

TOWN OF WALKER, LOUISIANA**AUDITED FINANCIAL STATEMENTS****DECEMBER 31, 2007**

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 6/25/08

**TOWN OF WALKER
WALKER, LOUISIANA**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

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**TOWN OF WALKER
WALKER, LOUISIANA**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

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June 3, 2008

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Walker, Louisiana, as of and for the year ended December 31, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

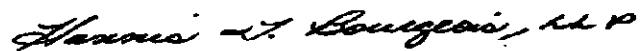
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Walker, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 3, 2008, on our consideration of the Town of Walker's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control and financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

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

Respectfully submitted,



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, 2007. The intent of Management's Discussion and Analysis ("MD&A") is to look at the overall financial performance of the Town using an objective, easily readable analysis of the Town's financial activities. Therefore, we encourage readers to consider the information presented here in conjunction with additional information furnished in the Notes to the Basic Financial Statements. Please reference the Table of Contents for the exact location of those items.

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

Financial Highlights

- The Town received an unqualified opinion on the current year financial statements of both the Governmental Activities and Business-Type Activities for the second year running.
- The Town's assets exceeded its liabilities at the close of the fiscal year by \$8,732,281 (*net assets*).
- The Town's total net assets compared to prior year total net assets of \$7,631,253 increased by \$1,101,028 or 14.43%.
- The Town's governmental funds net assets have increased from a deficit of (\$1,132,726) for the year ended December 31, 2005 to \$635,227 for the year ended December 31, 2007; a \$1,767,953 increase over the two year period.
- Total revenue from both governmental and business-type activities was \$11,228,643. Total expenses were \$10,127,615.
- The Town's governmental funds reported combined ending fund balances of \$1,920,358, an increase of \$244,340 in comparison with the prior year combined ending fund balances of \$1,676,018.
- The Town's total debt decreased by \$690,104 (6.7%) during the fiscal year.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes, licenses, permits, fines and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town of Walker include general government, public safety, highways and streets, and parks and recreation. The business-type activities of the Town of Walker include 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 $\frac{1}{2}$ cent sales tax, the proceeds of which are legally dedicated for the repayment of the Series 2000 Sales Tax Bonds, payments into the required Sinking and Reserve Funds, and other expenditures specifically allowed in the bond resolution. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the special revenue fund as both funds are considered major funds.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund (Exhibit B-5) and the special revenue 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 27 - 64 of this report.

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

Government-wide Financial Analysis

This analysis pertains to the government-wide financial statements for the fiscal year ended December 31, 2007. The Town's net assets at December 31, 2007 were \$8,732,281. 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, 2007 with comparative figures for 2006.

| Town of Walker Condensed Statement of Net Assets December 31, 2007 and 2006 | | | | | | |
|---|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Assets: | | | | | | |
| Current and Other Assets | \$ 1,673,481 | \$ 1,467,541 | \$ 2,353,743 | \$ 2,377,904 | \$ 4,027,224 | \$ 3,845,445 |
| Restricted Assets | 548,529 | 539,312 | 1,731,214 | 1,512,919 | 2,279,743 | 2,052,231 |
| Capital Assets | 2,379,394 | 2,244,276 | 11,140,374 | 11,332,881 | 13,519,768 | 13,577,157 |
| Total assets | 4,601,404 | 4,251,129 | 15,225,331 | 15,223,704 | 19,826,735 | 19,474,833 |
| Liabilities: | | | | | | |
| Current Liabilities | 268,653 | 293,411 | 1,140,052 | 1,174,316 | 1,408,705 | 1,467,727 |
| Long-Term Liabilities | 3,697,524 | 4,091,633 | 5,988,225 | 6,284,220 | 9,685,749 | 10,375,853 |
| Total Liabilities | 3,966,177 | 4,385,044 | 7,128,277 | 7,458,536 | 11,094,454 | 11,843,580 |
| Net assets: | | | | | | |
| Invested in Capital Assets | | | | | | |
| Net of Debt | 1,999,394 | 1,621,276 | 5,491,847 | 5,382,354 | 7,491,241 | 7,003,630 |
| Restricted | 548,529 | 539,312 | 938,840 | 762,832 | 1,487,369 | 1,302,144 |
| Unrestricted (Deficit) | (1,912,696) | (2,294,503) | 1,666,367 | 1,619,982 | (246,329) | (674,521) |
| Total Net Assets | <u>\$ 635,227</u> | <u>\$ (133,915)</u> | <u>\$ 8,097,054</u> | <u>\$ 7,765,168</u> | <u>\$ 8,732,281</u> | <u>\$ 7,631,253</u> |

Business-type activities net assets increased by \$331,886 in the current year. Governmental activities net assets increased by \$769,142 in the current year.

The Statement of Activities for 2007 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 2007 were \$10,127,615. Of the governmental activities expenses, \$658,628 was covered by program revenues and operating grants. The remainder, or \$3,500,733, was funded by general revenues, primarily sales, franchise, and property taxes, occupational licenses, and permits. For business-type activities, program revenues exceeded expenses by \$554,468.

The table below reflects the condensed Statement of Activities for the year ended December 31, 2007 with comparative figures for 2006.

| Town of Walker Condensed Statement of Activities For the Year Ended December 31, 2007 and 2006 | | | | | | |
|--|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 526,661 | \$ 690,488 | \$ 6,522,722 | \$ 6,245,715 | \$ 7,049,383 | \$ 6,936,203 |
| Operating Grants and Contributions | 131,967 | 64,667 | - | - | 131,967 | 64,667 |
| Capital Grants and Contributions | - | 89,008 | - | - | - | 89,008 |
| General Revenues: | | | | | | |
| Taxes | 3,781,640 | 3,507,750 | - | - | 3,781,640 | 3,507,750 |
| Other Grants and Contributions not Restricted to Specific Programs | 11,015 | 12,059 | - | - | 11,015 | 12,059 |
| Interest Income | 53,418 | 83,438 | 83,149 | 71,452 | 136,567 | 154,890 |
| Net Gain on Sale of Assets | - | 26,365 | - | - | - | 26,365 |
| Miscellaneous Income | 76,277 | 24,576 | 41,794 | 17,951 | 118,071 | 42,527 |
| Transfers | 347,525 | 343,579 | (347,525) | (343,579) | - | - |
| Total Revenues | 4,928,503 | 4,841,930 | 6,300,140 | 5,991,539 | 11,228,643 | 10,833,469 |
| Expenses: | | | | | | |
| General Government | 1,101,941 | 1,168,458 | - | - | 1,101,941 | 1,168,458 |
| Public Safety | 1,662,118 | 1,426,846 | - | - | 1,662,118 | 1,426,846 |
| Highways and Streets | 946,821 | 823,042 | - | - | 946,821 | 823,042 |
| Parks and Recreation | 300,279 | 270,343 | - | - | 300,279 | 270,343 |
| Interest on Long-Term Debt | 148,202 | 154,430 | - | - | 148,202 | 154,430 |
| Gas | - | - | 3,963,615 | 3,929,463 | 3,963,615 | 3,929,463 |
| Water | - | - | 678,195 | 490,401 | 678,195 | 490,401 |
| Sewer | - | - | 1,021,560 | 1,061,376 | 1,021,560 | 1,061,376 |
| Sanitation | - | - | 304,884 | 290,427 | 304,884 | 290,427 |
| Total Expenses | 4,159,361 | 3,843,119 | 5,968,254 | 5,771,667 | 10,127,615 | 9,614,786 |
| Increase (Decrease) in Net Assets | 769,142 | 998,811 | 331,886 | 219,872 | 1,101,028 | 1,218,683 |
| Net Assets - Beginning of Year | (133,915) | (1,132,726) | 7,765,168 | 7,545,296 | 7,631,253 | 6,412,570 |
| Net Assets - End of Year | \$ 635,227 | \$ (133,915) | \$ 8,097,054 | \$ 7,765,168 | \$ 8,732,281 | \$ 7,631,253 |

Governmental activities. Governmental activities increased the Town's net assets by \$769,142. Key areas of note are detailed below:

- Sales and other taxes increased by \$273,890 (7.81%) during the year. This is a nominal increase compared to the 18.20% increase for the year ended December 31, 2006, an indication of the fading effects of hurricanes Katrina and Rita and a slowing economy.
- Charges for services decreased by \$163,827 (23.73%). The largest decrease was in fines and forfeits of \$127,335.
- Net transfers from the utility fund of \$347,525.

Business-type activities. Business-type activities increased the Town's net assets by \$331,886. Key areas of note are detailed below:

- Gas department revenues exceeded expenses by \$1,010,825 and \$600,334 was transferred to the general fund leaving a net income of \$410,491 in the Gas department.
- Sewer department expenses exceeded program revenues by \$516,883. 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. \$562,809 was transferred to the sewer activity for fiscal year 2007, resulting in a surplus of \$45,926; however, \$310,000 of sewer activity revenues was transferred to the general fund resulting in a shortfall in the Sewer department of \$264,074.
- Water department program revenues exceeded expenses by \$170,247 while the Sanitation department revenues exceeded expenses by \$15,222.

Analysis of Fund Financial Statements

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

Governmental funds. The focus of the Town's *governmental funds* is to provide information on near-term inflow, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,920,358, an increase of \$244,340 in the current year. The general fund is the chief operating fund of the Town. During the current fiscal year, the fund balance of the general fund increased by \$209,788, due to the transfer of \$600,334 from the Gas department, \$310,000 from the Sewer department, and \$65,000 from the 2000 ½ Cent Sales Tax Fund; while the fund balance of the 2000 ½ Cent Sales Tax Fund increased by \$34,552, after the transfer of \$562,809 to the Sewer Department and \$65,000 to the General Fund.

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 \$850,265, an increase in combined net assets of \$331,886, and a net increase in cash and cash equivalents of \$1,036,645.

General Fund Budgetary Summary

All departments are within the 5.00% variance allowed by state law.

| General Fund | Original Budget | Final Budget | Actual Expenses | Favorable (Unfavorable) Variance | % |
|-------------------------------|---------------------|---------------------|---------------------|--|---------------|
| General Government | <u>\$ 1,247,495</u> | <u>\$ 1,104,558</u> | <u>\$ 1,058,772</u> | <u>\$ 45,786</u> | <u>4.15%</u> |
| Public Safety: Animal Control | <u>\$ 107,454</u> | <u>\$ 114,853</u> | <u>\$ 115,708</u> | <u>\$ (855)</u> | <u>-0.74%</u> |
| Public Safety: Police | <u>\$ 1,224,999</u> | <u>\$ 1,432,646</u> | <u>\$ 1,457,024</u> | <u>\$ (24,378)</u> | <u>-1.70%</u> |
| Highway and Streets | <u>\$ 846,852</u> | <u>\$ 838,357</u> | <u>\$ 836,370</u> | <u>\$ 1,987</u> | <u>0.24%</u> |
| Parks and Recreation | <u>\$ 249,487</u> | <u>\$ 295,221</u> | <u>\$ 284,394</u> | <u>\$ 10,827</u> | <u>3.67%</u> |
| Capital Outlay | <u>\$ -</u> | <u>\$ 330,568</u> | <u>\$ 355,735</u> | <u>\$ (25,167)</u> | <u>-7.61%</u> |
| Debt Service | <u>\$ 261,946</u> | <u>\$ 261,946</u> | <u>\$ 256,355</u> | <u>\$ 5,591</u> | <u>2.13%</u> |

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business type activities as of December 31, 2007, amounts to \$13,519,768, a decrease of \$(57,389) from the December 31, 2006 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 2007 amounted to \$220,617, while depreciation expense recorded for the business-type activities totaled \$546,121.

Additional information on the Town's capital assets can be found in note 8 on pages 41 - 43 of this report.

Long-term debt. At the end of the current fiscal year, the Town had total debt outstanding of \$9,685,749, a decrease of \$690,104 (6.7%) from prior year. This decrease is a result of timely remittance of required debt payments. A breakdown of the long-term debt is as follows:

- Compensated absences accounts for \$71,402 of the outstanding debt.
- \$318,820 represents a verbal settlement agreement with the Department of Environmental Quality due to past violations.
- The remaining \$9,295,527 is comprised of various certificates of indebtedness and bond issuances payable from Town revenues as noted below:

| | |
|----------------------------|--|
| \$ 380,000 | General Fund Revenues |
| 3,267,000 | Special Revenue Fund Revenues |
| <u>5,648,527</u> | Utiltiy Enterprise Fund Revenues |
| <u>\$ 9,295,527</u> | Total COI and Bonds Payable from Town Revenues |

- No new debt has been issued.

Additional information on the Town's long-term debt can be found in note 12 on pages 45 - 58.

Future Budget and Economic Outlook

Although the Town's unrestricted net assets remain at a slight deficit, all funds demonstrated improvement and total net assets increased \$1,101,028 over prior year. The current administration's commitment to building a positive future for the Town is reflected in continued improvement in the Town's financial outlook. Although sales tax revenue is beginning to plateau, expansion of the gas distribution system and commercial development provide promise of increased revenues.

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF WALKER
STATEMENT OF NET ASSETS
DECEMBER 31, 2007
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2006)

| | Governmental Activities | Business-Type Activities | Totals 2007 | Totals 2006 |
|--|----------------------------|-----------------------------|----------------------|----------------------|
| | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 709,309 | \$ 979,806 | \$ 1,689,115 | \$ 1,450,623 |
| Receivables, Net | . 259,673 | 1,134,495 | 1,394,168 | 1,466,851 |
| Due from Other Governments | 587,560 | - | 587,560 | 507,996 |
| Internal Balances | 67,941 | (67,941) | - | - |
| Inventories | - | 262,611 | 262,611 | 326,218 |
| Prepaid Items | 48,998 | 44,772 | 93,770 | 93,757 |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents | 548,529 | 1,283,098 | 1,831,627 | 1,629,128 |
| Investments | - | 448,116 | 448,116 | 423,103 |
| Capital Assets: | | | | |
| Land and Construction in Progress | 835,343 | 115,841 | 951,184 | 865,660 |
| Other Capital Assets, Net of Depreciation | 1,544,051 | 11,024,533 | 12,568,584 | 12,711,497 |
| Total Assets | <u>\$ 4,601,404</u> | <u>\$ 15,225,331</u> | <u>\$ 19,826,735</u> | <u>\$ 19,474,833</u> |
| LIABILITIES | | | | |
| Accounts Payable and Accrued Expenses | \$ 252,654 | \$ 1,116,794 | \$ 1,369,448 | \$ 1,429,187 |
| Accrued Interest Payable | 15,999 | 23,258 | 39,257 | 38,540 |
| Non-Current Liabilities: | | | | |
| Due Within One Year | 447,631 | 326,219 | 773,850 | 726,626 |
| Due in More Than One Year | 3,249,893 | 5,662,006 | 8,911,899 | 9,649,227 |
| Total Liabilities | <u>3,966,177</u> | <u>7,128,277</u> | <u>11,094,454</u> | <u>11,843,580</u> |
| NET ASSETS | | | | |
| Investment in Capital Assets, Net of Related Debt | 1,999,394 | 5,491,847 | 7,491,241 | 7,003,630 |
| Reserved for Debt Service | 548,529 | 938,840 | 1,487,369 | 1,302,144 |
| Unrestricted (Deficit) | <u>(1,912,696)</u> | <u>1,666,367</u> | <u>(246,329)</u> | <u>(674,521)</u> |
| Total Net Assets | <u>635,227</u> | <u>8,097,054</u> | <u>8,732,281</u> | <u>7,631,253</u> |
| Total Liabilities and Net Assets | <u>\$ 4,601,404</u> | <u>\$ 15,225,331</u> | <u>\$ 19,826,735</u> | <u>\$ 19,474,833</u> |

The accompanying notes constitute an integral part of this statement.

TOWN OF WALKER

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2007

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2006)

| <u>Functions/Programs</u> | Program Revenues | | | |
|--|-------------------------|-----------------------------|---|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| General Government | \$ 1,101,941 | \$ - | \$ - | \$ - |
| Public Safety | 1,662,118 | 423,689 | 131,967 | - |
| Highways and Streets | 946,821 | - | - | - |
| Parks and Recreation | 300,279 | 102,972 | - | - |
| Interest on Long-Term Debt | 148,202 | - | - | - |
| Total Governmental Activities | 4,159,361 | 526,661 | 131,967 | - |
| Business-Type Activities: | | | | |
| Gas | 3,963,615 | 4,850,050 | - | - |
| Water | 678,195 | 848,193 | - | - |
| Sewer | 1,021,560 | 504,677 | - | - |
| Sanitation | 304,884 | 319,802 | - | - |
| Total Business-Type Activities | 5,968,254 | 6,522,722 | - | - |
| Total Primary Government | \$ 10,127,615 | \$ 7,049,383 | \$ 131,967 | \$ - |
| General Revenues: | | | | |
| Taxes: | | | | |
| Property | | | | |
| Sales | | | | |
| Occupational and Permits | | | | |
| Franchise | | | | |
| Other Grants and Contributions not Restricted to Specific Programs | | | | |
| Transfers | | | | |
| Interest Income | | | | |
| Net Gain on Sale of Assets | | | | |
| Miscellaneous Income | | | | |
| Total General Revenues | | | | |
| Change in Net Assets | | | | |
| Net Assets (Deficit) - Beginning of Year | | | | |
| Net Assets (Deficit) - End of Year | | | | |

The accompanying notes constitute an integral part of this statement.

Exhibit A-2

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

| Governmental Activities | Business-Type Activities | Totals 2007 | Totals 2006 |
|------------------------------------|-------------------------------------|------------------------|------------------------|
| \$ (1,101,941) | \$ - | \$ (1,101,941) | \$ (1,168,458) |
| (1,106,462) | - | (1,106,462) | (809,748) |
| (946,821) | - | (946,821) | (804,034) |
| (197,307) | - | (197,307) | (62,286) |
| (148,202) | - | (148,202) | (154,430) |
| <hr/> | <hr/> | <hr/> | <hr/> |
| (3,500,733) | - | (3,500,733) | (2,998,956) |
| | | | |
| - | 886,435 | 886,435 | 730,243 |
| - | 169,998 | 169,998 | 317,291 |
| - | (516,883) | (516,883) | (585,479) |
| - | 14,918 | 14,918 | 11,993 |
| <hr/> | <hr/> | <hr/> | <hr/> |
| - | 554,468 | 554,468 | 474,048 |
| <hr/> | <hr/> | <hr/> | <hr/> |
| (3,500,733) | 554,468 | (2,946,265) | (2,524,908) |
| | | | |
| 71,777 | - | 71,777 | 55,797 |
| 2,899,014 | - | 2,899,014 | 2,735,611 |
| 404,973 | - | 404,973 | 298,916 |
| 405,876 | - | 405,876 | 417,426 |
| | | | |
| 11,015 | - | 11,015 | 12,059 |
| 347,525 | (347,525) | - | - |
| 53,418 | 83,149 | 136,567 | 154,890 |
| - | - | - | 26,365 |
| 76,277 | 41,794 | 118,071 | 42,527 |
| <hr/> | <hr/> | <hr/> | <hr/> |
| 4,269,875 | (222,582) | 4,047,293 | 3,743,591 |
| | | | |
| 769,142 | 331,886 | 1,101,028 | 1,218,683 |
| (133,915) | 7,765,168 | 7,631,253 | 6,412,570 |
| <hr/> | <hr/> | <hr/> | <hr/> |
| \$ 635,227 | \$ 8,097,054 | \$ 8,732,281 | \$ 7,631,253 |

FUND FINANCIAL STATEMENTS

TOWN OF WALKER**BALANCE SHEET**
GOVERNMENTAL FUNDS**DECEMBER 31, 2007****(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2006)**

| | 2000 1/2 Cent | | Total | | Totals 2006 |
|-------------------------------------|---------------|-------------------|-----------------------|--------------|----------------|
| | General | Sales Tax Fund | Governmental Funds | | |
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 507,705 | \$ 201,604 | \$ 709,309 | \$ 1,314,180 | |
| Receivables: | | | | | |
| Ad Valorem Taxes, Net | 60,376 | - | 60,376 | 24,839 | |
| Other | 199,297 | - | 199,297 | 161,609 | |
| Due from Other Funds | 67,941 | - | 67,941 | 197,366 | |
| Due from Other Governments | 393,540 | 194,020 | 587,560 | 507,996 | |
| Cash - Restricted | 124,142 | 424,387 | 548,529 | 539,312 | |
| Total Assets | \$ 1,353,001 | \$ 820,011 | \$ 2,173,012 | \$ 2,745,302 | |
| LIABILITIES | | | | | |
| Accounts Payable | \$ 100,167 | \$ - | \$ 100,167 | \$ 98,422 | |
| Payroll Liabilities | 79,898 | - | 79,898 | 120,834 | |
| Accrued Salaries and Wages | 72,589 | - | 72,589 | 60,599 | |
| Due to Other Funds | - | - | - | 789,429 | |
| Total Liabilities | 252,654 | - | 252,654 | 1,069,284 | |
| FUND BALANCES | | | | | |
| Fund Balances: | | | | | |
| Reserved for Debt Service | 124,142 | 424,387 | 548,529 | 539,312 | |
| Unreserved, Reported In | | | | | |
| General Fund | 976,205 | - | 976,205 | 770,008 | |
| Debt Service Fund | - | 395,624 | 395,624 | 366,698 | |
| Total Fund Balances | 1,100,347 | 820,011 | 1,920,358 | 1,676,018 | |
| Total Liabilities and Fund Balances | \$ 1,353,001 | \$ 820,011 | \$ 2,173,012 | \$ 2,745,302 | |

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, 2007

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2006)

| | <u>2007</u> | <u>2006</u> |
|--|--------------------|---------------------|
| Fund Balances-Total Governmental Funds | \$ 1,920,358 | \$ 1,676,018 |
| Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because: | | |
| Capital Assets Used in Governmental Activities are not Financial Resources and are not Reported in the Governmental Funds | | |
| Governmental Capital Assets | 4,551,589 | 4,215,754 |
| Less Accumulated Depreciation | <u>(2,172,195)</u> | <u>(1,971,478)</u> |
| | 2,379,394 | 2,244,276 |
| Prepaid Insurance | 48,998 | 50,980 |
| Long-Term Liabilities are not Due and Payable in the Current Period and Therefore are not Reported in the Governmental Funds: | | |
| General Obligation Bonds | (3,448,000) | (3,673,000) |
| Compensated Absences Payable | (50,524) | (31,633) |
| General Obligation Certificates of Indebtedness | (199,000) | (387,000) |
| Accrued Interest Payable | <u>(15,999)</u> | <u>(13,556)</u> |
| | (3,713,523) | (4,105,189) |
| Net Assets (Deficit) of Governmental Activities | <u>\$ 635,227</u> | <u>\$ (133,915)</u> |

The accompanying notes constitute an integral part of this statement.

TOWN OF WALKER

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

FOR THE YEAR ENDED DECEMBER 31, 2007

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2006)

| | 2000 | | | Total |
|---|---------------------|-------------------|---------------------|---------------------|
| | 1/2 Cent Sales | Governmental | Funds | Totals |
| | General | Tax Fund | Funds | 2006 |
| Revenues: | | | | |
| Taxes | \$ 2,421,344 | \$ 966,338 | \$ 3,387,682 | \$ 3,220,893 |
| Licenses and Permits | 404,973 | - | 404,973 | 298,916 |
| Fines and Forfeits | 410,355 | - | 410,355 | 537,690 |
| Interest | 37,590 | 15,828 | 53,418 | 83,438 |
| Fees | 70,154 | - | 70,154 | 74,856 |
| Intergovernmental | 131,967 | - | 131,967 | 134,667 |
| Miscellaneous | 122,429 | - | 122,429 | 165,266 |
| Total Revenues | 3,598,812 | 982,166 | 4,580,978 | 4,515,726 |
| Expenditures: | | | | |
| Current: | | | | |
| General Government | 1,058,772 | 17,401 | 1,076,173 | 1,132,233 |
| Public Safety | 1,572,732 | - | 1,572,732 | 1,354,647 |
| Highways and Streets | 836,370 | - | 836,370 | 721,196 |
| Parks and Recreation | 284,394 | - | 284,394 | 262,042 |
| Capital Outlay | 355,735 | - | 355,735 | 346,069 |
| Debt Service: | | | | |
| Principal Retirement | 243,000 | 170,000 | 413,000 | 395,000 |
| Interest and Administration Fees | 13,355 | 132,404 | 145,759 | 162,483 |
| Total Expenditures | 4,364,358 | 319,805 | 4,684,163 | 4,373,670 |
| Excess (Deficiency) of Revenues over Expenditures | (765,546) | 662,361 | (103,185) | 142,056 |
| Other Financing Sources (Uses): | | | | |
| Transfers In | 975,334 | - | 975,334 | 603,834 |
| Transfer Out | - | (627,809) | (627,809) | (260,255) |
| Total Other Financing Sources (Uses) | 975,334 | (627,809) | 347,525 | 343,579 |
| Net Change in Fund Balances | 209,788 | 34,552 | 244,340 | 485,635 |
| Fund Balances at Beginning of Year | 890,559 | 785,459 | 1,676,018 | 1,190,383 |
| Fund Balances at End of Year | \$ 1,100,347 | \$ 820,011 | \$ 1,920,358 | \$ 1,676,018 |

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, 2007

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2006)

| | <u>2007</u> | <u>2006</u> |
|--|-------------------|-------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ 244,340 | \$ 485,635 |
| 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 | 355,735 | 346,069 |
| Depreciation Expense | <u>(220,617)</u> | <u>(221,751)</u> |
| | 135,118 | 124,318 |
| 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 | 19,900 | 625 |
| Less Cost Basis of Capital Assets Retired During the Year | <u>(19,900)</u> | <u>(18,000)</u> |
| | - | (17,375) |
| 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 | (1,982) | 5,445 |
| 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 | 413,000 | 395,000 |
| Some Expenses Reported in the Statement of Activities do not Require the use of Current Financial Resources and are not Reported as Expenditures in Governmental Funds. | | |
| Increase in Compensated Absences Payable | (18,891) | (2,265) |
| (Increase) Decrease in Accrued Interest Payable | <u>(2,443)</u> | <u>8,053</u> |
| Change in Net Assets of Governmental Activities | <u>\$ 769,142</u> | <u>\$ 998,811</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, 2007

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual | Variance With Final Budget |
|------------------------------|---------------------------------|------------------------------|------------------|-------------------------------|
| Revenues | | | | |
| Taxes: | | | | |
| Ad Valorem Taxes | \$ 60,678 | \$ 70,328 | \$ 71,777 | \$ 1,449 |
| Alcoholic Beverage Tax | 9,247 | 9,036 | 11,015 | 1,979 |
| Franchise Taxes | 358,028 | 403,447 | 405,876 | 2,429 |
| Sales Taxes | <u>1,818,920</u> | <u>1,873,345</u> | <u>1,932,676</u> | <u>59,331</u> |
| | 2,246,873 | 2,356,156 | 2,421,344 | 65,188 |
| Licenses and Permits: | | | | |
| Occupational Licenses | 243,188 | 304,182 | 313,733 | 9,551 |
| Other Permits and Licenses | <u>62,347</u> | <u>87,592</u> | <u>91,240</u> | <u>3,648</u> |
| | 305,535 | 391,774 | 404,973 | 13,199 |
| Fines and Forfeits | 598,947 | 370,669 | 410,355 | 39,686 |
| Interest Income | 85,590 | 43,089 | 37,590 | (5,499) |
| Fees: | | | | |
| Animal Adoption Fees | 16,458 | 13,169 | 13,334 | 165 |
| Parks and Recreation Fees | <u>60,421</u> | <u>55,920</u> | <u>56,820</u> | <u>900</u> |
| | 76,879 | 69,089 | 70,154 | 1,065 |

(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, 2007

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual | Variance With Final Budget |
|----------------------------------|---------------------------------|------------------------------|---------------------|-------------------------------|
| Intergovernmental: | | | | |
| Law Enforcement Grants | 40,000 | 16,887 | 16,887 | - |
| Other Grants | - | 52,776 | 52,776 | - |
| On Behalf Payments for Salaries | <u>-</u> | <u>44,280</u> | <u>62,304</u> | <u>18,024</u> |
| | 40,000 | 113,943 | 131,967 | 18,024 |
| Miscellaneous: | | | | |
| Parks and Recreation Concessions | 80,337 | 47,984 | 46,152 | (1,832) |
| Miscellaneous | <u>14,375</u> | <u>54,655</u> | <u>76,277</u> | <u>21,622</u> |
| | <u>94,712</u> | <u>102,639</u> | <u>122,429</u> | <u>19,790</u> |
| Total Revenues | \$ 3,448,536 | \$ 3,447,359 | \$ 3,598,812 | \$ 151,453 |

(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, 2007

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual | Variance With Final Budget |
|---|---------------------------------|------------------------------|------------------|-------------------------------|
| Expenditures | | | | |
| General Government: | | | | |
| General Provisions: | | | | |
| Salaries | \$ 524,189 | \$ 429,085 | \$ 411,318 | \$ 17,767 |
| Aldermen's Per Diem | 46,000 | 44,000 | 44,000 | - |
| Payroll Taxes, Retirement, and Group Insurance | 237,493 | 186,737 | 169,642 | 17,095 |
| Advertising | 1,500 | 1,683 | 2,638 | (955) |
| Collection Costs | 53,000 | 42,787 | 42,125 | 662 |
| Bank Charges | 19,500 | 26,723 | 1,524 | 25,199 |
| Contracted Services | 14,000 | 12,365 | 11,467 | 898 |
| Coroner Fees | - | 5,400 | 5,050 | 350 |
| Insurance | 8,249 | 52,941 | 45,117 | 7,824 |
| Legal and Professional | 117,380 | 163,035 | 182,068 | (19,033) |
| Membership Fees and | | | | |
| Educational Training | 16,303 | 12,072 | 13,696 | (1,624) |
| Miscellaneous | 88,351 | 1,765 | 1,993 | (228) |
| Printing, Postage and | | | | |
| Office Supplies | 32,500 | 32,806 | 33,216 | (410) |
| Rental Equipment | 12,480 | 16,579 | 19,375 | (2,796) |
| Repairs and Maintenance | 2,900 | 2,234 | 7,692 | (5,458) |
| Small Tools and Supplies | 1,250 | 9,348 | 1,733 | 7,615 |
| Telephone | 50,325 | 41,452 | 42,925 | (1,473) |
| Utilities | 14,750 | 15,799 | 14,974 | 825 |
| Uniforms | 4,775 | 6,397 | 6,566 | (169) |
| Vehicle Expenses | 2,550 | 1,350 | 1,653 | (303) |
| Total General Government | <u>1,247,495</u> | <u>1,104,558</u> | <u>1,058,772</u> | <u>45,786</u> |
| Public Safety: | | | | |
| Animal Control: | | | | |
| Salaries | 50,139 | 46,658 | 46,854 | (196) |
| Payroll Taxes, Retirement, and Group Insurance | 19,766 | 24,310 | 26,386 | (2,076) |

(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, 2007

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual | Variance With Final Budget |
|---|---------------------------------|------------------------------|----------------|-------------------------------|
| Public Safety (Continued): | | | | |
| Animal Control (Continued): | | | | |
| Animal Care Expense | 4,150 | 3,687 | 4,448 | (761) |
| Insurance | 785 | 2,295 | 2,090 | 205 |
| Legal and Professional | 6,980 | 8,647 | 7,277 | 1,370 |
| Miscellaneous | 3,319 | 5,942 | 6,237 | (295) |
| Printing, Postage and Office Supplies | 825 | 3,059 | 2,918 | 141 |
| Small Tools and Supplies | 1,650 | 1,823 | 1,560 | 263 |
| Telephone | 12,265 | 9,601 | 9,532 | 69 |
| Utilities | 5,825 | 6,810 | 6,460 | 350 |
| Vehicle Expense | 1,750 | 2,021 | 1,946 | 75 |
| Total Animal Control | 107,454 | 114,853 | 115,708 | (855) |
| Police: | | | | |
| Salaries | 659,539 | 746,300 | 779,223 | (32,923) |
| Payroll Taxes, Retirement, and Group Insurance | 231,861 | 258,027 | 270,440 | (12,413) |
| Contracted Services | 5,594 | 7,944 | 8,187 | (243) |
| Court Costs | 31,200 | 12,000 | 12,000 | - |
| Equipment Rental | 14,150 | 14,223 | 14,077 | 146 |
| Insurance | 44,746 | 109,361 | 97,162 | 12,199 |
| Membership Fees and Educational Training | 8,390 | 11,113 | 8,634 | 2,479 |
| Miscellaneous | 40,369 | 14,036 | 12,929 | 1,107 |
| Printing, Postage and Office Supplies | 9,325 | 10,603 | 9,861 | 742 |
| Professional Fees | 33,150 | 29,163 | 27,933 | 1,230 |
| Repairs and Maintenance | 4,425 | 5,366 | 6,061 | (695) |
| Small Tools and Supplies | 20,850 | 69,134 | 59,734 | 9,400 |
| Telephone | 36,150 | 31,172 | 32,834 | (1,662) |

(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, 2007

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual | Variance With Final Budget |
|---|---------------------------------|------------------------------|------------------|-------------------------------|
| Public Safety (Continued): | | | | |
| Police (Continued): | | | | |
| Uniforms | 13,875 | 19,507 | 18,457 | 1,050 |
| Utilities | 8,125 | 8,376 | 8,323 | 53 |
| Vehicle Expense | <u>63,250</u> | <u>86,321</u> | <u>91,169</u> | <u>(4,848)</u> |
| Total Police | <u>1,224,999</u> | <u>1,432,646</u> | <u>1,457,024</u> | <u>(24,378)</u> |
| Total Public Safety | <u>1,332,453</u> | <u>1,547,499</u> | <u>1,572,732</u> | <u>(25,233)</u> |
| Highway and Streets: | | | | |
| Streets: | | | | |
| Salaries | 289,192 | 331,517 | 331,473 | 44 |
| Payroll Taxes, Retirement, and Group Insurance | 150,988 | 133,744 | 136,500 | (2,756) |
| Contract Services | 63,000 | 86,957 | 86,705 | 252 |
| Equipment Expense | 27,475 | 45,921 | 41,539 | 4,382 |
| Equipment Rental | 360 | 460 | 478 | (18) |
| Insurance | 60,437 | 77,157 | 72,976 | 4,181 |
| Legal and Professional | 59,555 | 19,538 | 21,446 | (1,908) |
| Streets Maintenance and Materials | 24,700 | 23,370 | 26,001 | (2,631) |
| Membership Fees and Educational Training | - | 1,024 | 1,651 | (627) |
| Miscellaneous | 65,010 | 5,816 | 7,164 | (1,348) |
| Small Tools and Supplies | 8,945 | 16,662 | 14,584 | 2,078 |
| Telephone | 15,080 | 14,156 | 14,651 | (495) |
| Uniforms | 7,900 | 7,386 | 7,481 | (95) |
| Utilities | <u>74,210</u> | <u>74,649</u> | <u>73,721</u> | <u>928</u> |
| Total Highways and Streets | <u>846,852</u> | <u>838,357</u> | <u>836,370</u> | <u>1,987</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, 2007

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual | Variance With Final Budget |
|---|---------------------------------|------------------------------|------------------|-------------------------------|
| Parks and Recreation: | | | | |
| Salaries | 57,513 | 26,617 | 26,033 | 584 |
| Payroll Taxes, Retirement, and Group Insurance | 9,718 | 6,593 | 16,655 | (10,062) |
| Contract Services | 1,500 | 2,712 | 2,448 | 264 |
| Concession Supplies | 42,600 | 43,813 | 36,511 | 7,302 |
| Equipment Rental | 3,050 | 5,110 | 3,559 | 1,551 |
| Insurance | 2,250 | 3,990 | 3,325 | 665 |
| Membership Fees and Educational Training | 3,230 | 2,914 | 2,482 | 432 |
| Miscellaneous | 1,101 | 1,578 | 1,410 | 168 |
| Legal and Professional | 8,500 | 72,994 | 61,591 | 11,403 |
| Printing, Postage and Office Supplies | 4,700 | 3,098 | 2,364 | 734 |
| Recreational Supplies | 15,000 | 24,004 | 23,991 | 13 |
| Repairs and Maintenance | 12,775 | 10,874 | 15,398 | (4,524) |
| Small Tools and Supplies | 1,250 | 2,462 | 2,507 | (45) |
| Telephone | 12,310 | 9,484 | 9,195 | 289 |
| Tournament Expenses | 50,000 | 56,000 | 54,885 | 1,115 |
| Utilities | 23,640 | 21,568 | 20,865 | 703 |
| Uniforms | 350 | 1,410 | 1,175 | 235 |
| Total Parks and Recreation | 249,487 | 295,221 | 284,394 | 10,827 |
| Capital Outlay | - | 330,568 | 355,735 | (25,167) |
| Debt Service: | | | | |
| Principal Retirement | 243,000 | 243,000 | 243,000 | - |
| Interest and Administration Fees | 18,946 | 18,946 | 13,355 | 5,591 |
| Total Debt Service | 261,946 | 261,946 | 256,355 | 5,591 |
| Total Expenditures | <u>3,938,233</u> | <u>4,378,149</u> | <u>4,364,358</u> | <u>13,791</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, 2007

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual | Variance With Final Budget |
|--|---------------------------------|------------------------------|---------------------|-------------------------------|
| Excess (Deficiency) of Revenues Over Expenditures | (489,697) | (930,790) | (765,546) | 165,244 |
| Other Financing Sources (Uses): | | | | |
| Transfers In | 600,334 | 975,334 | 975,334 | - |
| Transfers Out | - | - | - | - |
| Net Change in Fund Balances | 110,637 | 44,544 | 209,788 | 165,244 |
| Fund Balance at Beginning of Year | 890,559 | 890,559 | 890,559 | - |
| Fund Balance at End of Year | \$ 1,001,196 | \$ 935,103 | \$ 1,100,347 | \$ 165,244 |

The accompanying notes constitute an integral part of this statement.

**TOWN OF WALKER
PROPRIETARY FUND**

STATEMENT OF NET ASSETS

DECEMBER 31, 2007

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2006)

| | Business Type Activities - Enterprise Fund | |
|--|---|---------------|
| | 2007 | 2006 |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 979,806 | \$ 136,443 |
| Due From Other Funds | - | 592,063 |
| | 979,806 | 728,506 |
| Receivables: | | |
| Accounts (Net of Allowance for Uncollectible Accounts of \$147,639 in 2007 and \$278,859 in 2006) | 628,201 | 834,800 |
| Unbilled Utility Sales | 506,294 | 445,603 |
| | 1,134,495 | 1,280,403 |
| Inventory, at Cost | 262,611 | 326,218 |
| Prepaid Expenses | 44,772 | 42,777 |
| Total Current Assets | 2,421,684 | 2,377,904 |
| Noncurrent Assets: | | |
| Restricted Cash, Cash Equivalents, and Investments: | | |
| Revenue Bond Covenant Accounts | 1,283,098 | 1,089,816 |
| Investments - Customer Deposits | 448,116 | 423,103 |
| Capital Assets, at Cost (Net of Accumulated Depreciation) | 11,140,374 | 11,332,881 |
| Total Noncurrent Assets | 12,871,588 | 12,845,800 |
| Total Assets | \$ 15,293,272 | \$ 15,223,704 |

The accompanying notes constitute an integral part of this statement.

Exhibit C-1

| | | Business Type Activities - Enterprise Fund | |
|---|---------------|---|------|
| | | 2007 | 2006 |
| Current Liabilities: | | | |
| Accounts Payable | \$ 477,177 | \$ 586,884 | |
| Accrued Salaries and Wages | 27,696 | 27,213 | |
| Accumulated Unpaid Vacation | 5,219 | 3,718 | |
| Customers' Deposits | 571,590 | 533,118 | |
| Due to Other Funds | 67,941 | - | |
| Other Current Liabilities | 40,331 | 2,117 | |
| Bonds Payable - 1998 Series - Current Portion | 321,000 | 302,000 | |
| Accrued Bond Interest | 23,258 | 24,984 | |
| Total Current Liabilities | 1,534,212 | 1,480,034 | |
| Noncurrent Liabilities: | | | |
| Bonds Payable - Less Current Portion | 5,327,527 | 5,648,527 | |
| Environmental Assessment Liabilities | 318,820 | 318,820 | |
| Accumulated Unpaid Vacation | 15,659 | 11,155 | |
| Total Noncurrent Liabilities | 5,662,006 | 5,978,502 | |
| Total Liabilities | 7,196,218 | 7,458,536 | |
| Net Assets: | | | |
| Invested in Capital Assets, Net of Related Debt | 5,491,847 | 5,382,354 | |
| Reserved for Debt Service | 938,840 | 762,832 | |
| Unrestricted | 1,666,367 | 1,619,982 | |
| Total Net Assets | 8,097,054 | 7,765,168 | |
| Total Liabilities and Net Assets | \$ 15,293,272 | \$ 15,223,704 | |

**TOWN OF WALKER
PROPRIETARY FUND**

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

FOR THE YEAR ENDED DECEMBER 31, 2007

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2006)

| | Business - Type Activities - Enterprise Fund | |
|--|---|---------------------|
| | 2007 | 2006 |
| Operating Revenues: | | |
| Charges for Services | \$ 6,522,722 | \$ 6,245,715 |
| Total Operating Revenues | 6,522,722 | 6,245,715 |
| Operating Expenses: | | |
| Personal Services and Benefits | 929,141 | 907,927 |
| Contractual Services | 562,121 | 572,257 |
| Cost of Materials | 2,540,285 | 2,616,343 |
| Utilities | 224,463 | 202,554 |
| Repair and Maintenance | 516,450 | 260,978 |
| Supplies | 188,000 | 166,712 |
| Insurance | 135,251 | 129,485 |
| Depreciation | 546,121 | 552,112 |
| Penalties | 51 | 3,691 |
| Bad Debts | 30,574 | 48,210 |
| Total Operating Expenses | <u>5,672,457</u> | <u>5,460,269</u> |
| Operating Income (Loss) | 850,265 | 785,446 |
| Nonoperating Revenues: | | |
| Interest | 83,149 | 71,452 |
| Miscellaneous | 41,794 | 17,951 |
| Total Nonoperating Revenues | 124,943 | 89,403 |
| Nonoperating Expenses: | | |
| Interest and Administrative Fees | <u>295,797</u> | <u>311,398</u> |
| Total Nonoperating Expenses | <u>295,797</u> | <u>311,398</u> |
| Income (Loss) Before Transfers | 679,411 | 563,451 |
| Transfers from Special Revenue Fund | 562,809 | 256,755 |
| Transfers to General Fund | (910,334) | (600,334) |
| Change in Net Assets | 331,886 | 219,872 |
| Total Net Assets at Beginning of Year | <u>7,765,168</u> | <u>7,545,296</u> |
| Total Net Assets at End of Year | <u>\$ 8,097,054</u> | <u>\$ 7,765,168</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, 2007

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2006)

| | | Business-Type Activities - Enterprise Fund | |
|---|--|---|---------------------|
| | | 2007 | 2006 |
| Cash Flows From Operating Activities: | | | |
| Cash Received from Customers | | \$ 6,638,056 | \$ 6,502,074 |
| Cash Payments to Suppliers for Goods and Services | | (4,178,228) | (4,285,165) |
| Cash Payments to Employees for Services and Benefits | | (922,653) | (906,271) |
| Other Receipts (Payments) | | <u>701,798</u> | <u>(211,376)</u> |
| Net Cash Used in Operating Activities | | 2,238,973 | 1,099,262 |
| Cash Flows From Noncapital and Related Financing Activities: | | | |
| Transfer From Special Revenue Fund | | 562,809 | 256,755 |
| Transfer To General Fund | | <u>(910,334)</u> | <u>(600,334)</u> |
| Net Cash Used in Noncapital and Related Financing Activities | | (347,525) | (343,579) |
| Cash Flows From Capital and Related Financing Activities: | | | |
| Acquisition and Construction of Capital Assets | | (353,614) | (174,755) |
| Net Receipts from Customer Deposits | | 38,472 | 111,189 |
| Principal Paid on Loans | | (302,000) | (288,000) |
| Interest and Administrative Fees Paid on Loans | | <u>(295,797)</u> | <u>(311,398)</u> |
| Net Cash Used in Capital and Related Financing Activities | | (912,939) | (662,964) |
| Cash Flows From Investing Activities: | | | |
| Net Purchases of Investments | | (25,013) | (34,852) |
| Interest Income | | <u>83,149</u> | <u>71,452</u> |
| Net Cash Provided by Investing Activities | | <u>58,136</u> | <u>36,600</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | | 1,036,645 | 129,319 |
| Cash and Cash Equivalents - Beginning of Year | | 1,226,259 | 1,096,940 |
| Cash and Cash Equivalents - End of Year | | \$ 2,262,904 | \$ 1,226,259 |

(CONTINUED)

**TOWN OF WALKER
PROPRIETARY FUND**

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2007

(WITH COMPARABLE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2006)

| | Business-Type Activities - Enterprise Fund | |
|--|---|---------------------|
| | 2007 | 2006 |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | |
| Operating Income | \$ 850,265 | \$ 785,446 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | | |
| Depreciation | 546,121 | 552,112 |
| Provision for Bad Debts | 30,574 | 48,210 |
| Miscellaneous Revenues | 41,794 | 17,951 |
| Changes in Assets and Liabilities: | | |
| (Increase) Decrease in Accounts Receivable | 176,025 | 176,376 |
| (Increase) Decrease in Unbilled Utility Sales | (60,691) | 79,983 |
| (Increase) Decrease in Due from Other Funds | 592,063 | (229,327) |
| (Increase) Decrease in Inventory | 63,607 | (78,980) |
| (Increase) Decrease in Prepaid Expenses | (1,995) | (1,660) |
| Increase (Decrease) in Accounts Payable | (109,707) | (210,749) |
| Increase (Decrease) in Accrued Salaries and Wages | 483 | (3,052) |
| Increase (Decrease) in Other Current Liabilities | 38,214 | (41,033) |
| Increase (Decrease) in Accrued Bond Interest | (1,726) | (723) |
| Increase (Decrease) in Due to Other Funds | 67,941 | - |
| Increase (Decrease) in Accumulated Unpaid Vacation | 6,005 | 4,708 |
| Net Cash Used in Operating Activities | \$ 2,238,973 | \$ 1,099,262 |

The accompanying notes constitute an integral part of this statement.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

Introduction:

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

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

1. Summary of Significant Accounting Policies:

A. Financial Reporting Entity

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

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

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

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

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

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

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

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

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

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

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

B. Government-Wide and Fund Accounting

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

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

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

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

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

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

Governmental Funds

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

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

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

Proprietary Funds

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

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

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The Town reports the following major governmental funds:

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

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

The Town reports the following major proprietary fund:

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

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the Town's utility functions and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's utility fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Budgets and Budgetary Accounting

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

- i. The Town Treasurer prepares a proposed budget and submits this budget to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year. The original budget for 2007 was adopted on December 11, 2006.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

- ii. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
- iii. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
- iv. After holding the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is adopted.
- v. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen.
- vi. All budgetary appropriations lapse at the end of each fiscal year.
- 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.

E. Cash and Investments

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

F. Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. At December 31, 2007, there were no advances between funds.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable based on agings and estimated charge-off percentages comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to five percent of the current year property tax levy plus one hundred percent of any unpaid prior year tax at December 31, 2007.

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, 2007

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

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

J. Compensated Absences

Employees of the municipality earn annual leave at varying rates according to years of service. Accrued unused annual leave earned by an employee is carried forward to the succeeding calendar year. Accrued unused sick leave earned by an employee is carried forward to the succeeding calendar year without limitation. Employees that are terminated or resign will not be paid for accumulated sick leave. As of December 31, 2007, the accrued liability for unpaid vacation benefits amounted to \$71,402. The amount applicable to the Enterprise Fund was \$20,878, and is recorded in that Fund, and the amount of \$50,524 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, 2007

L. Fund Equity

Government-Wide Statements

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

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

Fund Statements

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

M. Estimates

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

N. Reclassifications

Certain amounts presented in the 2006 total columns have been reclassified from prior year's presentation to conform to the current year classifications. Such reclassifications had no effect on the prior year determination of restricted and unrestricted net assets.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

2. Cash and Cash Equivalents

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

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

The Town of Walker has cash and cash equivalents totaling \$3,520,742 at December 31, 2007. 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, 2007.

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|---------------------|
| Deposits in Bank Accounts per Balance Sheet | <u>\$ 1,257,838</u> | <u>\$ 2,262,904</u> | <u>\$ 3,520,742</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 | 1,271,319 | 2,205,770 | 3,477,089 |
| Total Category 3 Bank Balances | <u>\$ 1,271,319</u> | <u>\$ 2,205,770</u> | <u>\$ 3,477,089</u> |
| Total Bank Balances (Regardless of Category) | <u>\$ 1,312,063</u> | <u>\$ 2,286,602</u> | <u>\$ 3,598,665</u> |

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

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, 2007, \$3,477,089 of the Town's bank balance of \$3,598,665 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entity's name.

3. Investments

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

At December 31, 2007, the Town holds investments totaling \$448,116 as follows:

| | Carrying Amount | Market Value |
|-------------------------------------|--------------------|-------------------|
| U.S. Government Securities Fund - A | \$ 236,801 | \$ 236,801 |
| American Balanced Fund - A | 98,965 | 98,965 |
| The Income Fund of America - A | <u>112,350</u> | <u>112,350</u> |
| Total | <u>\$ 448,116</u> | <u>\$ 448,116</u> |

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

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

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

4. Ad Valorem Taxes -

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

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

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, 2007, taxes of 2.20 mills were levied on property with assessed valuations totaling \$34,142,700 and were dedicated to general purposes.

Total taxes levied were \$75,114. Taxes receivable at December 31, 2007, consisted of the following:

| | |
|-----------------------------------|----------------|
| Taxes Receivable - Current Roll | \$ 62,866 |
| Taxes Receivable - Prior Years | <u>1,266</u> |
| | 64,132 |
| Allowance for Uncollectible Taxes | <u>(3,756)</u> |
| | \$ 60,376 |
| | <u> </u> |

5. Receivables

Receivables as of December 31, 2007, including the applicable allowance for uncollectible accounts, are as follows:

| | Ad Valorem Taxes | Franchise Taxes | Accounts | Unbilled Sales | Less: Allowance for Uncollectibles | Total - Net Receivable |
|---|----------------------|-----------------------|-----------------------------|-----------------------------|--|---------------------------------|
| <u>Governmental Activities:</u> | | | | | | |
| General Fund | \$64,132 | \$157,954 | \$ 41,343 | \$ - | \$ (3,756) | \$ 259,673 |
| Total Governmental Activities | 64,132 | 157,954 | 41,343 | - | (3,756) | 259,673 |
| <u>Business-Type Activities:</u> | | | | | | |
| Utility Fund | - <u>\$64,132</u> | - <u>\$157,954</u> | 775,840 <u>\$817,183</u> | 506,294 <u>\$506,294</u> | (147,639) <u>\$(151,395)</u> | 1,134,495 <u>\$1,394,168</u> |

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

6. Due From Other Governments -

Due from Other Governments as of December 31, 2007, consists of the following:

| | Livingston Parish <u>School Board</u> |
|--|---|
| <u>Governmental Activities</u> | |
| General Fund | \$ 393,540 |
| 2000 ½ Cent Sales Tax Fund | <u>194,020</u> |
| Total Governmental Activities | 587,560 |
| <u>Business-Type Activities</u> | |
| Utility Fund | — |
| | <u>\$587,560</u> |

7. Interfund Receivables/Payables

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

| | <u>Due from</u> | <u>Due to</u> | <u>Net Internal Balances</u> |
|--|------------------|--------------------|--------------------------------------|
| <u>Governmental Activities</u> | | | |
| General Fund | \$ 67,815 | \$ — | \$ 67,815 |
| 2000 ½ Cent Sales Tax Fund | — | — | — |
| Total Governmental Activities | 67,815 | — | 67,815 |
| <u>Business-Type Activities</u> | | | |
| Utility Fund | — | (67,815) | (67,815) |
| | <u>\$ 67,815</u> | <u>\$ (67,815)</u> | <u>\$ —</u> |

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TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

8. Changes in Capital Assets

The following is a summary of the changes in capital assets for the year ended December 31, 2007:

| | Balance | Additions | Deletions | Balance |
|--|------------------------|-------------------|-----------------|--------------------------|
| | <u>January 1, 2007</u> | <u> </u> | <u> </u> | <u>December 31, 2007</u> |
| <u>Governmental Activities:</u> | | | | |
| Capital Assets not being Depreciated: | | | | |
| Land | \$ 766,196 | \$ - | \$ - | \$ 766,196 |
| Construction in Progress | <u>-</u> | <u>69,147</u> | <u>-</u> | <u>69,147</u> |
| Total Capital Assets not being Depreciated | 766,196 | 69,147 | - | 835,343 |
| Capital Assets being Depreciated: | | | | |
| Land Improvements | 123,861 | 3,800 | - | 127,661 |
| Buildings | 349,594 | 16,751 | - | 366,345 |
| Equipment and Vehicles | 1,112,581 | 229,722 | (19,900) | 1,322,403 |
| Furniture and Fixtures | 150,062 | - | - | 150,062 |
| Recreational Equipment | 85,669 | 36,315 | - | 121,984 |
| Infrastructure | <u>1,627,791</u> | <u>-</u> | <u>-</u> | <u>1,627,791</u> |
| Total Capital Assets being Depreciated | 3,449,558 | 286,588 | (19,900) | 3,716,246 |
| Less: Accumulated Depreciation for: | | | | |
| Land Improvements | 20,352 | 3,499 | - | 23,851 |
| Buildings | 158,618 | 13,811 | - | 172,429 |
| Equipment and Vehicles | 741,236 | 131,413 | (19,900) | 852,749 |
| Furniture and Fixtures | 150,062 | - | - | 150,062 |
| Recreational Equipment | 80,709 | 5,509 | - | 86,218 |
| Infrastructure | <u>820,501</u> | <u>66,385</u> | <u>-</u> | <u>886,886</u> |
| Total Accumulated Depreciation | <u>1,971,478</u> | <u>220,617</u> | <u>(19,900)</u> | <u>2,172,195</u> |
| Total Capital Assets being Depreciated, Net | <u>1,478,080</u> | <u>65,971</u> | <u>-</u> | <u>1,544,051</u> |
| Total Governmental Activities | | | | |
| Capital Assets, Net | <u>\$ 2,244,276</u> | <u>\$ 135,118</u> | <u>\$ -</u> | <u>\$ 2,379,394</u> |

(CONTINUED)

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

| | <u>Balance</u> | | | <u>Balance</u> |
|--|------------------------|---------------------|------------------|--------------------------|
| | <u>January 1, 2007</u> | <u>Additions</u> | <u>Deletions</u> | <u>December 31, 2007</u> |
| <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 | - | 16,377 | - | 16,377 |
| Total Capital Assets not being Depreciated | 99,464 | 16,377 | - | 115,841 |
| Capital Assets being Depreciated: | | | | |
| Gas System | 4,107,385 | 157,784 | - | 4,265,169 |
| Water System | 2,399,666 | 22,090 | - | 2,421,756 |
| Sewer System | 11,125,111 | 11,879 | - | 11,136,990 |
| Buildings | 186,469 | 26,726 | - | 213,195 |
| Land Improvements | - | 29,000 | - | 29,000 |
| Machinery and Equipment | 1,320,810 | 89,758 | - | 1,410,568 |
| Total Capital Assets being Depreciated | 19,139,441 | 337,237 | - | 19,476,678 |
| Less: Accumulated Depreciation for: | | | | |
| Gas System | 2,331,866 | 88,108 | - | 2,419,974 |
| Water System | 1,397,446 | 60,587 | - | 1,458,033 |
| Sewer System | 2,975,926 | 323,176 | - | 3,299,102 |
| Buildings | 122,113 | 6,434 | - | 128,547 |
| Land Improvements | - | - | - | - |
| Machinery and Equipment | 1,078,673 | 67,816 | - | 1,146,489 |
| Total Accumulated Depreciation | 7,906,024 | 546,121 | - | 8,452,145 |
| Total Capital Assets being Depreciated, Net | 11,233,417 | (208,884) | - | 11,024,533 |
| Total Business Type Activities | | | | |
| Capital Assets, Net | \$ 11,332,881 | \$ (192,507) | \$ - | \$ 11,140,374 |

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

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

Governmental Activities:

| | |
|----------------------|---------------|
| General Government | \$ 24,013 |
| Public Safety | 74,590 |
| Streets | 106,467 |
| Parks and Recreation | <u>15,547</u> |

| | |
|---|-------------------|
| Total Depreciation Expense - Governmental Activities | \$ <u>220,617</u> |
|---|-------------------|

Business Type Activities:

| | |
|-------|----------------|
| Water | \$ 65,149 |
| Gas | 152,081 |
| Sewer | <u>328,891</u> |

| | |
|--|-------------------|
| Total Depreciation Expense - Business Type Activities | \$ <u>546,121</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, 2007 are as follows:

| | Governmental Activities | Business-Type Activities | Total |
|-------------------|----------------------------|-----------------------------|--------------------|
| Accounts Payable | \$ 100,167 | \$ 477,177 | \$ 577,344 |
| Withholdings | 79,898 | 38,872 | 118,770 |
| Accrued Salary | 72,589 | 27,696 | 100,285 |
| Sales Tax Payable | - | 1,459 | 1,459 |
| Customer Deposits | <u>-</u> | <u>571,590</u> | <u>571,590</u> |
| Total | <u>\$ 252,654</u> | <u>\$ 1,116,794</u> | <u>\$1,369,448</u> |

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

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 \$129,189, for the year ended December 31, 2007.

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 13.75% 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, 2007 was \$64,598, which was equal to the required contributions for the year.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

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, 2007:

| | Debt Payable 1/1/2007 | Additions | Deletions | Debt Payable 12/31/2007 | Due within 1 year |
|---|-----------------------------|-------------------------|-------------------------|-------------------------------|-------------------------|
| Governmental Activities: | | | | | |
| Compensated Absences | \$ 31,633 | \$ 18,891 | \$ - | \$ 50,524 | \$ 12,631 |
| Certificate of Indebtedness, Series 1998 | 387,000 | - | 188,000 | 199,000 | 199,000 |
| Sales Tax Bonds, Series 2000 | 3,437,000 | - | 170,000 | 3,267,000 | 178,000 |
| Refunding Series Bonds, Series 2004 | 236,000 | - | 55,000 | 181,000 | 58,000 |
| Total Governmental Activities | <u>4,091,633</u> | <u>18,891</u> | <u>413,000</u> | <u>3,697,524</u> | <u>447,631</u> |
| Business-Type Activities: | | | | | |
| Compensated Absences | 14,873 | 6,005 | - | 20,878 | 5,219 |
| Environmental Assessment Liabilities | 318,820 | - | - | 318,820 | - |
| Gas & Water Revenue Bonds, Series 1999 | 3,660,000 | - | 195,000 | 3,465,000 | 210,000 |
| Sewer Revenue Bonds, Series 2000 | 246,000 | - | 12,000 | 234,000 | 13,000 |
| Sewer Revenue Bonds, Series 2001 | 2,044,527 | - | 95,000 | <u>1,949,527</u> | <u>98,000</u> |
| Total Business-Type Activities | <u>6,284,220</u> | <u>6,005</u> | <u>302,000</u> | <u>5,988,225</u> | <u>326,219</u> |
| Total Debt | <u>\$10,375,853</u> | <u>\$ 24,896</u> | <u>\$715,000</u> | <u>\$9,685,749</u> | <u>\$773,850</u> |

Long-term debt payable from Governmental Activities at December 31, 2007, is comprised of the following:

Certificates of Indebtedness, Series 1998

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

\$ 199,000

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

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

| <u>Year Ended December 31,</u> | <u>Certificate of Indebtedness, Series, 1998</u> | | |
|--------------------------------|--|-----------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2008 | <u>\$199,000</u> | <u>\$ 5,871</u> | <u>\$204,871</u> |
| | <u>\$199,000</u> | <u>\$ 5,871</u> | <u>\$204,871</u> |

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

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

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

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

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

A Debt Service Fund designed to achieve a proper matching of revenues and debt service on the Certificates within each bond year. For purposes of the Arbitrage Certificate, and compliance with the Arbitrage Regulations, "Bond Year" shall mean the 1-year period ending on each principal payment date of the Certificates, which is July 1 of each year. Amounts deposited in the Debt Service Fund will be applied to the next payment of principal or interest on the Certificates following such transfer. All amounts deposited in the Debt Service Fund are expected to be depleted at least once each Bond Year, except for a reasonable carryover amount which will not exceed the greater of (I) the earnings on the Debt Service Fund for the immediately preceding Bond Year, or (ii) 1/12 of the principal and interest payments on the Certificates for the immediately preceding Bond Year. At December 31, 2007, the Certificates of Indebtedness, Series 1998 balance was fully funded with an actual balance of \$103,038.

Sales Tax Bonds, Series 2000

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

\$ 3,267,000

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

| Year Ended December 31, | Sales Tax Bonds, Series 2000 | | |
|-------------------------|------------------------------|--------------------------|---------------------------|
| | Principal | Interest | Total |
| 2008 | \$ 178,000 | \$ 109,641 | \$ 287,641 |
| 2009 | 185,000 | 103,379 | 288,379 |
| 2010 | 194,000 | 96,842 | 290,842 |
| 2011 | 200,000 | 90,045 | 290,045 |
| 2012 | 208,000 | 83,007 | 291,007 |
| 2013 - 2017 | 1,178,000 | 298,736 | 1,476,736 |
| 2018 - 2021 | <u>1,124,000</u> | <u>79,419</u> | <u>1,203,419</u> |
| | <u><u>\$3,267,000</u></u> | <u><u>\$ 861,069</u></u> | <u><u>\$4,128,069</u></u> |

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

- (a) To create a fund or account with the regularly designated Fiscal Agent Bank of the Borrower designated as the Sewer Sales Tax Bond Sinking Fund (the "Sinking Fund", by separating physically or through accounting, moneys sufficient in amount to pay promptly and fully the principal of and the interest on the Borrower Bonds, and any Parity Obligations issued hereafter in the manner provided by the Authorizing Ordinance, as the same severally become due and payable, by transferring from the Sales Tax Fund to the Sinking Fund, on or before the 20th day of the month of each year (i) during the Interim Loan Period an amount equal to the interest accruing on the Borrower Bonds for such calendar

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

month and (ii) during the Permanent Loan Period, an amount equal to the principal and interest accruing on the Borrower Bonds for such calendar month, together with such additional proportionate sum as may be required to pay said principal and interest as the same respectively become due. Said agent bank or banks of all obligations payable from the Sinking Fund, at least three (3) days in advance of the date on which payment of principal or interest falls due, funds fully sufficient to pay promptly the principal and interest so falling due on such date. At December 31, 2007, the Sales Tax Bond, Series 2000 Sinking Fund balance was fully funded with an actual balance of \$116,106.

- (b) To create a fund or account with the regularly designated Fiscal Agent Bank of the Borrower designated as the Sewer Sales Tax Bond Debt Service Reserve Fund (the "Reserve Fund"), by separating physically or by accounting into the Reserve Fund monthly on or before the 20th day of each month of each year, a sum at least equal to 25% of the amount required to be paid into the Sinking Fund for such month with respect to the Borrower Bonds, the payments into said Reserve Fund to continue until such time as there has been accumulated therein a sum equal to the Reserve Fund Requirement. In the event that additional Parity Obligations are issued hereafter in the manner provided by the Authorizing Ordinance, there shall be transferred from bond proceeds at closing or the Sales Tax Fund or from other available moneys into said Reserve Fund monthly or annually, such amounts (as may be designated in the resolution or ordinance authorizing the issuance of such Parity Obligations) as will increase the total amount on deposit in the Reserve Fund within a period not exceeding five (5) years from the date of issue of such Parity Obligations to a sum equal to the Reserve Fund Requirement. At December 31, 2007, the Sales Tax Bond, Series 2000 Reserve Fund balance was fully funded with an actual balance of \$308,281.

Refunding Bonds, Series 2004

Refunding Bonds, Series 2004. \$340,000 of Refunding Bonds, dated September 1, 2004, due in annual installments of principal and semi-annual installments of interest through September 10, 2010; interest rate at 3.190%. \$ 181,000

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

| <u>Year Ended December 31,</u> | <u>2004 Refunding Series</u> | | |
|--------------------------------|------------------------------|------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2008 | \$ 58,000 | \$ 5,774 | \$ 63,774 |
| 2009 | 60,000 | 3,924 | 63,924 |
| 2010 | 63,000 | 2,010 | 65,010 |
| | <u>\$181,000</u> | <u>\$ 11,708</u> | <u>\$ 192,708</u> |

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

The Refunding Bonds, Series 2004, were issued for the purpose of refunding the September 1, 2007 to September 1, 2010 maturities of the Town's outstanding Certificates of Indebtedness, Series 2000, and paying the costs of issuance of the bonds. The Refunding Bonds of \$340,000, dated September 1, 2004, were issued at \$340,000 and are due in annual installments of principal and semi-annual installments of interest through September 10, 2010; interest rate at 3.190%.

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

Pursuant to the Ordinance the Issuer is to establish and maintain the Refunding Bonds (2004) Sinking Fund (the "Debt Service Fund"). The Debt Service Fund is designed to achieve a proper matching of revenues and debt service on the Bonds within each bond year. For purposes of this Arbitrage Certificate and compliance with Arbitrage Regulations, "Bond Year" shall mean the 1-year period ending on each principal payment date of the Bonds, which is September 1 of each year. Amounts deposited in the Debt Service Fund will be applied to the next payment of principal or interest on the Bonds following such transfer. All amounts deposited in the Debt Service Fund are expected to be depleted at least once each Bond Year, except for a reasonable carryover amount which will not exceed the greater of (i) the earnings on the Debt Service Fund for the immediately preceding Bond Year, or (ii) ½ of the principal and interest payments on the Bonds for the immediately preceding Bond Year. At December 31, 2007, the Refunding Bonds, Series 2004 sinking fund was fully funded with an actual balance of \$21,104.

The annual requirements to amortize all outstanding debt of the governmental activities at December 31, 2007, including interest payments of \$878,648 are as follows:

| <u>Year Ending December 31,</u> | Certificates of Indebtedness <u>Series 1998</u> | Sales Tax Bonds, <u>Series 2000</u> | Refunding Bonds, <u>Series 2004</u> | <u>Total</u> |
|---------------------------------|---|---|---|--------------------|
| 2008 | \$ 204,871 | \$ 287,641 | \$ 63,774 | 556,286 |
| 2009 | - | 288,379 | 63,924 | 352,303 |
| 2010 | - | 290,842 | 65,010 | 355,852 |
| 2011 | - | 290,045 | - | 290,045 |
| 2012 | - | 291,007 | - | 291,007 |
| 2013 - 2017 | - | 1,476,736 | - | 1,476,736 |
| 2018 - 2021 | - | 1,203,419 | - | 1,203,419 |
| | <u>\$ 204,871</u> | <u>\$4,128,069</u> | <u>\$192,708</u> | <u>\$4,525,648</u> |

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

Long-term debt payable from the Business-Type Activities at December 31, 2007, is comprised of the following:

Natural Gas and Water Revenue Bonds, Series 1999

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

\$ 3,465,000

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

| <u>Year Ended December 31,</u> | 1999 Gas and Water Revenue Bonds | | |
|--------------------------------|---|---------------------------|---------------------------|
| | Principal | Interest | Total |
| 2008 | \$ 210,000 | \$ 197,505 | \$ 407,505 |
| 2009 | 220,000 | 185,535 | 405,535 |
| 2010 | 235,000 | 172,995 | 407,995 |
| 2011 | 245,000 | 159,600 | 404,600 |
| 2012 | 260,000 | 145,635 | 405,635 |
| 2013 – 2017 | 1,545,000 | 487,920 | 2,032,920 |
| 2018 - 2019 | <u>750,000</u> | <u>64,695</u> | <u>814,695</u> |
| | <u>\$ 3,465,000</u> | <u>\$1,413,885</u> | <u>\$4,878,885</u> |

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

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

- (a) The establishment and maintenance of a separately identifiable fund or account designated as the "1999 Utility Revenue Bond Sinking Fund" (the "Sinking Fund"), to be held by the regularly designated fiscal agent of the Issuer, sufficient in amount to pay promptly and fully the principal of and the interest on the bonds by transferring from the Revenue Fund to the fiscal agent of the Issuer, monthly in advance on or before the 20th day of each month of each year, commencing December, 1999, a sum equal to 1/6 of the interest falling due on the next Interest Payment Date and 1/12th of the principal falling due on the next principal payment date, together with such additional proportionate sum as may be required to pay said principal and interest as the same become due. If additional Parity Bonds are hereafter issued by the Issuer in the manner provided by this Ordinance, monthly payments

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

into the Sinking Fund for the Additional Parity Bonds shall be in accordance with the provisions of the ordinances authorizing the issuance of such Additional Parity bond and moneys in the Sinking Fund shall be equally available to pay principal and interest on the Bonds and such Additional Parity Bonds. The Issuer shall transfer from said Sinking Funds to the paying agent bank or banks for all Bonds payable from the Sinking Fund at least three (3) days in advance of each Interest Payment Date, funds fully sufficient to pay promptly the principal and interest so falling due on such date. At December 31, 2007, the 1999 Natural Gas and Water Revenue Bonds Sinking Fund balance was fully funded with an actual balance of \$33,959.

- (b) The establishment and maintenance of the "1999 Natural Gas and Water Revenue Bond Reserve Fund" (the "Reserve Fund"), to be held by the regularly designated fiscal agent of the Issuer, by depositing into the Reserve Fund from the proceeds of the Bonds and the moneys in the reserve fund maintained in connection with Series 1987 Bond and designated for the Series 1987 Bond, upon the delivery of the Bonds, an amount equal to the Reserve Fund Requirement. The money in the Reserve Fund shall be retained solely for the purpose of paying the principal and interest on the Bonds and any Additional Parity Bonds as to which there would otherwise be default. In the event that Additional Parity Bonds are issued there shall be transferred from the proceeds of such Additional Parity Bonds or from the Revenue Fund into the Reserve Fund monthly, such amounts (as may be designated in the ordinance authorizing the issuance of such Additional Parity Bonds) as will increase the total amount on deposit in the Reserve Fund within a period not exceeding five (5) years to a sum equal to the Reserve Fund Requirement for all outstanding bonds payable from the Sinking Fund as provided in the ordinances for the issuance of the Additional Parity Bonds. At December 31, 2007, the 1999 Natural Gas and Water Revenue Bonds Reserve Fund balance was fully funded with an actual balance of \$412,581.
- (c) The establishment and maintenance of the "1999 Natural Gas and Water Depreciation and Contingency Fund" (the "Contingency Fund"), to be held by the regularly designated fiscal agent of the Issuer, to care for depreciation, extensions, additions, improvements and replacements necessary to operate properly the System, by transferring from the Revenue Fund to the regularly designated fiscal agent bank of the Issuer, monthly in advance on or before the 20th day of each month of the each year, a sum of at least equal to five percent (5%) of the gross revenues of the System collected in cash during the preceding month, provided that such sum is available after provision is made for the payments required under paragraphs (a) and (b) above. The payments in said Contingency Fund shall continue as long as any of the Bonds or any Additional Parity Bonds are outstanding. In addition to caring for extensions, additions, improvements, renewals and replacements necessary to properly operate the System, the money in the Contingency Fund may also be used to pay the principal of and the interest on the Bonds and any additional *pari passu* bonds issued hereafter in the manner provided by this Ordinance, for the payment of which there is not sufficient money in the Sinking Fund or Reserve Fund described in paragraphs (a) or (b) above, but the money in said Contingency Funds shall never be used for the making of extensions and additions to the System or for the payment of principal or interest on bonds if such use of said money will leave in said Contingency Fund for the making of emergency repairs, renewals and replacements less than the sum of Fifty Thousand Dollars (\$50,000).

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

At December 31, 2007 the 1999 Natural Gas and Water Revenue Bonds Depreciation and Contingency Fund balance was \$418,997 compared to a balance of \$516,783 at December 31, 2002. Sufficient financial data was not available to determine if the decrease of \$97,786 in the account balance from December 31, 2002 to December 31, 2007, was in compliance with bond restrictions. Specifically, financial data was not available to determine if the transfers from the 1999 Natural Gas and Water Revenue Bonds Depreciation and Contingency account was expended for eligible improvements to the system per bond covenants.

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

Sewer Revenue Bonds, Series 2000

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

\$ 234,000

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

| Year Ended December 31, | 2000 Sewer Revenue Bonds | | |
|-------------------------|--------------------------|------------------|-------------------|
| | Principal | Interest | Total |
| 2008 | \$ 13,000 | \$ 7,849 | \$ 20,849 |
| 2009 | 13,000 | 7,400 | 20,400 |
| 2010 | 14,000 | 6,935 | 20,935 |
| 2011 | 14,000 | 6,451 | 20,451 |
| 2012 | 15,000 | 5,951 | 20,951 |
| 2013 - 2017 | 84,000 | 21,390 | 105,390 |
| 2018 - 2021 | 81,000 | 5,710 | 86,710 |
| | <u>\$ 234,000</u> | <u>\$ 61,686</u> | <u>\$ 295,686</u> |

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

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

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

(a) Sinking Fund.

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

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

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

Money in the Sinking Fund shall be deposited as trust funds and shall be used solely and are hereby expressly exclusively pledged for the purpose of paying principal on, interest on and Administrative Fee, if any, with respect to the Borrower Bonds and any Parity Obligations. The Borrower shall require its Fiscal Agent Bank to transfer from the Sinking Fund to the Paying Agent (as defined in the Authorizing Ordinance) and any other paying agent bank or bank for any Parity Obligations payable from the Sinking Fund at least three (3) days in advance of each Interest Payment Date and Principal Payment Date, funds fully sufficient to pay promptly the principal and interest falling due on such dates. At December 31, 2007, the 2000 Sewer Revenue Bonds Sinking Fund balance was fully funded with an actual balance of 8,549.

(b) Reserve Fund.

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

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

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

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

At December 31, 2007, the 2000 and 2001 Sewer Revenue Bonds Sinking Reserve Fund balance was fully funded with an actual balance of \$196,320.

(c) Renewal and Replacement Fund.

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

The maintenance of the "Sewer System Renewal and Replacement Fund" (the "Renewal and Replacement Fund"), heretofore established and maintained by the Parity Bond Ordinance, to care for extensions, additions, improvements, renewals and replacements necessary to properly operate the System by transferring from the Sewer Revenue Fund to the Renewal and Replacement Fund monthly on or before the 20th day of each month of each year (beginning the first full month after the date of delivery of the Bonds), a sum equal to five percent (5%) of the Net Revenues for the preceding month, provided that such sum is available after provision is made for the required payments. Such payments into the Renewal and Replacement Fund shall continue until such time as there has been accumulated in said Fund the sum of One Hundred Fifty Thousand Dollars (\$150,000), whereupon such payments may cease and need be resumed thereafter only if the total amount of money on deposit in said funds is reduced below the sum of \$150,000 in which even such payments shall be resumed and continue until

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

said maximum of \$150,000 is again accumulated. In addition to caring for extensions, additions, improvements, renewals and replacements necessary to properly operate the System, the money in the Renewal and Replacement Fund may also be used to pay the principal and the interest on the Bonds, including any Parity Obligations issued hereafter in the manner provided by this Ordinance, for the payment of which there is not sufficient money in the Sinking Fund and Reserve Fund, but the money in said Renewal and Replacement Fund shall never be used for the making of improvements and extensions to the System or for payment of principal or interest on Bonds if the use of said money will leave in said Renewal and Replacement Fund for the making of emergency repairs or replacements less than the sum of Twenty-Five Thousand Dollars (\$25,000).

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

All or any part of the moneys in the foregoing funds and accounts shall, at the written request of the Issuer, be invested in such investment securities as may be permitted by the laws of the State, provided that moneys in the Reserve Fund must be invested in Government Securities maturing no more than five (5) years from the date of investment. Any and all funds of the Issuer which may be placed on deposit with any bank in compliance with any provision of this or subsequent ordinances or of the Bonds, shall be secured by said bank at all times to the full extent thereof by direct obligations of the United States of America or the State having a market value of not less than the amount of money then on deposit.

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

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

At December 31, 2007, the 2000 and 2001 Sewer Revenue Bonds Renewal and Replacement Fund combined balance was \$150,000. Financial data was not available from prior years to determine if deposits and withdrawals from this fund were in compliance with bond covenants.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

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%. \$ 1,949,527

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

| Year Ended December 31, | 2001 Sewer Revenue Bonds | | |
|-------------------------|---------------------------|--------------------------|---------------------------|
| | Principal | Interest | Total |
| 2008 | \$ 98,000 | \$ 65,568 | \$ 163,568 |
| 2009 | 102,000 | 62,118 | 164,118 |
| 2010 | 106,000 | 58,530 | 164,530 |
| 2011 | 110,000 | 54,804 | 164,804 |
| 2012 | 115,000 | 50,923 | 165,923 |
| 2013 - 2017 | 645,000 | 190,790 | 835,790 |
| 2018 - 2022 | <u>773,527</u> | <u>67,995</u> | <u>841,522</u> |
| | <u>\$1,949,527</u> | <u>\$ 550,728</u> | <u>\$2,500,255</u> |

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

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

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

(a) Sinking Fund.

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

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

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

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

At December 31, 2007, the 2001 Sewer Revenue Bond Sinking Fund was fully funded with an actual balance of \$62,692.

(b) Reserve Fund.

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

(c) Renewal and Replacement Fund.

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

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

The annual requirements to amortize all outstanding debt of the business-type activities at December 31, 2007, including interest payments of \$2,026,299 are as follows:

| <u>Year Ended December 31,</u> | <u>Natural Gas and Water Revenue Bonds, Series 1999</u> | <u>Sewer Revenue Bonds, Series 2000</u> | <u>Sewer Revenue Bonds, Series 2001</u> | <u>Total</u> |
|--------------------------------|---|---|---|--------------------|
| 2008 | \$ 407,505 | \$ 20,849 | \$ 163,568 | \$ 591,922 |
| 2009 | 405,535 | 20,400 | 164,118 | 590,053 |
| 2010 | 407,995 | 20,935 | 164,530 | 593,460 |
| 2011 | 404,600 | 20,451 | 164,804 | 589,855 |
| 2012 | 405,635 | 20,951 | 165,923 | 592,509 |
| 2013 - 2017 | 2,032,920 | 105,390 | 835,790 | 2,974,100 |
| 2018 - 2022 | <u>814,695</u> | <u>86,710</u> | <u>841,522</u> | <u>1,742,927</u> |
| | <u>\$4,878,885</u> | <u>\$ 295,686</u> | <u>\$2,500,255</u> | <u>\$7,674,826</u> |

13. Compensated Absences

At December 31, 2007, employees of the Town have accumulated and vested \$71,402 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. Of this amount, \$50,524 is recorded as an obligation of the Governmental Activities, and \$20,878 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, 2007, 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 \$62,304 of on-behalf payments as revenue and as expenses in the General Fund.

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

16. Restricted Assets

Restricted assets were applicable to the following at December 31, 2007:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|--------------------|
| Cash and Cash Equivalents: | | | |
| Certificates of Indebtedness, Series 1998 | \$ 103,038 | \$ - | \$ 103,038 |
| Refunding Bonds, Series 2004 | 21,104 | - | 21,104 |
| Sales Tax Bonds, Series 2000 | 424,387 | - | 424,387 |
| Natural Gas and Water Revenue Bonds | - | 865,537 | 865,537 |
| Sewer Revenue Bonds, Series 2000 and 2001 | <u>-</u> | <u>417,561</u> | <u>417,561</u> |
| Total Cash and Cash Equivalents | 548,529 | 1,283,098 | 1,831,627 |
| Investments: | | | |
| Customers Deposits | <u>-</u> | <u>448,116</u> | <u>448,116</u> |
| Total Restricted Assets | \$548,529 | \$1,731,214 | \$2,279,743 |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

**17. Schedule of Utility Enterprise Fund Net Income (Loss) from Operations
by Department for the Year Ended December 31, 2007 -**

| | Gas Department | Water Department | Sewer Department | Sanitation Department | Total Utility Enterprise Fund |
|--|-------------------|---------------------|---------------------|--------------------------|--|
| Operating Revenues: | | | | | |
| Charges for Services | \$ 4,598,454 | \$ 745,463 | \$ 481,723 | \$ 311,510 | \$ 6,137,150 |
| Delinquent Charges | 101,589 | 20,399 | 10,653 | 8,292 | 140,933 |
| Miscellaneous | 150,007 | 82,331 | 12,301 | - | 244,639 |
| Total Operating Revenues | 4,850,050 | 848,193 | 504,677 | 319,802 | 6,522,722 |
| Operating Expenses: | | | | | |
| Direct | 3,566,005 | 548,552 | 819,324 | 287,817 | 5,221,698 |
| General and Administrative | 233,214 | 86,034 | 114,444 | 17,067 | 450,759 |
| Total Operating Expenses | 3,799,219 | 634,586 | 933,768 | 304,884 | 5,672,457 |
| Operating Income (Loss) by Department | | | | | |
| | 1,050,831 | 213,607 | (429,091) | 14,918 | 850,265 |
| Nonoperating Revenues | | | | | |
| | 124,390 | 249 | - | 304 | 124,943 |
| Nonoperating Expenses | (164,396) | (43,609) | (87,792) | - | (295,797) |
| Transfers from Special Revenue | - | - | 562,809 | - | 562,809 |
| Transfers to General Fund | (600,334) | - | (310,000) | - | (910,334) |
| Change in Net Assets | | | | | \$ 331,886 |
| Business-Type Activities | | | | | |
| Departmental Net Income (Loss) | \$ 410,491 | \$ 170,247 | \$ (264,074) | \$ 15,222 | |

TOWN OF WALKER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

**18. Schedule of Utility Fund Operating Expenses by Department
for the Year Ended December 31, 2007 -**

| | Gas Department | Water Department | Sewer Department | Sanitation Department | Total Utility Enterprise Fund |
|--|---------------------|---------------------|---------------------|--------------------------|--|
| Direct Expenses: | | | | | |
| Natural Gas Purchases | \$ 2,540,285 | \$ - | \$ - | \$ - | \$ 2,540,285 |
| Salaries and Wages | 380,654 | 118,377 | 130,482 | 4,578 | 634,091 |
| Payroll Taxes, Retirement and Group Insurance | 166,429 | 56,184 | 72,100 | 337 | 295,050 |
| Contract Services | 73,641 | 46,130 | 14,354 | 279,976 | 414,101 |
| Depreciation | 152,081 | 65,149 | 328,891 | - | 546,121 |
| Equipment Expenses | 47,247 | 4,223 | 17,913 | - | 69,383 |
| Equipment Rental | 6,351 | 5,964 | 4,517 | 850 | 17,682 |
| Lab Fees | - | - | 25,020 | - | 25,020 |
| Maintenance | 174,857 | 187,006 | 83,128 | 2,076 | 447,067 |
| Small Tools and Supplies | 17,431 | 9,689 | 8,083 | - | 35,203 |
| Utilities | 7,029 | 55,830 | 134,836 | - | 197,695 |
| | 3,566,005 | 548,552 | 819,324 | 287,817 | 5,221,698 |
| General and Administrative Expenses: | | | | | |
| Insurance | 94,103 | 18,407 | 22,741 | - | 135,251 |
| Miscellaneous | 32,670 | 20,768 | 7,534 | 371 | 61,343 |
| Office Expense | 50,711 | 15,155 | 17,549 | 8,039 | 91,454 |
| Penalties | 51 | - | - | - | 51 |
| Professional Fees | 22,947 | 19,845 | 55,855 | 6,671 | 105,318 |
| Telephone | 10,251 | 8,641 | 7,876 | - | 26,768 |
| Bad Debts | 22,481 | 3,218 | 2,889 | 1,986 | 30,574 |
| | 233,214 | 86,034 | 114,444 | 17,067 | 450,759 |
| Total Operating Expenses | \$ 3,799,219 | \$ 634,586 | \$ 933,768 | \$ 304,884 | \$ 5,672,457 |

TOWN OF WALKER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

**19. Schedule of Utility Enterprise Fund Operating Expenses by
Function for the Year Ended December 31, 2007 -**

Personal Services and Benefits:

| | |
|---|----------------|
| Direct Labor | \$ 634,091 |
| Payroll Taxes, Retirement and Group Insurance | <u>295,050</u> |
| | 929,141 |

Contractual Services:

| | |
|------------------------------|----------------|
| Equipment Rental | 17,682 |
| Lab Fees | 25,020 |
| Subcontract Disposal Service | 414,101 |
| Professional Fees | <u>105,318</u> |
| | 562,121 |

Cost of Materials:

| | |
|-----------------------|-----------|
| Natural Gas Purchases | 2,540,285 |
|-----------------------|-----------|

Utilities:

| | |
|-----------|---------------|
| Utilities | 197,695 |
| Telephone | <u>26,768</u> |
| | 224,463 |

Repair and Maintenance:

| | |
|--------------------|----------|
| Equipment Expenses | 69,383 |
| Maintenance | 447,067 |
| Meter Repairs | <u>-</u> |
| | 516,450 |

Supplies:

| | |
|--------------------------|---------------|
| Small Tools and Supplies | 35,203 |
| Office Expense | 91,454 |
| Miscellaneous | <u>61,343</u> |
| | 188,000 |

Insurance

135,251

Depreciation

546,121

Penalties

51

Bad Debts

30,574

Total Operating Expenses \$ 5,672,457

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

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 have draft a settlement whereby the Town of Walker must expend \$310,000 in various beneficial environmental projects outlined in the agreement as well as \$8,820 in penalties. Therefore, the Town of Walker has included an amount of \$318,820 as a Long-Term Obligation on the current Financial Statements and has recorded the Environmental Assessment Liabilities as a Noncurrent Liability on the Statement of Net Assets of the Proprietary Fund.

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

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

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

TOWN OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

23. Compensation Paid Mayor and Council Members

| | |
|---|-------------------|
| Travis B. Clark, Mayor 10136 Florida Blvd. P.O. Box 218 Walker, LA 70785 (225) 664-9737 | \$ 56,185 |
| Gary Griffin, Board Member P.O. Box 951 Walker, LA 70785 (225) 665-9125 | 8,800 |
| James Phillips, Board Member 28081 Foxfire Ave. Walker, LA 70785 (225) 664-7046 | 8,800 |
| Rick T. Ramsey, Board Member 16289 Pendarvis Lane Walker, LA 70785 (225) 665-7846 | 8,800 |
| Richard Wales, Board Member 13964 Guy St. Walker, LA 70785 (225) 664-3085 | 8,800 |
| Thomas D. Watson, Board Member 12395 Lakeland Dr. Walker, LA 70785 (225) 791-3944 | <u>8,800</u> |
| | <u>\$ 100,185</u> |

Terms end December 31, 2008.

TOWN OF WALKER**2000 1/2 CENT SALES TAX SPECIAL REVENUE FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL****FOR THE YEAR ENDED DECEMBER 31, 2007**

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual | Variance With Final Budget |
|--|--|---------------------------------------|-------------------|---------------------------------------|
| Revenues: | | | | |
| Sales Taxes | \$ 908,747 | \$ 938,172 | \$ 966,338 | \$ 28,166 |
| Interest | - | 14,139 | 15,828 | 1,689 |
| Service Charges | - | 12,524 | - | (12,524) |
| Total Revenues | 908,747 | 964,835 | 982,166 | 17,331 |
| Expenditures: | | | | |
| General Government: | | | | |
| Collection Expenses | 12,524 | 26,133 | 17,401 | 8,732 |
| Total General Government | 12,524 | 26,133 | 17,401 | 8,732 |
| Debt Service: | | | | |
| Principal Retirement | 170,000 | 170,000 | 170,000 | - |
| Interest and Administrative Fees | 132,404 | 132,424 | 132,404 | 20 |
| Total Debt Service | 302,404 | 302,424 | 302,404 | 20 |
| Total Expenditures | 314,928 | 328,557 | 319,805 | 8,752 |
| Excess (Deficiency) of Revenues over Expenditures | 593,819 | 636,278 | 662,361 | 26,083 |
| Other Financing Sources (Uses): | | | | |
| Operating Transfers Out | (231,347) | (627,809) | (627,809) | - |
| Total Other Financing Sources (Uses) | (231,347) | (627,809) | (627,809) | - |
| Net Change in Fund Balance | 362,472 | 8,469 | 34,552 | 26,083 |
| Fund Balance at Beginning of Year | 785,459 | 785,459 | 785,459 | - |
| Fund Balance at End of Year | \$ 1,147,931 | \$ 793,928 | \$ 820,011 | \$ 26,083 |

See auditor's report.

OTHER SUPPLEMENTAL INFORMATION

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



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June 3, 2008

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

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the Town of Walker, Louisiana, as of and for the year ended December 31, 2007 which collectively comprise the Town of Walker, Louisiana's basic financial statements, and have issued our report thereon dated June 3, 2008. 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 on 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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. 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'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 matter that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as item 2007-1.

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

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

Respectfully submitted,

Thomas A. Gougeon, LLP

TOWN OF WALKER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2007

(A) Findings-Internal Control Over Financial Reporting -

None

(B) Findings-Compliance and Other Matters-

2007-1 – Compliance with the Public Bid Law

During the current year audit and testing of compliance with the Public Bid Law requirements, we noted the Town purchased a police motorcycle for \$21,038 without properly advertising or awarding the purchase to the lowest bidder as required by L.S.A. R.S. 38:2212. The Public Bid Law requires for local governments to advertise for bids and award the bid to the lowest qualified bidder for all purchases over \$20,000.

Recommendation:

We recommend for the Town to review and comply with all state bid law requirements when making purchases. In addition, we recommend for any purchase with an estimated cost over \$10,000 to be handled by a Town employee trained in the requirements of the state bid laws and make sure the laws are being followed.

Management's Response:

The procedure used in procuring the 2007 BMW Motorcycle was as follows:

Bid requirements were given to the two police motorcycle dealers in the Baton Rouge area:

- Harley Davidson of Baton Rouge
- Hebert Cycles

No police motorcycles are available under state contract.

Hebert Cycles was the low bidder. A purchase order was then requested and obtained from the Purchasing Office of the Town of Walker. At that time, Walker did not have a true purchasing agent. Mr. Claude Ezell has since taken on the duties of purchasing agent and works with all departments to ensure purchasing laws are followed.

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2007

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

(A) Findings-Internal Control Over Financial Reporting

Finding 2006-1 Traffic Citations

During the prior year audit, we selected a sample of 25 traffic citations for testing, and we noted the following exceptions:

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

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

Recommendation:

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

Management Response:

Management concurred and acknowledged that the Mayor's Court and the police department would develop formal procedures for handling traffic citations.

Corrective Action Taken:

During our current year audit procedures to test a sample of 25 traffic citations, there were no exceptions noted in the handling of traffic citations.

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2007

Finding 2005-5:

During the performance of our testing of utility billings in the audit for December 31, 2005, it was noted that the portion of the utility billing for water for commercial customers could not be recalculated based on the water usage rates in effect. This difference occurred for two commercial customers included in our sample.

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

At our recommendation, management researched this error further to determine the affected customers and the estimated amount of the error. The error appeared to have resulted in an under billing of approximately \$26,000 as of December 31, 2006. Management was also deciding if the affected customers were going to be billed retroactively for the under billing that has occurred. No adjustment was made in the December 31, 2006 financial statements for these under billed receivables.

Recommendation:

Management contacted the software vendor and the programming error was corrected in March 2007. We also recommended that Management attempt to recoup these under billings from the affected customers and/or the software vendor due to the programming error in the software.

Corrective Action Taken:

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

Additional Recommendation:

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

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2007

Management's Response:

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

Corrective Action Taken:

During 2007, the Town of Walker's Board of Aldermen adopted a resolution to limit retroactive billings of utility services for errors that were the Town's fault in calculating the billing to a maximum of six months. Accordingly, the unbilled services for commercial water customers will not be pursued or collected as a result of the adoption of this resolution

Occupational Licenses:

Finding 2005-8:

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

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

Recommendation:

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

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2007

Management's Response:

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

Corrective Action Taken:

The Town has fully implemented the CSAS accounting system occupational license module that allows for a better audit trail and documentation of the occupational licenses processed and collected.

Cash Receipts:

Finding 2005-16:

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

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

In our 2006 audit year sample testing of utility bills, we continued to note instances where the Town's disconnect policy was not being enforced. Also it appears the reconnection fee charge is not being charged on a consistent basis as well. Also we noted that there still is not a formal written disconnect policy.

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2007

Recommendation:

While the number of exceptions noted in 2005 has been greatly reduced, the Town's disconnect policy is still not being consistently enforced with the proper fees being collected. We continue to recommend the Town strictly enforce it's disconnect policy and collect all fees in accordance with the policy. We continue to recommend that if a written policy doesn't exist, the Town should develop a formal written policy. Also, the billing department should continue to perform a stringent review of the monthly billings for accuracy.

Management's Response:

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

Corrective Action Taken:

During our current year test of the sample of 25 utility bills indicated that all policies are being properly followed with no indications of the exceptions noted during our prior year audit.

Inventory:

Finding 2005-17:

We performed a test count of the inventory for the Water, Street and Sewer Departments in 2005 and in 2004. In 2004, there were various items we noted in the yards that were not included on the inventory count sheets. We discussed these items with management who concurred that these items should have been included on the count sheets. Upon receipt of the final inventory listings in 2004, it was noted that a few of the items had been properly added to the final listing but the majority of the items had not been properly added. Also, in 2004 the enterprise fund general ledger had to be adjusted by approximately \$72,000 to be in agreement with the amount of inventory value per the final inventory listing.

While performing test counts of the inventory for the December 31, 2006 year end audit, we again did note some inaccuracies in the test counts including a few items that had been counted twice. These items were to be corrected on the final count sheets. It was also noted that the general ledger balance had been adjusted to the final count sheets for each of the departments.

Recommendation:

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

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2007

Corrective Action Taken:

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

Additional Recommendation:

While we noted continued improvements in this area in 2006, we further recommend that management continue to develop the procedures for year-end physical inventory counts and continue to emphasize to their employees the importance of the accuracy of these counts.

Management's Response:

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

Corrective Action Taken:

We noted no discrepancies during our inventory test count for the year end December 31, 2007, audit. It appears the general ledger is being properly adjusted to the inventory counts. The Town has implemented inventory procedures and controls that require employees to sign for inventory and note the project where the inventory will be used.

Utility Customer Deposits:

Finding 2005-18:

During the prior year audit, we noted the utility customer deposit liability on the enterprise fund totaled \$421,929 and the investments that were restricted to cover this liability totaled \$388,251 which indicates a deficiency of \$33,678. As of December 31, 2006, it was noted that the utility customer deposit liability exceeded the restricted investment balance by \$110,015. In the current year, as of December 31, 2007, the utility customer deposit liability exceeded the restricted investment by \$123,474.

Recommendation:

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

Management's Response:

Management agrees with our recommendation and transferred the additional funds to fully fund the restricted

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2007

investments to an amount equal to or in excess of the customer deposit liability in April 2008.

(B) Findings-Compliance and Other Matters

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

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

Recommendation:

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

Management's Response:

Management concurred with our recommendation and planned to develop procedures to ensure all applicable laws relating to property exchanges are followed should such an event occur in the future.

Corrective Action Taken

There was no property exchanges noted during the current year audit so the issue relevant to this finding is not applicable to the current year audit.

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

Finding 2005-20:

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

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2007

following departments:

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

Also the budgets were not formally amended at any time during the 2006 year.

Additional Finding:

During the December 31, 2006, year end audit it was noted that due to the vast improvements in the accounting records, budget to actual amounts were being more closely monitored. It was also noted that the applicable budgets were amended during the year. There was only one department in the general fund where actual expenses exceeded budgeted expenditures by a greater than 5% variance as follows:

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

Recommendation:

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

Corrective Action Taken:

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

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2007

The Town was able to properly amend the budget for the year ended December 31, 2007, with no unfavorable variance of over 5% in any department in the general fund.

Reference Number: 2004M-5

Category: Supplies Inventory

Description of Finding:

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

Recommendations:

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

Additional Finding/Recommendation:

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

Management's Response:

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

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2007

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

Corrective Action Taken:

As indicated in the corrective action take for finding 2005-17 above, the Town has implemented inventory procedures and controls that require employees to sign for inventory and note the project where the inventory will be used. The Town is in the process of fully integrating its accounting software to implement automated tools to monitor inventory use.

Reference Number: 2004M-8

Category: Uncollectible Utility Billing Accounts

Description of Finding:

At December 31, 2003, the Town of Walker reported a total of \$146,494 in the "Code 99" utility billing account category. This code includes amounts that had been written off and reportedly turned over to a collection agency. Per a Compliance Audit, issued July 27, 2006, by the Louisiana Legislative Auditor, at December 31, 2004, accounts totaling \$55,676 were not turned over for collection, accounts totaling \$101,574 were deemed uncollectible by the collection agency, and accounts totaling \$5,957 are still being pursued for collection. In addition, the Town has not submitted delinquent accounts to a collection agency since December 2003. The report also noted that Ms. Tonya Clark, a former Town Utility Billing Supervisor, received \$1,558 in unpaid utility services that were coded to various "Code 99" accounts.

Recommendations:

It was recommended for the Town of Walker to:

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

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2007

Corrective Action Taken / Additional Recommendation:

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

Management's Response:

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

Corrective Action Taken:

The Town continues to collect old past due accounts and has adopted a policy to search these old accounts for new customers when applying for services. If an old balance is due, the customer is required to pay the past due balance prior to receiving new utility services.

Reference Number: 2004M-9

Category: Contingent Liabilities

Description of Finding:

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

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

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

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2007

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

Recommendations:

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

Corrective Action Taken:

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

Management's Response:

1. The Town of Walker will seek the opinion of its attorney relative to the liability created when utilities were relocated by the Louisiana Department of Transportation and Development. We will determine the appropriate disclosure in accordance with the legal opinion. As of December 31, 2007 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.
2. The Town of Walker is still negotiating its penalties for violations with the Department of Environmental Quality. At present, there is a draft of a settlement agreement between the two parties. The settlement, if approved, will result in the implementation of BEPs (Beneficial Environmental Projects), which are assigned an economic value and are considered "payment in kind" as part of the fine plus a cash payment. In the prior year, a prior period adjustment of approximately \$319,000 was made to the financial statements for the estimated amount of these BEPs. In the most recent meeting between the Town and DEQ, it appears (based on

TOWN OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2007

the Town's legal counsel) that the cash portion of the settlement will require the Town to pay DEQ the sum of \$20,000. Of this amount, \$8,800 is in the form of a fine and the remainder is a reimbursement by the Town of DEQ's cost of enforcement. Based upon information currently available, legal counsel believed that a settlement in the nature of that outlined above would be reached prior to the end of 2007. At December 31, 2007, the settlement agreement was not final and was still in negotiations. The Town now expects the final agreement to be approved during 2008.

Reference Number: 2004-M17

Category: Walker Youth Sports Association Funds

Description of Finding:

At December 31, 2004, a certificate of deposit is being maintained for the Walker Youth Sports Association (WYSA-a separate non-profit entity), totaling \$20,000 at December 31, 2004. Since that date interest has continued to accrue on the account. The certificate of deposit is not recorded on the financial statements of the Town of Walker. At December 31, 2007, this certificate of deposit remains in dispute.

Recommendation:

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

Management's Response:

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

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