,000	800,000	-
Total Other Financing Sources (Uses)	<u>605,525</u>	<u>1,040,000</u>	<u>800,000</u>	<u>(240,000)</u>
Net Change in Fund Balance	108,605	191,109	(139,091)	(330,200)
Fund Balance at Beginning of Year	<u>1,417,780</u>	<u>1,417,780</u>	<u>1,417,780</u>	-
Fund Balance at End of Year	<u>\$ 1,526,385</u>	<u>\$ 1,608,889</u>	<u>\$ 1,278,689</u>	<u>\$ (330,200)</u>

The accompanying notes constitute an integral part of this statement.

TOWN OF WALKER

2000 1/2 CENT SALES TAX SPECIAL REVENUE FUND

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

FOR THE YEAR ENDED DECEMBER 31, 2010

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance With Final Budget
Revenues:				
Sales Taxes	\$ 1,064,956	\$ 1,064,956	\$ 1,045,388	\$ (19,568)
Interest	2,435	2,435	2,366	(69)
Total Revenues	1,067,391	1,067,391	1,047,754	(19,637)
Expenditures:				
General Government:				
Collection Expenses	19,961	19,961	18,772	1,189
Total General Government	19,961	19,961	18,772	1,189
Debt Service:				
Principal Retirement	-	194,000	194,000	-
Interest and Administrative Fees	-	122,005	123,135	(1,130)
Total Debt Service	-	316,005	317,135	(1,130)
Total Expenditures	19,961	335,966	335,907	59
Excess (Deficiency) of Revenues over Expenditures	1,047,430	731,425	711,847	(19,578)
Other Financing Sources (Uses):				
Operating Transfers Out	(500,000)	(500,000)	(166,667)	333,333
Total Other Financing Sources (Uses)	(500,000)	(500,000)	(166,667)	333,333
Net Change in Fund Balance	547,430	231,425	545,180	313,755
Fund Balance at Beginning of Year	870,652	870,652	870,652	-
Fund Balance at End of Year	\$ 1,418,082	\$ 1,102,077	\$ 1,415,832	\$ 313,755

The accompanying notes constitute an integral part of this statement.

**TOWN OF WALKER
PROPRIETARY FUND**

STATEMENT OF NET ASSETS

DECEMBER 31, 2010

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2009)

	Business Type Activities - Enterprise Fund	
	2010	2009
Current Assets:		
Cash and Cash Equivalents	\$ 3,187,194	\$ 2,585,830
Due From Other Funds	306,637	-
	3,493,831	2,585,830
Receivables:		
Accounts (Net of Allowance for Uncollectible Accounts of \$5,000 in 2010 and \$5,000 in 2009)	743,606	810,037
Unbilled Utility Sales	450,135	519,449
Due from Other Governments	2,007	2,384
	1,195,748	1,331,870
Inventory, at Cost	218,991	202,142
Prepaid Expenses	67,525	50,391
Total Current Assets	4,976,095	4,170,233
Noncurrent Assets:		
Restricted Cash, Cash Equivalents, and Investments:		
Revenue Bond Covenant Accounts	201,634	149,685
Investments - Customer Deposits	646,971	612,153
Deferred Bond Issuance Costs	259,801	245,895
Capital Assets, at Cost (Net of Accumulated Depreciation)	10,093,063	10,343,604
Total Noncurrent Assets	11,201,469	11,351,337
Total Assets	\$ 16,177,564	\$ 15,521,570

The accompanying notes constitute an integral part of this statement.

Exhibit C-1

	Business Type Activities - Enterprise Fund	
	2010	2009
Current Liabilities:		
Accounts Payable	\$ 385,878	\$ 451,174
Accrued Salaries and Wages	48,194	39,378
Accumulated Unpaid Vacation	7,515	5,518
Customers' Deposits	635,390	615,875
Due to Other Funds	-	350,674
Other Current Liabilities	28,286	39,883
Bonds Payable - 1998 Series - Current Portion	84,998	50,787
Accrued Bond Interest	47,720	59,061
Total Current Liabilities	1,237,981	1,612,350
Noncurrent Liabilities:		
Bonds Payable - Less Current Portion	4,744,541	4,466,239
Environmental Assessment Liabilities	-	213,593
Accumulated Unpaid Vacation	22,544	16,554
Total Noncurrent Liabilities	4,767,085	4,696,386
Total Liabilities	6,005,066	6,308,736
Net Assets:		
Invested in Capital Assets, Net of Related Debt	5,263,524	5,826,578
Reserved for Debt Service	68,916	-
Unrestricted	4,840,058	3,386,256
Total Net Assets	10,172,498	9,212,834
Total Liabilities and Net Assets	\$ 16,177,564	\$ 15,521,570

**TOWN OF WALKER
PROPRIETARY FUND**

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

FOR THE YEAR ENDED DECEMBER 31, 2010

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2009)

	Business - Type Activities - Enterprise Fund	
	2010	2009
Operating Revenues:		
Charges for Services	\$ 7,500,324	\$ 6,303,091
Total Operating Revenues	7,500,324	6,303,091
Operating Expenses:		
Personal Services and Benefits	1,054,407	999,328
Contractual Services	752,776	610,943
Cost of Materials	2,241,539	1,882,865
Utilities	224,954	174,707
Repair and Maintenance	703,262	451,621
Supplies	142,695	148,342
Insurance	158,937	145,005
Depreciation	573,931	558,894
Penalties	-	3,438
Bad Debts	26,939	24,428
Total Operating Expenses	5,879,440	4,999,571
Operating Income	1,620,884	1,303,520
Nonoperating Revenues:		
Interest	42,683	19,699
Miscellaneous	22,529	36,646
Total Nonoperating Revenues	65,212	56,345
Nonoperating Expenses:		
Loss on Disposal of Assets	-	-
Interest and Administrative Fees	188,857	284,508
Amortization of Bond Costs	2,797	-
Amortization of Bond Discount	213	-
Total Nonoperating Expenses	191,867	284,508
Income Before Transfers	1,494,229	1,075,357
Capital Contributions	98,768	20,352
Transfers from Special Revenue Fund	166,667	600,000
Transfers to General Fund	(800,000)	(941,280)
Change in Net Assets	959,664	754,429
Total Net Assets at Beginning of Year	<u>9,212,834</u>	<u>8,458,405</u>
Total Net Assets at End of Year	<u>\$ 10,172,498</u>	<u>\$ 9,212,834</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, 2010

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009)

	Business-Type Activities - Enterprise Fund	
	2010	2009
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 7,609,507	\$ 6,420,180
Cash Payments to Suppliers for Goods and Services	(4,548,632)	(3,534,417)
Cash Payments to Employees for Services and Benefits	(1,037,604)	(996,871)
Other Receipts (Payments)	(634,782)	414,922
Net Cash Provided by Operating Activities	1,388,489	2,303,814
Cash Flows From Noncapital and Related Financing Activities:		
Transfer From Special Revenue Fund	166,667	600,000
Transfer To General Fund	(800,000)	(941,280)
Net Cash Used in Noncapital and Related Financing Activities	(633,333)	(341,280)
Cash Flows From Capital and Related Financing Activities:		
Proceeds from Issuance of Debt	347,297	4,271,131
Acquisition and Construction of Capital Assets	(323,390)	(144,120)
Net Receipts from Customer Deposits	19,515	20,383
Principal Paid on Loans	(51,700)	(5,327,527)
Interest and Administrative Fees Paid on Loans	(200,198)	(247,485)
Capital Contributions	98,768	20,352
Net Cash Used in Capital and Related Financing Activities	(109,708)	(1,407,266)
Cash Flows From Investing Activities:		
Net Purchases of Investments	(34,818)	(12,917)
Interest Income	42,683	19,699
Net Cash Provided by Investing Activities	7,865	6,782
Net Increase in Cash and Cash Equivalents	653,313	562,050
Cash and Cash Equivalents - Beginning of Year	2,735,515	2,173,465
Cash and Cash Equivalents - End of Year	\$ 3,388,828	\$ 2,735,515

(CONTINUED)

**TOWN OF WALKER
PROPRIETARY FUND**

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2010

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009)

	Business-Type Activities - Enterprise Fund	
	2010	2009
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 1,620,884	\$ 1,303,520
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	573,931	558,894
Provision for Bad Debts	26,939	24,428
Miscellaneous Revenues	22,529	36,646
 Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	39,869	192,379
(Increase) Decrease in Unbilled Utility Sales	69,314	(75,290)
(Increase) Decrease in Due from Other Funds	(306,637)	27,602
(Increase) Decrease in Inventory	(16,849)	91,998
(Increase) Decrease in Prepaid Expenses	(17,134)	(1,310)
Increase (Decrease) in Accounts Payable	(65,296)	(112,809)
Increase (Decrease) in Environmental Liability	(213,593)	(85,227)
Increase (Decrease) in Accrued Salaries and Wages	8,816	3,108
Increase (Decrease) in Other Current Liabilities	(11,597)	(10,148)
Increase (Decrease) in Due to Other Funds	(350,674)	350,674
Increase (Decrease) in Accumulated Unpaid Vacation	7,987	(651)
Net Cash Provided by Operating Activities	\$ 1,388,489	\$ 2,303,814
 Schedule of Noncash Investing, Capital and Financing Activities:		
Amortization of Deferred Bond Expense	\$ 2,797	\$ -
Amortization of Bond Discount	\$ 213	\$ -

The accompanying notes constitute an integral part of this statement.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2010

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, 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. Since the Town of Walker has no component units, these financial statements include only information on the primary government.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

B. Basis of Presentation

The Town's basic financial statements consist of the government-wide statements (based on the Town as a whole) and the fund financial statements (the total of all funds of a particular type). The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units.

Government-Wide Financial Statements:

The government-wide financial statements include the statement of net assets and the statement of activities. The government-wide presentation focuses primarily on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These statements are 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. The effect of interfund activity has been removed from these statements with the exception of payments between the utility enterprise fund and the other various functions of government for charges such as utility services. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The financial statements also contain 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.

Statement of Net Assets - In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column, and 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 columns presented in the statement of net assets and general descriptions of each are as follows:

- *Governmental Activities* represent programs which normally are supported by taxes and intergovernmental revenues.
- *Business-Type Activities* are financed in whole or in part by fees charged to external parties for goods and services.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

Statement of Activities - 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 and include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Town does not allocate indirect expenses.

Fund Financial Statements:

The daily accounts and operations of the Town are organized on the basis of individual funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. Emphasis of fund financial reporting is on the major fund level in either the governmental or business-type categories. The various funds of the Town are grouped into generic fund types and two broad fund categories as follows:

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 capital 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.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

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. 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.

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.

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 Utility Enterprise Fund is considered a major fund and accounts for the operations of providing natural gas services, water services, sewer services, 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.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements:

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.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

Fund Financial Statements:

Governmental fund financial statements are accounted for using the *current financial resources measurement focus* and *the modified accrual basis of accounting* which is also the method used to prepare the budget. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other uses) in net current assets.

Governmental fund revenues resulting from exchange transactions are recognized in the fiscal year in which the exchange takes place and meets the government's availability criteria (susceptible to accrual). Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Charges for services, fines and forfeits, and most governmental miscellaneous revenues, including investment earnings are recorded as earned since they are measurable and available. The Town's definition of available means expected to be received within sixty days of the end of the fiscal year.

Nonexchange transactions, in which the Town receives value without directly giving value in return includes sales tax, property tax, grants, and donations. Property taxes are recognized as revenues in the calendar year of the tax levy if collected soon enough to meet the availability criteria. Sales tax and gross receipts business tax revenues are recognized when the underlying transaction occurs and meets the availability criteria. Anticipated refunds of such taxes are recorded as fund liabilities and reductions of revenue when they are measurable and valid. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied, subject to the availability criteria. Eligibility requirements include timing requirements, which specify the year when the resources can be used.

Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable, except for the following: (1) principal and interest on long-term debt are recorded when due, and (2) claims and judgments and compensated absences are recorded as expenditures in the governmental fund type when paid with expendable available financial resources. Allocations of costs such as depreciation and amortization are not recognized in the governmental funds.

The proprietary fund is accounted for on an economic resources measurement focus. Proprietary funds are maintained on the accrual basis of accounting wherein revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized in the period incurred, if measurable. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

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.

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.

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.

D. Budgets and Budgetary Accounting

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

- i. The Town Treasurer prepares a proposed budget and submits this budget to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
- 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. The original budget for 2010 was adopted on December 12, 2009.
- 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.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

- vi. All budgetary appropriations lapse at the end of each fiscal year. The final amended budget was adopted on December 13, 2010.
- vii. The budget for the General Fund and the Special Revenue Fund are 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.

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. The Town provides budgetary comparison information in these financial statements on each major fund. The budgetary comparisons schedules include the original budget to the current comparison of final budget and actual results.

E. Cash and Investments

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

F. Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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 two and one-half percent of the current year property tax levy plus one hundred percent of any unpaid prior year tax at December 31, 2010.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

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

G. Inventories and Prepaid Items

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

H. Restricted Assets

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

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

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

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

J. Compensated Absences

Employees of the municipality earn annual leave at varying rates according to years of service. Accrued unused annual leave earned by an employee is carried forward to the succeeding calendar year. Accrued unused sick leave earned by an employee is carried forward to the succeeding calendar year without limitation. Employees that are terminated or resign will not be paid for accumulated sick leave. As of December 31, 2010, the accrued liability for unpaid vacation benefits amounted to \$105,271. The amount applicable to the Enterprise Fund was \$30,059, and is recorded in that Fund, and the amount of \$75,212 applicable to the General Fund is reflected on the Statement of Net Assets.

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

K. Long-Term Obligations

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

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

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

L. Fund Equity

Government-Wide Statements

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

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

Fund Statements

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

M. Estimates

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

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

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 \$5,546,469 at December 31, 2010. 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, 2010.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Deposits in Bank Accounts per Balance Sheet	<u>\$ 2,157,641</u>	<u>\$ 3,388,828</u>	<u>\$ 5,546,469</u>
Bank Balances (Category 3 Only):			
a. Uninsured and Uncollateralized	\$ -	\$ -	\$ -
b. Uninsured and Collateralized with Securities Held by the Pledging Institution	-	-	-
c. Uninsured and Collateralized with Securities Held by the Pledging Institution's Trust Department or Agent, but not in the Entities Name	<u>2,034,625</u>	<u>3,129,195</u>	<u>5,163,820</u>
Total Category 3 Bank Balances	<u>\$ 2,034,625</u>	<u>\$ 3,129,195</u>	<u>\$ 5,163,820</u>
Total Bank Balances (Regardless of Category)	<u>\$ 2,232,708</u>	<u>\$ 3,426,370</u>	<u>\$ 5,659,078</u>

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

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, 2010, \$5,163,820 of the Town's bank balance of \$5,659,078 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entity's name.

3. Investments

All investments are stated on the balance sheet (carrying value) at market value. All investments are in mutual funds that are held by a broker or certificates of deposit with maturity dates greater than 90 days when purchased.

At December 31, 2010, the Town holds investments totaling \$946,971 as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
<u>Governmental Activities:</u>		
First Guaranty Bank Certificate of Deposit	\$ <u>300,000</u>	\$ <u>300,000</u>
<u>Business-Type Activities:</u>		
U.S. Government Securities Fund - A	\$ <u>646,971</u>	\$ <u>646,971</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.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

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.

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, 2010, taxes of 2.20 mills were levied on property with assessed valuations totaling \$52,200,050 and were dedicated to general purposes.

Total taxes levied were \$114,840. Taxes receivable at December 31, 2010, consisted of the following:

Taxes Receivable - Current Roll	\$ 49,441
Taxes Receivable - Prior Years	<u>669</u>
	50,110
Allowance for Uncollectible Taxes	<u>(2,871)</u>
	<u>\$ 47,239</u>

5. Receivables

Receivables as of December 31, 2010, including the applicable allowance for uncollectible accounts, are as follows:

	<u>Ad Valorem Taxes</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	\$50,110	\$137,600	\$ 12,943	\$ -	\$ (2,871)	\$ 197,782
Total Governmental Activities	50,110	137,600	12,943	-	(2,871)	197,782
<u>Business-Type Activities:</u>						
Utility Fund	-	-	748,606	450,135	(5,000)	1,193,741
Total Receivables	<u>\$50,110</u>	<u>\$137,600</u>	<u>\$761,549</u>	<u>\$450,135</u>	<u>\$ (7,871)</u>	<u>\$1,391,523</u>

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

6. Due From Other Governments -

Due from Other Governments as of December 31, 2010, consists of the following:

	<u>Livingston Parish School Board</u>	<u>State of Louisiana</u>	<u>Total</u>
<u>Governmental Activities</u>			
General Fund	\$ 355,286	\$ 310,246	\$ 665,532
2000 ½ Cent Sales Tax Fund	<u>177,643</u>	<u>-</u>	<u>177,643</u>
Total Governmental Activities	532,929	310,246	843,175
<u>Business-Type Activities</u>			
Utility Fund	<u>-</u>	<u>2,007</u>	<u>2,007</u>
Total Due from Other Governments	<u>\$ 532,929</u>	<u>\$ 312,253</u>	<u>\$ 845,182</u>

7. Interfund Receivables/Payables

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

	<u>Due to</u>	<u>Due from</u>	<u>Net Internal Balances</u>
<u>Governmental Activities</u>			
General Fund	\$ (8,984)	\$ -	\$ (8,984)
2000 ½ Cent Sales Tax Fund	<u>(297,653)</u>	<u>-</u>	<u>(297,653)</u>
Total Governmental Activities	(306,637)	-	(306,637)
<u>Business-Type Activities</u>			
Utility Fund	<u>-</u>	<u>306,637</u>	<u>306,637</u>
	<u>\$(306,637)</u>	<u>\$ 306,637</u>	<u>\$ -</u>

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

8. Changes in Capital Assets

The following is a summary of the changes in capital assets for the year ended December 31, 2010:

	Balance January 1, 2010	Additions	Deletions	Balance December 31, 2010
<u>Governmental Activities:</u>				
Capital Assets not being Depreciated:				
Land	\$ 766,196	\$ -	\$ -	\$ 766,196
Construction in Progress	40,456	149,674	-	190,130
Total Capital Assets not being Depreciated	806,652	149,674	-	956,326
Capital Assets being Depreciated:				
Land Improvements	137,756	-	-	137,756
Buildings	707,968	9,000	-	716,968
Equipment and Vehicles	1,536,985	184,888	-	1,721,873
Furniture and Fixtures	163,424	-	-	163,424
Recreational Equipment	212,852	-	-	212,852
Infrastructure	1,627,791	-	-	1,627,791
Total Capital Assets being Depreciated	4,386,776	193,888	-	4,580,664
Less: Accumulated Depreciation for:				
Land Improvements	33,848	6,278	-	40,126
Buildings	224,474	30,145	-	254,619
Equipment and Vehicles	862,014	209,051	-	1,071,065
Furniture and Fixtures	154,426	2,672	-	157,098
Recreational Equipment	110,772	16,968	-	127,740
Infrastructure	1,012,694	62,904	-	1,075,598
Total Accumulated Depreciation	2,398,228	328,018	-	2,726,246
Total Capital Assets being Depreciated, Net	1,988,548	(134,130)	-	1,854,418
Total Governmental Activities Capital Assets, Net	\$ 2,795,200	\$ 15,544	\$ -	\$ 2,810,744

(CONTINUED)

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

	Balance January 1, 2010	Additions	Deletions	Balance December 31, 2010
<u>Business-Type Activities:</u>				
Capital Assets not being Depreciated:				
Land - Gas and Water System	\$ 82,231	\$ -	\$ -	\$ 82,231
Land - Sewer System	17,233	-	-	17,233
Construction in Progress	119,332	114,797	(68,313)	165,816
Total Capital Assets not being Depreciated	218,796	114,797	(68,313)	265,280
Capital Assets being Depreciated:				
Gas System	4,327,700	80,152	-	4,407,852
Water System	2,421,756	-	-	2,421,756
Sewer System	11,199,236	67,713	-	11,266,949
Buildings	212,339	-	-	212,339
Land Improvements	40,576	-	-	40,576
Machinery and Equipment	1,292,775	129,041	-	1,421,816
Total Capital Assets being Depreciated	19,494,382	276,906	-	19,771,288
Less: Accumulated Depreciation for:				
Gas System	2,608,792	96,347	-	2,705,139
Water System	1,582,015	61,991	-	1,644,006
Sewer System	3,942,481	338,558	-	4,281,039
Buildings	144,710	8,661	-	153,371
Land Improvements	4,188	2,705	-	6,893
Machinery and Equipment	1,087,388	65,669	-	1,153,057
Total Accumulated Depreciation	9,369,574	573,931	-	9,943,505
Total Capital Assets being Depreciated, Net	10,124,808	(297,025)	-	9,827,783
Total Business Type Activities Capital Assets, Net	\$ 10,343,604	\$ (182,228)	\$ (68,313)	\$ 10,093,063

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

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

Governmental Activities:

General Government	\$ 62,508
Public Safety	124,176
Streets	103,302
Parks and Recreation	<u>38,032</u>

Total Depreciation Expense - Governmental Activities	<u>\$ 328,018</u>
---	-------------------

Business Type Activities:

Water	\$ 75,604
Gas	144,859
Sewer	<u>353,468</u>

Total Depreciation Expense - Business Type Activities	<u>\$ 573,931</u>
--	-------------------

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

9. Accounts, Salaries, and Other Payables

The payables at December 31, 2010 are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts Payable	\$ 308,399	\$ 385,878	\$ 694,277
Withholdings	99,620	28,286	127,906
Accrued Salary	123,467	48,194	171,661
Customer Deposits	<u>-</u>	<u>635,390</u>	<u>635,390</u>
Total	<u>\$ 531,486</u>	<u>\$ 1,097,748</u>	<u>\$ 1,629,234</u>

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

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 \$174,332, for the year ended December 31, 2010.

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 25.00% 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, 2010 was \$112,998, which was equal to the required contributions for the year.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

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, 2010:

	Debt Payable 1/1/2010	Additions	Deletions	Debt Payable 12/31/2010	Due within 1 year
Governmental Activities:					
Compensated Absences	\$ 64,250	\$ 78,522	\$ 67,560	\$ 75,212	\$ 18,803
Refunding Series Bonds, Series 2004	63,000	-	63,000	-	-
Refunding Bond Payable by Utility Issues	2,904,000	-	194,000	2,710,000	200,000
Deferred Discount on Bonds	(12,147)	-	(811)	(11,336)	(837)
Total Governmental Activities	3,019,103	78,522	323,749	2,773,876	217,966
Business-Type Activities:					
Compensated Absences	22,072	29,641	21,654	30,059	7,515
Environmental Assessment Liabilities	213,593	-	213,593	-	-
Refunding Series Bonds, Series 2009 (Gross)	7,440,000	-	245,000	7,195,000	270,000
Combined Utilities Revenue Bonds, Series 2010B	-	364,000	700	363,300	15,291
Less: Intragovernmental Payable	(2,904,000)	-	(194,000)	(2,710,000)	(200,000)
Deferred Discount on Bonds	(18,974)	-	(213)	(18,761)	(293)
Total Business-Type Activities	4,752,691	393,641	286,734	4,859,598	92,513
Total Debt	<u>\$ 7,771,794</u>	<u>\$ 472,163</u>	<u>\$ 610,483</u>	<u>\$7,633,474</u>	<u>\$310,479</u>

Refunding Bonds, Series 2009

Town of Walker Utilities Project Series 2009 Refunding Bonds - \$7,440,000 (\$2,904,000 payable from Governmental Activities and \$4,536,000 payable from Business-Type Activities) of Refunding Bonds Dated September 3, 2009, due in annual installments of principal and semi-annual installments of interest through October 1, 2029; variable interest rate ranging from 3.000% to 4.875%.

\$ 7,195,000

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

The principal and interest on the refunding bonds, series 2009, was allocated between governmental activities and business type activities based on balances of the old debt net of the cash contributed by the proprietary fund. A schedule of the outstanding Refunding Series 2009 Bonds principal and interest requirements are as follows:

Governmental Activities:

<u>Year Ended December 31,</u>	2009 Refunding Series		
	Principal	Interest	Total
2011	\$ 200,000	\$ 106,231	\$ 306,231
2012	208,000	99,016	307,016
2013	218,000	91,361	309,361
2014	225,000	83,260	308,260
2015	235,000	74,673	309,673
2016-2020	1,326,000	218,976	1,544,976
2021	298,000	6,739	304,739
	<u>\$2,710,000</u>	<u>\$ 680,256</u>	<u>\$3,390,256</u>

Business-Type Activities:

<u>Year Ended December 31,</u>	2009 Refunding Series		
	Principal	Interest	Total
2011	\$ 70,000	\$ 181,227	\$ 251,227
2012	72,000	180,342	252,342
2013	72,000	179,597	251,597
2014	75,000	178,997	253,997
2015	75,000	178,585	253,585
2016-2020	364,000	890,812	1,254,812
2021-2025	1,757,000	743,653	2,500,653
2026-2029	2,000,000	243,715	2,243,715
	<u>\$4,485,000</u>	<u>\$2,776,928</u>	<u>\$ 7,261,928</u>
Total Refunding Bond 2009 Issue	<u>\$7,195,000</u>	<u>\$3,457,184</u>	<u>\$10,652,184</u>

The Town of Walker Utilities Project Series 2009 Refunding Bonds requires the following funds to be maintained:

A debt service fund designed to achieve proper mailing of principal and interest payments as due on the Revenue Bond.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

The Town is required to pay monthly one-sixth (1/6) of the interest due on the next interest payment date due on the bonds into an interest account of the Debt Service Fund. In addition, the Town is required to pay monthly one-twelfth (1/12) of the principal due on the next principal payment date due on the bonds into a principal account of the Debt Service Fund. At December 31, 2010, the Debt Service Fund requirement for the interest and principal accounts were fully funded with an actual balance of \$142,657, and is reported on the Proprietary Fund as restricted cash.

During the previous year, the Town issued \$7,440,000 Louisiana Local Government Environmental Facilities and Community Development Authority Refunding Bonds (Town of Walker Utilities Project Series 2009) for the purpose of refunding the outstanding balance of the following governmental activities and business type activity bonds and outstanding balances at the date of refunding:

Governmental Activities Bond Refunded	<u>Principal Refunded</u>
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%.	<u>\$ 2,904,000</u>
Total Governmental Activities Bond Refunded	<u>2,904,000</u>
Business-Type Activities Bond Refunded	
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%.	2,832,538
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%.	181,004
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%.	1,522,458
Total Business-Type Activities Bonds Refunded	<u>4,536,000</u>
Total Bonds Refunded	<u>\$ 7,440,000</u>

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

The sources and uses of the refunding issue are summarized as follows:

Sources and Uses of Funds:

Sources:

Par Amount of Bonds	\$ 7,440,000
Proprietary Fund Payment	1,254,855
Original Issue Discount	<u>(31,121)</u>
	<u>\$ 8,663,734</u>

Uses:

Deposits with Escrow Fund	\$ 3,346,544
Deposits to Refunding Fund	4,910,601
Underwriters Discount	111,600
Bond Insurance Premium	87,476
Deposit Issuance Costs Account	<u>207,513</u>
	<u>\$ 8,663,734</u>

The reacquisition price equaled the net carrying value of the old debt. This advance refunding was undertaken to increase total debt service payments over the next 20 years by \$1,854,136 and resulted in an economic loss of \$(184,199). In addition, the advanced refunding was done to release the accumulated cash held in the proprietary fund and the special revenue fund from restrictions that was necessary under restrictive bond covenants provisions contained in the refunded debt.

Combined Utilities Revenue Bonds, 2010B

Town of Walker Combined Utilities Revenue Bonds, Series 2010B - \$364,000 of Combined Utility Revenue Bonds Dated February 4, 2010, due in annual installments of principal and semi-annual installments of interest through October 1, 2029; interest rate of 2.95%.

\$ 363,300

A schedule of the outstanding Combined Utilities Revenue Bonds, Series 2010 Bonds principal and interest requirements are as follows:

Year Ended December 31,	2010B Utilities Revenue Bonds		
	Principal	Interest	Total
2011	\$ 15,291	\$ 10,717	\$ 26,008
2012	15,660	10,266	25,926
2013	16,039	9,804	25,843
2014	16,426	9,331	25,757
2015	16,823	8,847	25,670
2016-2020	90,423	36,545	126,968
2021-2025	101,892	22,546	124,438
2026-2029	90,746	6,772	97,518
	<u>\$ 363,300</u>	<u>\$ 114,828</u>	<u>\$ 478,128</u>

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

The Town is required to pay monthly one-sixth (1/6) of the interest due on the next interest payment date due on the bonds into an interest account of the Debt Service Fund. In addition, the Town is required to pay monthly one-twelfth (1/12) of the principal due on the next principal payment date due on the bonds into a principal account of the Debt Service Fund. At December 31, 2010, the Debt Service Fund requirement for the interest and principal accounts and for contingencies were fully funded with an actual balance of \$58,977, and is reported on the Proprietary Fund as restricted cash.

13. Compensated Absences

At December 31, 2010, employees of the Town have accumulated and vested \$105,271 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. Of this amount, \$75,212 is recorded as an obligation of the Governmental Activities, and \$30,059 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, 2010, 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 \$98,067 of on-behalf payments as revenue and as expenses in the General Fund.

16. Restricted Assets

Restricted assets were applicable to the following at December 31, 2010:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and Cash Equivalents:			
Refunding Bonds, Series 2009 – Debt Service	\$ -	\$ 142,657	\$ 142,657
Combined Utility Bonds, Series 2010 - Debt Service	<u>-</u>	<u>58,977</u>	<u>58,977</u>
Total Cash and Cash Equivalents	-	201,634	201,634
Investments:			
Customers Deposits	<u>-</u>	<u>646,971</u>	<u>646,971</u>
Total Restricted Assets	<u>\$ -</u>	<u>\$ 848,605</u>	<u>\$ 848,605</u>

TOWN OF WALKER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

**17. Schedule of Utility Enterprise Fund Net Income (Loss) from Operations
by Department for the Year Ended December 31, 2010**

	<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	\$ 4,824,632	\$ 809,550	\$ 1,080,703	\$ 321,607	\$ 7,036,492
Delinquent Charges	107,553	20,009	13,592	7,036	148,190
Miscellaneous	209,851	97,191	8,600	-	315,642
Total Operating Revenues	5,142,036	926,750	1,102,895	328,643	7,500,324
Operating Expenses:					
Direct	3,248,672	716,517	1,047,424	352,531	5,365,144
General and Administrative	279,967	163,629	67,905	2,795	514,296
Total Operating Expenses	3,528,639	880,146	1,115,329	355,326	5,879,440
Operating Income (Loss) by Department	1,613,397	46,604	(12,434)	(26,683)	1,620,884
Nonoperating Revenues	60,504	3,177	1,351	180	65,212
Nonoperating Expenses	(140,619)	(33,124)	(18,124)	-	(191,867)
Federal Grant	-	68,804	-	-	68,804
State Grant	-	15,714	14,250	-	29,964
Transfers from Special Revenue	-	-	166,667	-	166,667
Transfers to General Fund	(800,000)	-	-	-	(800,000)
Change in Net Assets					\$ 959,664
Business-Type Activities					
Departmental Net Income (Loss)	<u>\$ 733,282</u>	<u>\$ 101,175</u>	<u>\$ 151,710</u>	<u>\$ (26,503)</u>	

TOWN OF WALKER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

**18. Schedule of Utility Fund Operating Expenses by Department
for the Year Ended December 31, 2010**

	Gas Department	Water Department	Sewer Department	Sanitation Department	Total Utility Enterprise Fund
Direct Expenses:					
Natural Gas Purchases	\$ 2,241,539	\$ -	\$ -	\$ -	\$ 2,241,539
Salaries and Wages	411,912	151,438	198,494	5,896	767,740
Payroll Taxes, Retirement and Group Insurance	161,448	58,121	66,655	443	286,667
Contract Services	118,223	54,841	10,357	343,242	526,663
Depreciation	144,859	75,604	353,468	-	573,931
Equipment Expenses	53,054	10,070	12,836	-	75,960
Equipment Rental	9,490	5,933	8,892	479	24,794
Lab Fees	-	-	25,636	-	25,636
Maintenance	91,073	303,460	230,298	2,471	627,302
Small Tools and Supplies	10,490	6,032	9,031	-	25,553
Utilities	6,584	51,018	131,757	-	189,359
	<u>3,248,672</u>	<u>716,517</u>	<u>1,047,424</u>	<u>352,531</u>	<u>5,365,144</u>
General and Administrative Expenses:					
Insurance	107,220	29,028	22,689	-	158,937
Miscellaneous	30,510	29,804	4,346	260	64,920
Office Expense	40,513	7,803	3,906	-	52,222
Professional Fees	67,441	83,348	22,885	2,009	175,683
Telephone	12,793	9,486	13,316	-	35,595
Bad Debts	21,490	4,160	763	526	26,939
	<u>279,967</u>	<u>163,629</u>	<u>67,905</u>	<u>2,795</u>	<u>514,296</u>
Total Operating Expenses	<u><u>\$ 3,528,639</u></u>	<u><u>\$ 880,146</u></u>	<u><u>\$ 1,115,329</u></u>	<u><u>\$ 355,326</u></u>	<u><u>\$ 5,879,440</u></u>

TOWN OF WALKER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

**19. Schedule of Utility Enterprise Fund Operating Expenses by
Function for the Year Ended December 31, 2010**

Personal Services and Benefits:

Direct Labor	\$ 767,740
Payroll Taxes, Retirement and Group Insurance	286,667
	<hr/>
	1,054,407

Contractual Services:

Equipment Rental	24,794
Lab Fees	25,636
Subcontract Disposal Service	526,663
Professional Fees	175,683
	<hr/>
	752,776

Cost of Materials:

Natural Gas Purchases	2,241,539
-----------------------	-----------

Utilities:

Utilities	189,359
Telephone	35,595
	<hr/>
	224,954

Repair and Maintenance:

Equipment Expenses	75,960
Maintenance	627,302
	<hr/>
	703,262

Supplies:

Small Tools and Supplies	25,553
Office Expense	52,222
Miscellaneous	64,920
	<hr/>
	142,695

Insurance

158,937

Depreciation

573,931

Bad Debts

26,939

Total Operating Expenses

\$ 5,879,440

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

20. 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 drafted 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 included an amount of \$318,820 as a Long-Term Obligation on the December 31, 2007 Financial Statements. As of December 31, 2010, the entire \$318,820 liability has been paid.

21. 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.

22. Contingent Liabilities

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

<u>Department</u>	
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 a prior year. Upon determination that the liability is enforceable and the Town must reimburse LDOTD, the Town must reclassify the total recorded as contributed capital to a liability account.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

23. Compensation Paid Mayor and Council Members

Bobby Font, Mayor 13791 Aydell Lane P.O. Box 218 Walker, LA 70785 (225) 667-0972	\$ 51,414
Elton Burns, Board Member 30034 Corbin Ave. Walker, LA 70785 (225) 665-6605	9,800
Jack Summerell, Board Member 28351 Red Oak Dr. Walker, LA 70785 (225) 665-7738	9,800
Scarlett Major, Board Member 13699 Aydell Lane Walker, LA 70785 (225) 665-6695	9,800
James Phillips, Board Member 28081 Foxfire Ave. Walker, LA 70785 (225) 664-7046	9,600
Richard Wales, Board Member 13964 Guy Street Walker, LA 70785 (225) 664-3085	<u>9,600</u>
	<u>\$ 100,014</u>

Terms end December 31, 2012.

24. Revenues and Expenditures - Actual Compared to Budget

The following funds had actual revenues and/or other sources and expenditures and/or other uses over budgeted expenditures and/or other uses by 5% or more for the year ended December 31, 2010 in the following categories or functions:

<u>General Fund</u>	Final Budget	Actual	Unfavorable Variance
Capital Outlay Expenditures	\$ 263,471	\$ 343,562	\$ 80,091

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

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.

25. Subsequent Events

Sale of Property

On February 14, 2011, the Town entered into an agreement with the Livingston Parish School Board to sell 1.76 acres of land on Stump Street for \$240,000. The Town deposited \$240,000 from the Livingston Parish School Board on March 2, 2011 for the sale of the land.

Issuance of New Utility Bond

On April 20, 2011, the Town issued \$750,000 Combined Utilities Revenue Bonds, Series 2011. The bond proceeds were provided by the Clean Water State Revolving Loan Fund administered by the Louisiana Department of Environmental Quality (LADEQ) in accordance with applicable State and Federal laws. The LADEQ provided the loan under the provisions of the Clean Water Act of 1972, as amended by the Water Quality Act of 1987. The proceeds of this loan will be used to finance a portion of the costs of constructing and acquiring improvements, extensions and replacements to the Town's wastewater system. The loan will bear interest at 0.95% per annum (including the LDEQ's administrative fee) and will be repaid over twenty years.

26. Current Accounting Pronouncements -

In February 2009, the Governmental Accounting Standards Board issued GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions." The objective of this Statement is to improve usefulness, including the understandability, of governmental fund balance information. This Statement provides more clearly defined categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. It also clarifies the existing governmental fund type definitions to improve the comparability of governmental fund financial statements and help financial statement users to better understand the purposes for which governments have chosen to use particular funds for financial reporting. This Statement will be required to be adopted by the Town of Walker for the fiscal year ending December 31, 2011.

OTHER SUPPLEMENTAL INFORMATION

TOWN OF WALKER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2010

<u>Federal Grantor/ Pass - Through Grantor/ Program Name</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>
<u>United States Department of the Interior</u>			
Passed Through Louisiana Department of Culture, Recreation and Tourism:			
Outdoor Recreation, Acquisition Development and Planning (ARRA)	15.916	N/A	\$ 19,348
<u>United States Department of Justice</u>			
Passed Through Louisiana Commission on Law Enforcement:			
Truancy Program	16.540	N/A	433
Bulletproof Vest Partnership Program	16.607	N/A	2,576
Criminal Patrols	16.738	N/A	11,460
Eward Byrne Memorial Justice Assistance Grant (ARRA)	16.803	N/A	96,110
<u>United States Department of Transportation</u>			
Passed Through Louisiana Department of Transportation and Development:			
Highway Planning and Construction (ARRA)	20.205	N/A	142
Safe Routes to Schools Grant (ARRA)	20.205	N/A	132,381
<u>United States Environmental Protection Agency</u>			
Passed Through Louisiana Department of Health and Hospitals:			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	N/A	364,000
Capitalization Grants for Drinking Water State Revolving Funds (ARRA)	66.468	N/A	68,804
<u>United States Department of Homeland Security</u>			
Passed Through Louisiana Governor's Office of Homeland Security and Emergency Preparedness:			
Emergency Management Performance Grant	97.042	N/A	4,733
Homeland Security Grant	97.067	N/A	4,911
Total Expenditures of Federal Awards			<u>\$ 704,898</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

TOWN OF WALKER

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2010

Note A - Significant Accounting Policies -

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Walker and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

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**

2322 Tremont Drive • Baton Rouge, LA 70809
178 Del Orleans Avenue, Suite C • Denham Springs, LA 70726
Phone: 225.928.4770 • Fax: 225.926.0945
www.htbcpa.com

May 18, 2011

The Honorable Mayor, Bobby Font
and the Board of Aldermen
Town of Walker
Walker, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the budgetary comparative statements of the General Fund and the 2000 ½ Cent Sales Tax Special Revenue Fund of the Town of Walker, Louisiana, as of and for the year ended December 31, 2010, which collectively comprise the Town of Walker, Louisiana's basic financial statements, and have issued our report thereon dated May 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Walker'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 an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and responses as item 2010-1.

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

This report is intended solely for the information and use of management, the Board of Aldermen, others within the entity, and the Office of the Legislative Auditor, State of Louisiana, 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,

Thomas J. Bourgeois, CPA

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

2322 Tremont Drive • Baton Rouge, LA 70809
178 Del Orleans Avenue, Suite C • Denham Springs, LA 70726
Phone: 225.928.4770 • Fax: 225.926.0945
www.htbcpa.com

May 18, 2011

The Honorable Mayor, Bobby Font
and the Board of Aldermen
Town of Walker
Walker, Louisiana

Compliance

We have audited the Town of Walker's compliance of with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. The Town's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

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

In our opinion, the Town of Walker complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2010.

Internal Control Over Compliance

Management of the Town of Walker is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information of management, the Office of the Legislative Auditor, State of Louisiana, and federal awarding agencies and pass-through entities 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,

Hannu J. Bourgeois, CPA

TOWN OF WALKER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2010

A. As required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, the following is a summary of the results of our audit:

- Type of report issued on financial statements - unqualified.
- Type of report issued on compliance for major programs - unqualified.
- The results of audit procedures disclosed no material noncompliance in major programs.
- The results of audit procedures disclosed no questioned costs.
- Our audit disclosed no findings which are required to be reported under Section 510(a).
- The following program was tested as Type "A" major programs:

<u>Federal Grantor/ Pass - Through Grantor/ Program Name</u>	<u>CFDA Number</u>
<u>United States Environmental Protection Agency</u> Passed Through Louisiana Department of Health and Hospitals: Capitalization Grants for Drinking Water State Revolving Funds	66.468
Capitalization Grants for Drinking Water State Revolving Funds (ARRA)	66.468

- The threshold for distinguishing Types A and B programs was \$300,000
- The Town of Walker was not determined to be a low-risk auditee.

TOWN OF WALKER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2010

B. Internal Control Over Financial Reporting

None

C. Compliance and Other Matters

Finding 2010-1 Failure to Amend Budget (LSA-R.S. 39:1310):

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. Actual expenses of the general fund exceeded budgeted expenditures by a greater than 5% variance in the following departments:

	<u>Unfavorable Variance</u>	<u>Variance %</u>
<u>General Fund</u>		
• Capital Outlay Expenditures	\$ 80,091	30.40%

Recommendation:

We recommend that the management of the Town monitor actual costs accumulated by department and make appropriate budget amendments to comply with the law requiring the budget to actual variance to be within 5%.

Management's Response:

The Town was awarded a Safe Routes to School Grant from the United States Department of Transportation, passed through the Louisiana Department of Transportation and Development. As of the time the budget amendment was prepared, only engineering design and planning work was expected to be completed during 2010 with the actual construction to begin in 2011. Therefore, construction expenses associated with this project were not included in the 2010 budget amendment. Excluding these construction costs, the capital outlay would have had a favorable variance of \$52,290 (19.85%).

TOWN OF WALKER

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2010

(A) Findings-Internal Control Over Financial Reporting

None

(B) Findings-Compliance and Other Matters-

Finding 2009-1 Failure to Amend Budget (LSA-R.S. 39:1310):

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. Actual expenses of the general fund exceeded budgeted expenditures by a greater than 5% variance in the following departments:

	<u>Unfavorable Variance</u>	<u>Variance %</u>
<u>General Fund</u>		
• Licenses and Permits Revenue	\$ 37,229	8.35%
• Interest Income	\$ 5,143	75.15%
• Miscellaneous Revenue	\$ 20,539	21.38%
• General Government Expenditures	\$ 230,258	16.19%
• Capital Outlay Expenditures	\$ 78,646	26.12%
<u>2000 ½ Cent Sales Tax Special Revenue Fund</u>		
• Debt Service Expenditures	\$ 129,566	40.20%

Recommendation:

We recommended that the management of the Town monitor actual costs accumulated by department and make appropriate budget amendments to comply with the law requiring the budget to actual variance to be within 5%.

Management's Response:

As per R.S. 39:1311, the budget is required to be amended when total revenue and other sources plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more; or total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more.

As of the last estimates prior to adopting the final budget amendment, projections reported a positive total general fund revenue variance of 8.09% and a negative total expenditure variance of 2.33%. Although several departments had unfavorable variances greater than 5%, management opted not to increase the departmental budgets with the exception of a few specific items since in total the budget was

TOWN OF WALKER

SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2010

in compliance. Projected total revenue and expenditure variances after the budget amendment was adopted were +5.57% and -.27%, respectively. Actual total revenue and expenditure variances were +5.12% and -5.30%, respectively.

The unfavorable variances as noted above are due primarily to:

Licenses and Permit Revenue

- Although Walker experienced growth in 2009, construction activity slowed as compared to 2008. In 2009 there were fewer permits issued, fewer license renewals, and fewer large commercial projects.

Interest Income

- Interest earnings down from 2008.

Miscellaneous Revenue

- Penalties and interest were down from 2008 with the Town taking a more active roll in occupational license renewals.
- Promotional / community events revenue was netted against expenditures rather than recorded as revenue.

General Government Expenditures

- Increase in general government salaries with the addition of a grant coordinator and two court assistants.
- Economic development payment to Stine Lumber that was originally charged to Enterprise Fund.

Capital Outlay Expenditures

- Law enforcement software purchased under grant originally intended to be purchased in 2010; however, the grant was available in 2009 and the existing software was on the verge of crashing beyond repair.
- Two c-cans purchased for additional storage, one for the Police Department and one for Town Hall.
- Two vehicles purchased in December from state surplus for Street Department. These were low mileage vehicles in excellent condition that were purchased to replace older, high mileage vehicles that were scheduled for replacement in 2010.

Debt Service Expenditures

- The 1999 Gas and Water Revenue Bonds, the 2000 and 2001 Sewer Revenue Bonds, and the 2000 Sales Tax Bonds were consolidated and reissued as the 2009 Utility Revenue Bonds. The entire amount of the new bonds and all related costs were recorded in the Enterprise fund. Because the 2000 Sales Tax Bonds were originally recorded in the ½ Cent Sales Tax Fund, an audit adjustment was made to record a pro-rata share of the new bonds and related costs in the Sales Tax Fund.

TOWN OF WALKER

SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2010

Corrective Action Taken:

While management continues to monitor the budget on a current basis, for the year ended December 31, 2010, they failed to adequately budget capital outlay expenses as described in current year finding 2010-1.

Reference Number: 2004M-9

Category: Contingent Liabilities

Description of Finding:

The Town of Walker must make decisions on the recording and/or disclosure of contingent liabilities. Contingent liabilities are liabilities for which the Town may have a financial obligation that has not been disclosed. Some of those contingent liabilities the prior CPA reviewed are as follows:

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

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

- Many local communities in Louisiana have obligations to the Louisiana Department of Transportation and Development, but the nature and disposition of this liability must be disclosed. The prior CPA was unable to determine if DOTD will enforce payment of these liabilities and recorded these totals as a debit to capital assets and a credit to contributed capital. Upon determination that the liability will be enforceable, the Town of Walker must reclassify the total recorded as contributed capital to a liability account.

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.

TOWN OF WALKER

SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2010

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.

Management's Response:

The Town of Walker will seek the opinion of its attorney relative to the liability created when utilities were relocated by the Louisiana Department of Transportation and Development. We will determine the appropriate disclosure in accordance with the legal opinion. As of December 31, 2010 any liability is still not determined. The Louisiana Department of Transportation has not enforced the collection of the balances due; however, the Town has been notified that utility services adjacent to state right of ways will not be approved until the liability is paid.