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Town of Walker Walker, Louisiana

Compiled Annual Financial Report

For the Year Ended
December 31, 2004
and Related Management Letter
For the Years Ended December 31, 2004 and 2003

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 10-5-05

Town of Walker, Louisiana

Compiled Annual Financial Statements
As of and for the Year Ended December 31, 2004
With Supplemental Information Schedules

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ACCOUNTANT'S COMPILATION REPORT

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

We have compiled the accompanying financial statements of the Town of Walker, Louisiana, as of and for the year ended December 31, 2004, which collectively comprise the Town's fund financial statements as listed in the table of contents, and the accompanying supplementary information on page 41, which is presented only for supplementary analysis purposes, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. In addition, we have included a Management Letter dated September 6, 2005, and related findings and recommendations on pages 43 to 59. The management findings and recommendations were compiled from information that is the representation of management, without audit or review.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly do not express an opinion or any other form of assurance on them.

The Town of Walker's accounting records were not complete and contained inadequacies. The inadequacies were in part due to the destruction of records that occurred as a result of fraud committed by a previous employee, extensive computer problems that hindered the re-creation and reporting of financial transactions, and the lack of centralized control for authorizing and reporting financial transactions. As relates to the general ledger system for the Town of Walker, we observed the following inadequacies:

- 1) The entire general ledger for the fiscal year ending December 31, 2003 had to be re-created, and was not made available until May, 2005. During this process, the general ledger data had to be re-input numerous times because of lack of supporting data and numerous computer problems. The problem was complicated when the license and maintenance rights to the general ledger system expired.
- 2) Financial records for the fiscal year ending December 31, 2004 were made available in the latter part of July, 2005, but were incomplete. Because of continued computer problems, general ledger histories were not available past June 30, 2004. Summary transactions were made for the two last quarters of fiscal year 2004 based on Quicken listings and check listings of the Sewer Fund, and transactions for the month of December 2004 were incomplete. Transactions for December 2004, in particular long-term debt installments for the month of December 2004, were input from source documents.

Our procedures applied to compile financial statements for the fiscal year ending December 31, 2004, to the extent possible, involved the collection of documentation from management of the Town of Walker to support balance sheet account balances. Numerous adjustments to account balances, including adjustments to fund balance and retained earnings accounts, were required to correct account balances. Given this focus, the lack of an audit trail for transactions, and the risk that material transactions have not been disclosed, the financial data presented for the activities statements, including the "Statement of Revenues, Expenditures, and Changes in Fund Balance" and the "Statement of Revenues and Expenses - Proprietary Fund Type", is limited in scope and comparability. **In addition, these statements are not presented for the fiscal year ending December 31, 2003, since the presentation of financial results of operation for fiscal year 2003 would be materially misleading.**

BRUCE HARRELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

The Honorable Mayor, Travis B. Clark
Town of Walker
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Review of information supplied by the Town of Walker disclosed inadequacies in the accounting records including unsupported entries in the bank reconciliations and journal vouchers, incomplete documentation for expenditures, inadequate controls and record-keeping for receivables, capital assets, certain liability accounts, fund balance for governmental funds, and retained earnings for the enterprise fund. Uncertainties about the fair presentation of these accounts in the financial statements prevent management from providing assurances that the financial statements are free of material misstatement. Further, sufficient financial data was not available to present government-wide financial statements and required supplementary information as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of January 1, 2003.

We are not independent with respect to the Town of Walker, Louisiana.


Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

September 6, 2005

General Purpose Financial Statements

Town of Walker, Louisiana

**Combined Balance Sheet - All Fund Types and Account Groups
December 31, 2004**

	General Fund	Gas & Water Fund	Sewer Fund
Assets			
Cash and Cash Equivalents	\$ 707,054	\$ 689,301	\$ 23,783
Investments	-	376,424	-
Franchise Tax Receivable	62,916	-	-
Sales Tax Receivable	154,922	-	-
Property Tax Receivable	53,740	-	-
Accounts Receivable, Net	-	777,117	-
Accrued Billings	-	233,634	9,189
Other Receivables	4,401	-	-
Prepaid Insurance	36,479	35,598	3,013
Supplies Inventory, at Cost	-	252,872	-
Natural Gas Storage	-	45,150	-
Due From Insurance	41,457	50,000	-
Due From Other Funds	247,255	287,775	1,038,796
Restricted Cash and Cash Equivalents	394,363	593,334	459,115
Capital Assets, Net	-	3,364,649	8,815,730
Amount to be Provided for Long-Term Debt	-	-	-
Total Assets	\$ 1,702,587	\$ 6,705,854	\$ 10,349,626

(Continued)

See accompanying notes and accountant's report.

Statement A

General Long-Term Debt Account Group	General Fixed Asset Account Group	Total
\$ -	\$ -	\$ 1,420,138
-	-	376,424
-	-	62,916
-	-	154,922
-	-	53,740
-	-	777,117
-	-	242,823
-	-	4,401
-	-	75,090
-	-	252,872
-	-	45,150
-	-	91,457
-	-	1,573,826
-	-	1,446,812
-	2,976,106	15,156,485
4,831,000	-	4,831,000
<u>\$ 4,831,000</u>	<u>\$ 2,976,106</u>	<u>\$ 26,565,173</u>

(Continued)

See accompanying notes and accountant's report.

Town of Walker, Louisiana

**Combined Balance Sheet - All Fund Types and Account Groups
December 31, 2004**

	General Fund	Gas & Water Fund	Sewer Fund
Liabilities and Fund Equity			
Accounts Payable	\$ 107,753	\$ 567,399	\$ 57,826
Other Accrued Expenses	63,774	26,477	3,730
Accrued Salary Payable	24,995	13,915	-
Accrued Vacation Payable	8,021	46,753	-
Accrued Interest Payable	-	19,095	8,092
Customer Deposits Payable	-	350,793	57,521
Due To Other Funds	332,166	994,432	247,228
Current Portion of Long-Term Debt:			
Certificate of Indebtedness, Series 1998	-	-	-
Refunding Series 2004	-	-	-
Sales Tax Bonds, Series 2000	-	-	-
Natural Gas and Water Revenue Bonds, Series 1999	-	175,000	-
Sewer Revenue Bonds, Series 2000	-	-	11,000
Sewer Revenue Bonds, Series 2001	-	-	88,000
Long-Term Debt:			
Certificate of Indebtedness, Series 1998	-	-	-
Refunding Series 2004	-	-	-
Sales Tax Bonds, Series 2000	-	-	-
Natural Gas and Water Revenue Bonds, Series 1999	-	3,845,000	-
Sewer Revenue Bonds, Series 2000	-	-	258,000
Sewer Revenue Bonds, Series 2001	-	-	2,135,527
Total Liabilities	536,709	6,038,864	2,866,924
Fund Equity:			
Unreserved and Undesignated Fund Balance	771,515	-	-
Reserved for Debt Service	394,363	-	-
Contributed Capital	-	1,476,944	4,940,400
Unreserved Retained Earnings	-	(1,403,288)	2,083,187
Reserved for Debt Service and Meter Deposit Liabilities	-	593,334	459,115
Amount Invested in Fixed Assets	-	-	-
Total Fund Equity	1,165,878	666,990	7,482,702
Total Liabilities and Fund Equity	\$ 1,702,587	\$ 6,705,854	\$ 10,349,626

(Concluded)

See accompanying notes and accountant's report.

Statement A

General Long-Term Debt Account Group	General Fixed Asset Account Group	Total
\$ -	\$ -	\$ 732,978
-	-	93,981
-	-	38,910
-	-	54,774
-	-	27,187
-	-	408,314
-	-	1,573,826
167,000	-	167,000
51,000	-	51,000
158,000	-	158,000
-	-	175,000
-	-	11,000
-	-	88,000
565,000	-	565,000
289,000	-	289,000
3,601,000	-	3,601,000
-	-	3,845,000
-	-	258,000
-	-	2,135,527
<u>4,831,000</u>	<u>-</u>	<u>14,273,497</u>
-	-	771,515
-	-	394,363
-	-	6,417,344
-	-	679,899
-	-	1,052,449
-	2,976,106	2,976,106
-	<u>2,976,106</u>	<u>12,291,676</u>
<u>\$ 4,831,000</u>	<u>\$ 2,976,106</u>	<u>\$ 26,565,173</u>

(Concluded)

See accompanying notes and accountant's report.

Town of Walker, Louisiana

Statement B

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004**

	General Fund
Revenues	
Sales Tax	\$ 1,971,990
Franchise and Beer Tax	565,243
Property Tax	55,474
Licenses and Permits	240,063
Garbage Fees	224,812
Dog Fees	5,663
Fines and Forfeitures	253,120
Grant Revenue	117,133
Registration Fees	37,275
Concession Sales	4,702
Interest Income	6,311
Other Revenue	42,092
Total Revenues	3,523,878
 Expenditures	
General & Administrative:	
Advertising	3,463
Aldermen	6,000
Annual Fees	7,601
Assessor Fees	2,363
Bank Charges	818
Capital Outlay	22,324
Collection Agency	12,626
Contract Labor	10,314
Contract Service	9,317
Coroner	5,415
Dues	1,524
Education	1,651
Equipment Expense	2,974
Equipment Rental	3,729
Freight	40
Insurance - General Liability	15,180
Insurance - Health and Life	36,321
Insurance - Auto	529
Insurance - Workers' Compensation	8,928
Interest	409
Laundry and Uniform	4,783

(Continued)

See accompanying notes and accountant's report.

Town of Walker, Louisiana

Statement B

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004**

	<u>General Fund</u>
Lease	\$ 3,459
Legal	27,560
Maintenance	13,546
Materials	1,652
Mileage	169
Miscellaneous	20,459
Postage	3,546
Printing	1,607
Professional Fees	5,095
Refreshments	3,415
Repairs - General	333
Repairs - Office Equipment	590
Repairs - Vehicle	1,065
Retirement	7,600
Salaries - Clerk	14,384
Salaries - Mayor	26,516
Salaries - Tax Collector	31,701
Salaries - Other	53,967
Supplies - Christmas	2,389
Supplies - General	430
Supplies - Hardware	391
Supplies - Kitchen and Cleaning	2,814
Supplies - Maintenance	1,038
Supplies - Office	17,300
Taxes - Payroll	5,268
Telephone	14,993
Trustee	9,780
Utilities	11,722
Total General & Administrative Expenditures	439,098

Animal Control:

Auto	108
Canine	3,712
Capital Outlay	3,702
Contract Labor	16,548
Contract Service	85
Dues	50
Education	50
Equipment Expense	853

(Continued)

See accompanying notes and accountant's report.

Town of Walker, Louisiana

Statement B

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended December 31, 2004

	General Fund
Gas & Oil	\$ 3,369
Insurance - General Liability	874
Insurance - Health and Life	10,216
Insurance - Auto	132
Insurance - Workers' Compensation	1,105
Laundry and Uniform	592
Legal	294
Maintenance	497
Materials	5,880
Mileage	64
Printing	302
Professional Fees	133
Refreshments	60
Repairs - General	41
Repairs - Radio	853
Repairs - Vehicle	2,923
Salaries	35,382
Supplies - General	1,517
Supplies - Hardware	570
Supplies - Kitchen and Cleaning	4,531
Supplies - Maintenance	110
Supplies - Office	2,023
Taxes - Payroll	768
Telephone	1,540
Utilities	3,590
Total Animal Control Expenditures	<u>102,474</u>
Sanitation:	
Legal	2,781
Sanitation Collection Fee	270,889
Total Sanitation Expenditures	<u>273,670</u>
Park:	
Advertising	36
Auto	68
Concession	2,852
Contract Labor	879
Contract Service	14,531
Director Fees	4,450

(Continued)

See accompanying notes and accountant's report.

Town of Walker, Louisiana

Statement B

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004**

	<u>General Fund</u>
Dues	\$ 1,765
Equipment Expense	1,346
Equipment Rental	701
Gas & Oil	966
Insurance - Health and Life	13,040
Insurance - Players	3,543
Insurance - Workers' Compensation	3,311
Laundry and Uniform	15
Legal	488
Maintenance	12,802
Materials	5,111
Repairs - Vehicles	221
Retirement	697
Salaries	23,536
Sporting Equipment	3,502
Supplies - General	555
Supplies - Hardware	506
Supplies - Maintenance	871
Supplies - Office	45
Taxes - Payroll	905
Telephone	1,413
Tournament	7,735
Umpire	11,256
Utilities	4,581
Total Park Expenditures	<u>121,727</u>
 Police Department:	
Advertising	415
Annual Fees	180
Auto	8,738
Canine	394
Capital Outlay	50,533
Contract Labor	10,113
Contract Service	2,536
Dues	110
Education	3,011
Equipment Expense	7,840
Equipment Rental	4,045

(Continued)

See accompanying notes and accountant's report.

Town of Walker, Louisiana

Statement B

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004**

	<u>General Fund</u>
Gas & Oil	\$ 33,946
Insurance - General Liability	27,439
Insurance - Health and Life	91,355
Insurance - Auto	4,060
Insurance - Workers' Compensation	36,539
Laundry and Uniform	10,015
Legal	6,997
Magistrate	13,000
Maintenance	2,432
Materials	691
Postage	1,139
Printing	1,836
Prisoner	1,946
Professional Fees	1,133
Property Damage	388
Prosecution	10,400
Public Defender	10,400
Refreshments	316
Repairs - Radios	6,464
Repairs - Vehicles	17,655
Retirement	51,355
Salaries	449,226
Supplies - General	2,306
Supplies - Hardware	66
Supplies - Kitchen and Cleaning	1,091
Supplies - Office	4,996
Taxes - Payroll	17,790
Telephone	16,821
Utilities	8,087
Witness	75
Total Police Department Expenditures	917,879
 Street Department:	
Advertising	304
Auto	7,682
Capital Outlay	69,107
Contract Labor	57,548
Contract Service	8,597
Dues	416

(Continued)

See accompanying notes and accountant's report.

Town of Walker, Louisiana

Statement B

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004**

	General Fund
Education	\$ 65
Equipment Expense	1,344
Equipment Rental	1,017
Gas & Oil	18,436
Insurance - General Liability	17,489
Insurance - Health and Life	38,005
Insurance - Auto	5,822
Insurance - Workers' Compensation	24,832
Landscaping	974
Laundry and Uniform	3,803
Maintenance	589
Materials	39,684
Mileage	162
Printing	284
Professional Fees	1,230
Refreshments	254
Repairs - General	76,041
Repairs - Radio	55
Repairs - Tractor	8,140
Repairs - Vehicles	7,567
Retirement	8,408
Salaries	216,859
Street Signs	6,119
Supplies - Chemicals	14,732
Supplies - Christmas	4,603
Supplies - General	6,266
Supplies - Hardware	8,453
Supplies - Kitchen	443
Supplies - Maintenance	5,768
Supplies - Office	1,085
Supplies - Welding	1,217
Taxes - Payroll	7,818
Telephone	3,591
Utilities	53,599
Total Street Department Expenditures	728,408

(Continued)

See accompanying notes and accountant's report.

Town of Walker, Louisiana

Statement B

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004**

	<u>General Fund</u>
Debt Service:	
Principal Payment 1998 Certificate of Indebtedness	\$ 158,000
Principal Payment 2000 Certificate of Indebtedness	45,000
Principal Payment Sales Tax Bonds	153,000
Principal Payment Peak Property Note	21,596
Interest Payment 1998 Certificate of Indebtedness	26,255
Interest Payment 2000 Certificate of Indebtedness	21,414
Interest Payment Sales Tax Bonds	141,722
Interest Payment Peak Property Note	992
Total Debt Service Expenditures	<u>567,979</u>
Total Expenditures	<u>3,151,235</u>
 Excess Revenues (Expenditures)	 <u>372,643</u>
 Other Financing Sources (Uses)	
Proceeds From Refunding Series 2004 Bonds	340,000
Surplus Sales	6,630
Principal Payment 2000 Certificate of Indebtedness	(334,000)
Interest Payment 2000 Certificate of Indebtedness	(479)
Bond Issue Cost, Refunding Bonds, Series 2004	(5,521)
Total Other Financing Sources (Uses)	<u>6,630</u>
 Extraordinary Items	
Loss Due to Theft	(58,600)
Total Extraordinary Items	<u>(58,600)</u>
 Net Change in Fund Balance	 320,673
Fund Balance, Beginning	<u>845,205</u>
Fund Balance, Ending	<u>\$ 1,165,878</u>

(Concluded)

See accompanying notes and accountant's report.

Town of Walker, Louisiana

Statement C

**Combined Statement of Revenues, and Expenses
Proprietary Fund Types
For the Year Ended December 31, 2004**

	Gas Department	Water Department	Sewer Department	Total
Operating Revenues				
Gas Sales	\$ 3,374,997	\$ -	\$ -	\$ 3,374,997
Less Cost of Gas Sold	<u>(1,917,047)</u>	<u>-</u>	<u>-</u>	<u>(1,917,047)</u>
Gross Profit on Gas Sales	1,457,950	-	-	1,457,950
Water Sales	-	522,440	-	522,440
Safe Drinking Water	-	2,889	-	2,889
Out of Town Fees	58,384	-	-	58,384
Sewer Sales	-	-	382,704	382,704
Service Charges	15,638	6,685	3,975	26,298
Penalties	84,431	12,616	-	97,047
Tap In	35,487	12,211	6,750	54,448
Other	<u>14,423</u>	<u>107</u>	<u>-</u>	<u>14,530</u>
Total Operating Revenues	<u>1,666,313</u>	<u>556,948</u>	<u>393,429</u>	<u>2,616,690</u>
 Operating Expenses				
Advertising	761	47	135	943
Aldermen	6,000	-	-	6,000
Annual Fees	5,137	-	-	5,137
Auto	10,825	2,262	6,864	19,951
Bank Charges	550	-	-	550
Collection Agency Fee	130	34	-	164
Contract Labor	5,139	3,992	5,230	14,361
Contract Service	73,150	4,588	571	78,309
Depreciation	124,657	102,633	302,948	530,238
DEQ Administrative Fee	-	-	673	673
Dues	13,038	20,431	47	33,516
Education	78,217	631	635	79,483
Equipment Expense	7,366	4,541	7,073	18,980
Equipment Rental	747	390	915	2,052
Gas and Oil	29,276	12,290	6,494	48,060
Insurance General	46,626	5,754	5,489	57,869
Insurance Group and Life	103,838	14,349	17,847	136,034
Insurance Vehicle	1,852	794	1,323	3,969
Insurance Workman's Comp	23,631	17,470	11,196	52,297
Interest Expense - Other	46	-	-	46
Laundry & Uniforms	4,366	1,673	1,662	7,701
Legal	2,198	843	13,958	16,999
Maintenance	50,997	34,799	37,781	123,577
Materials	17,642	16,890	9,798	44,330
Postage	11,737	485	-	12,222

(Continued)

See accompanying notes and accountant's report.

Town of Walker, Louisiana

Statement C

Combined Statement of Revenues, and Expenses
 Proprietary Fund Types
 For the Year Ended December 31, 2004

	Gas Department	Water Department	Sewer Department	Total
Printing	\$ 3,161	\$ 2,068	\$ 323	\$ 5,552
Professional Fees	11,057	1,180	26,764	39,001
Property Damage	3,478	-	-	3,478
Refreshment	160	18	119	297
Repairs - General	2,225	970	19,869	23,064
Repairs - Radio	1,431	590	-	2,021
Repairs - Tractor	10,806	70	1,370	12,246
Repairs - Vehicle	14,514	1,467	1,053	17,034
Repairs - Meters	1,903	1,313	-	3,216
Retirement	21,291	8,543	5,210	35,044
Salaries - Clerk	13,572	-	-	13,572
Salaries - Mayor	26,516	-	-	26,516
Salaries - Other	323,553	87,839	78,305	489,697
Sewer Analysis	-	-	13,112	13,112
Supplies - Chemicals	2,001	18,890	19,914	40,805
Supplies - General	4,144	1,442	3,063	8,649
Supplies - Hardware	1,509	1,865	5,891	9,265
Supplies - Kitchen	570	102	1,060	1,732
Supplies - Maintenance	3,210	4,985	7,461	15,656
Supplies - Office	8,756	3,043	1,899	13,698
Supplies - Welding	432	109	32	573
Taxes - Payroll	24,696	3,548	2,175	30,419
Telephone	13,202	3,812	1,887	18,901
Trustee	300	-	6,192	6,492
Utilities	14,998	51,496	55,060	121,554
Total Operating Expenses	<u>1,125,411</u>	<u>438,246</u>	<u>681,398</u>	<u>2,245,055</u>
Operating Income (Loss)	<u>540,902</u>	<u>118,702</u>	<u>(287,969)</u>	<u>371,635</u>
Nonoperating Revenues (Expenses)				
Interest Revenue	9,303	9,303	2,350	20,956
Bond Interest Expense	<u>(257,640)</u>	<u>-</u>	<u>(55,456)</u>	<u>(313,096)</u>
Total Nonoperating Revenues (Expenses)	<u>(248,337)</u>	<u>9,303</u>	<u>(53,106)</u>	<u>(292,140)</u>
Extraordinary Items				
Loss Due to Theft	<u>(59,969)</u>	<u>-</u>	<u>-</u>	<u>(59,969)</u>
Total Extraordinary Items	<u>(59,969)</u>	<u>-</u>	<u>-</u>	<u>(59,969)</u>
Net Income (Loss)	<u>\$ 232,596</u>	<u>\$ 128,005</u>	<u>\$ (341,075)</u>	<u>\$ 19,526</u>

(Concluded)

See accompanying notes and accountant's report.

Town of Walker, Louisiana
Notes to the Financial Statements

As of and for the Year Ended December 31, 2004

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. Walker is located adjacent to Interstate I-12 in Livingston Parish east of Baton Rouge, Louisiana. The population of Walker, Louisiana, as of the 2000 U.S. Census, was 4,801. Utility services, including gas, water, and sewer services, are provided for a total of 8,182 active customers at December 31, 2004. The Town employs 89 full-time employees, in addition to the Mayor and Board of Aldermen.

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.

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.

1. Summary of Significant Accounting Policies

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

Under Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, the government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all nonfiduciary activities of the primary government and its component units. Under this presentation model the governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Since sufficient financial information was not available to report the financial statements of the Town of Walker on a government-wide basis, selected financial statements for the Town of Walker are presented only on the fund basis.

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.

Town of Walker, Louisiana
Notes to the Financial Statements

As of and for the Year Ended December 31, 2004

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. Only the portion of special assessment receivable, if any, due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town of Walker reports the following governmental funds:

The General fund is the Town's primary operating fund. It accounts for all financial resources, except those required to be accounted for in other funds. The General fund also accounts for long-term debt issues of governmental funds.

The Town reports the following proprietary fund:

Enterprise Fund - accounts for operations (a) that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user fees, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Based on the Accountant's Compilation Report dated September 6, 2005, for the fiscal year ending December 31, 2004, and the availability of sufficient financial information, selected footnotes are presented below following this section.

B. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less. State law and the Town's investment policy allow the Town to invest in collateralized certificates of deposit, government backed securities, commercial paper, the state sponsored investment pool and mutual funds consisting solely of government backed securities.

Investments for the Town are reported at fair value. The state investment pool (LAMP) operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**Town of Walker, Louisiana
Notes to the Financial Statements**

As of and for the Year Ended December 31, 2004

C. Receivables and Payables

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

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

All trade and property tax receivables are shown net of an allowance for uncollectible.

Property taxes are levied on a calendar year basis and become due on January 1 of each year. The following is a summary of authorized and levied ad valorem taxes:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Collected Millage</u>
General corporate purpose	2.56	2.20	\$55,474

D. 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 the fund financial statements.

E. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

F. Capital Assets

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

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

Town of Walker, Louisiana
Notes to the Financial Statements

As of and for the Year Ended December 31, 2004

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
Gas System	20 - 40 Years
Water System	20 - 40 Years
Sewer System	20 - 40 Years

G. 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, 2004, the Town of Walker has not adjusted its accrual for earned annual leave.

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

H. Long-Term Obligations

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.

I. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

J. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the municipality, which are either unusual in nature or infrequent in occurrence.

K. Estimates

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

Town of Walker, Louisiana
Notes to the Financial Statements

As of and for the Year Ended December 31, 2004

2. Cash and Cash Equivalents

At December 31, 2004, the Town had cash and cash equivalents (book balances) totaling \$ 2,866,950 as follows:

Demand deposits	\$ 2,851,452
Money market accounts	15,498
Total	<u>\$ 2,866,950</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2004, the Town has \$3,073,474 in deposits (collected bank balances). These deposits are secured from risk by \$100,059 of federal deposit insurance and \$2,957,917 of pledged securities held by the custodial bank in the name of the fiscal agent bank (Category 3). The balance of \$15,198 consists of cash within an investment account and is secured by the Securities Investor Protection Corporation (SIPC).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the municipality that the fiscal agent has failed to pay deposited funds upon demand.

3. Investments

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the municipality or its agent in the Town's name
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Town's name
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Town's name

All investments held by the Town fall into category I credit risk, defined as "insured or registered, or securities held by the Town or its agent in the Town's name." In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investments are carried at fair market value, with the estimated fair market value based on quoted market prices.

Town of Walker, Louisiana
Notes to the Financial Statements

As of and for the Year Ended December 31, 2004

At December 31, 2004, the Town holds investments totaling \$376,424 as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
U.S. Government Securities Fund - A	\$ 210,117	\$ 210,117
American Balanced Fund - A	79,410	79,410
The Income Fund of America - A	86,897	86,897
Total	<u>\$ 376,424</u>	<u>\$ 376,424</u>

All investments are stated on the balance sheet (carrying value) at market value. All investments are in the name of the Town and are held at the Town's office. Because these investments are in the name of the Town and are held by the Town or the Town's agent, the investments are considered insured and registered, Category (1), in applying the credit risk of GASB Codification Section 150.164.

4. Receivables

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise taxes, occupational licenses, fines, and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual basis. Interest and investment earnings are recorded only if paid within 60 days since they would be considered both measurable and available. Proprietary fund revenues consist of all revenues earned at year-end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging and write-off of accounts receivable.

The receivables of \$3,026,031 at December 31, 2004, are as follows:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Gas & Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Accounts - Customers	\$ -	\$ 777,117	\$ -	\$ 777,117
Accrued Billings	-	233,634	9,189	242,823
Franchise Tax	62,916	-	-	62,916
Sales Tax	154,922	-	-	154,922
Other Receivables	4,401	-	-	4,401
Due From Insurance	41,457	50,000	-	91,457
Due From Other Funds	247,255	287,775	1,038,796	1,573,826
Total	<u>\$ 510,951</u>	<u>\$ 1,348,526</u>	<u>\$ 1,047,985</u>	<u>\$ 2,907,462</u>

The Enterprise Fund (Utility Fund) accounts receivable totaled \$777,117 at December 31, 2004. At fiscal year end, sufficient financial data was not available to present an aging of accounts receivable.

Town of Walker, Louisiana
Notes to the Financial Statements

As of and for the Year Ended December 31, 2004

5. Interfund Receivables/Payables

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

	Due from	Due to
General Fund	\$ 247,255	\$ 332,166
Gas and Water Fund	287,775	994,432
Sewer Fund	1,038,796	247,228
	\$ 1,573,826	\$ 1,573,826

6. Capital Assets

The following is a summary of the changes in capital assets for enterprise fund activities for the two fiscal years ended December 31, 2004:

	Balance December 31, 2002	Increases	Decreases/ Reclassify	Balance December 31, 2004
Enterprise Fund:				
Capital Assets Not Depreciated:				
Land - Gas System	\$ 82,231	\$ -	\$ -	\$ 82,231
Land - Water System	17,233	-	-	17,233
Total Capital Assets Not Being Depreciated	99,464	-	-	99,464
Other Capital Assets:				
Gas System	3,758,878	309,360	(16,225)	4,052,013
Water System	1,969,468	427,445	-	2,396,913
Sewer System	7,988,556	3,129,477	-	11,118,033
Buildings	154,953	-	-	154,953
Machinery & Equipment	974,551	173,307	-	1,147,858
Total Other Capital Assets	14,846,406	4,039,589	(16,225)	18,869,770
Less Accumulated Depreciation:				
Gas System	(1,985,750)	(173,592)	-	(2,159,342)
Water System	(1,088,403)	(165,228)	-	(1,253,631)
Sewer System	(1,708,461)	(622,932)	-	(2,331,393)
Buildings	(111,279)	(5,056)	-	(116,335)
Machinery & Equipment	(788,613)	(139,541)	-	(928,154)
Total Accumulated Depreciation	(5,682,506)	(1,106,349)	-	(6,788,855)
Other Capital Assets, Net	9,163,900	2,933,240	(16,225)	12,080,915
Construction In Progress	1,120,458	2,729,600	(3,850,058)	-
Enterprise Funds, Capital Assets, Net	\$ 10,383,822	\$ 5,662,840	\$ (3,866,283)	\$ 12,180,379

Town of Walker, Louisiana
Notes to the Financial Statements

As of and for the Year Ended December 31, 2004

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, Footnote F - Capital Assets. For the fiscal year ending December 31, 2004, the depreciation expense for the Gas, Water, and Sewer Departments was \$124,657, \$102,633, and \$302,948 respectively.

The following is a summary of the changes in capital assets for governmental funds for the two fiscal years ended December 31, 2004:

Governmental Fund:	Balance December 31, 2002	Increases	Decreases	Balance December 31, 2004
Land	\$ 745,929	\$ -	\$ -	\$ 745,929
Land Improvements	15,675	-	-	15,675
Buildings	272,470	-	-	272,470
Equipment and Vehicles	1,444,033	229,419	-	1,673,452
Furniture and Fixtures	168,793	-	-	168,793
Recreational Equipment	99,787	-	-	99,787
Total	<u>\$ 2,746,687</u>	<u>\$ 229,419</u>	<u>-</u>	<u>\$ 2,976,106</u>

7. Construction In Progress

Total construction recorded as completed for the two years ended December 31, 2004, totaled \$3,850,058 and consisted of \$2,475,710 for the Department of Environmental Quality the sewer collection system, and \$1,374,348 for utility relocation projects incurred on behalf of the Town by the Louisiana Department of Transportation (LDOTD). Of the total costs of \$2,475,710, \$87,184 was recorded as interest expense capitalized during construction.

The total of \$1,374,348 recorded for LDOTD utility relocation projects represents prior period costs, incurred in February 2000, for the enterprise fund, and consisted of \$293,136 for the gas department, \$427,446 for the water department, and \$653,766 for the sewer department.

Town of Walker, Louisiana
Notes to the Financial Statements

As of and for the Year Ended December 31, 2004

8. Accounts, Salaries, and Other Payables

The payables at December 31, 2004 are as follows:

<u>Accrued Expenses</u>	<u>General Fund</u>	<u>Gas and Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Accounts Payable	\$ 107,753	\$ 567,399	\$ 57,826	\$ 732,978
Withholdings	15,517	1,064	-	16,581
Municipal Employees Retirement	12,439	11,427	3,730	27,596
Health Insurance	31,415	-	-	31,415
Property Taxes to be Refunded	4,403	-	-	4,403
Accrued Salary	24,995	13,915	-	38,910
Accrued Vacation	8,021	46,753	-	54,774
Accrued Interest	-	19,095	8,092	27,187
Due To Other Funds	332,166	994,432	247,228	1,573,826
Sales Tax	-	13,986	-	13,986
Customer Deposits	-	350,793	57,521	408,314
Total	<u>\$ 536,709</u>	<u>\$ 2,018,864</u>	<u>\$ 374,397</u>	<u>\$ 2,929,970</u>

9. Long-Term Obligations

The following is a summary of long-term obligation transactions for the two fiscal years ended December 31, 2004.

	<u>Proprietary Fund Bonds</u>	<u>Governmental Fund Bonds</u>	<u>Governmental Fund Notes</u>	<u>Total Long-Term Obligations</u>
Beginning Balance - January 1, 2003	\$ 5,755,458	\$ 5,520,000	\$ 39,073	\$ 11,314,531
Additions	1,268,069	340,000	-	1,608,069
Deletions	(511,000)	(1,029,000)	(40,159)	(1,580,159)
Ending Balance - December 31, 2004	<u>\$ 6,512,527</u>	<u>\$ 4,831,000</u>	<u>\$ (1,086)</u>	<u>\$ 11,342,441</u>

Included in the additions for proprietary fund bonds are \$1,268,069 in loan funds received under Department of Environmental Quality (DEQ) 2001 Sewer Revenue bonds for the sewer collection system, for a cumulative total of \$2,388,527, of an authorized issue of \$2,400,000. Additions for the governmental funds include \$340,000 of refunding bonds, Refunding Series 2004. Disclosures relating to the Refunding Series 2004, and the refunded Certificates of Indebtedness, Series 2000, are included following a description of the outstanding debt issues below. In addition, disclosures are included for an Interest Rate Reduction of the Certificates of Indebtedness, Series 1998. As indicated governmental funds notes were overpaid at December 31, 2004, and a receivable of \$1,086 accrued for the balance collected from the lender after fiscal year end.

**Town of Walker, Louisiana
Notes to the Financial Statements**

As of and for the Year Ended December 31, 2004

Bonds Payable for Governmental Funds at December 31, 2004, are comprised of the following individual issues:

	<u>Bonds Payable</u> <u>End of Year</u>	<u>Due Within</u> <u>One Year</u>
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.	\$ 732,000	\$ 167,000
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%.	3,759,000	158,000
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%.	340,000	51,000
	<u>\$ 4,831,000</u>	<u>\$ 376,000</u>

Bonds Payable of the Enterprise Funds at December 31, 2004, are comprised of the following individual issues:

	<u>Bonds Payable</u> <u>End of Year</u>	<u>Due Within</u> <u>One Year</u>
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%.	\$ 4,020,000	\$ 175,000
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%.	269,000	11,000
Sewer Revenue Bonds, Series 2001. \$2,400,000 Sewer Revenue Bonds due in annual installments of principal and semi-annual installments of interest through June 20, 2021; interest rate at 3.95%.	2,223,527	88,000
	<u>\$ 6,512,527</u>	<u>\$ 274,000</u>

Town of Walker, Louisiana
Notes to the Financial Statements

As of and for the Year Ended December 31, 2004

Governmental Funds - Debt Requirements and Bond Covenants

Seller-financing - Peak Property

The Town executed a promissory note for the purchase of a piece of real estate. The terms call for sixty monthly payments of \$1,649.58 at a rate of 8.2% interest. At December 31, 2004, the Town of Walker had overpaid the note by \$1,086, with the overpayment collected by the Town of Walker subsequent to fiscal year end.

1998 Certificate of Indebtedness

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 a calendar years savings of \$48,656.25, net of \$3,338 costs of issuance, for the Interest Rate Reduction.

The Series 1998 Certificates of Indebtedness 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.

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, 2004, the Series 1998 Certificates of Indebtedness balance was underfunded with an actual balance of \$34,389, compared to a required balance of \$94,297.

2000 Sales Tax Bonds

The 2000 Sales Tax Bonds, dated June 7, 2000, were issued at \$4,200,000, and are due in annual principal installments and semi-annual installments of interest at 3.45% through June, 2021.

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

Town of Walker, Louisiana
Notes to the Financial Statements

As of and for the Year Ended December 31, 2004

- (a) To create a fund or account with the regularly designated Fiscal Agent Bank of the Borrower designated as the Sewer Sales Tax Bond Sinking Fund (the "Sinking Fund", by separating physically or through accounting, moneys sufficient in amount to pay promptly and fully the principal of and the interest on the Borrower Bonds, and any Parity Obligations issued hereafter in the manner provided by the Authorizing Ordinance, as the same severally become due and payable, by transferring from the Sales Tax Fund to the Sinking Fund, on or before the 20th day of the month of each year (i) during the Interim Loan Period an amount equal to the interest accruing on the Borrower Bonds for such calendar month and (ii) during the Permanent Loan Period, an amount equal to the principal and interest accruing on the Borrower Bonds for such calendar month, together with such additional proportionate sum as may be required to pay said principal and interest as the same respectively become due. Said agent bank or banks of all obligations payable from the Sinking Fund, at least three (3) days in advance of the date on which payment of principal or interest falls due, funds fully sufficient to pay promptly the principal and interest so falling due on such date. At December 31, 2004, the 2000 Sewer Sales Tax Bonds Sinking Fund balance was underfunded with an actual balance of \$44,514, compared to a required balance of \$104,540.
- (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, 2004, the 2000 Sewer Sales Tax Bonds Reserve Fund balance was overfunded with an actual balance of \$309,933, compared to a required balance of \$308,321.

Refunding Series 2004

The Refunding Bonds, Series 2004, were issued for the purpose of refunding the September 1, 2005 to September 1, 2010 maturities of the Town's outstanding Certificates of Indebtedness, Series 2000, and paying the costs of issuance of the bonds. The Refunding Bonds of \$340,000, dated September 1, 2004, were issued at \$340,000 and are due in annual installments of principal and semi-annual installments of interest through September 10, 2010; interest rate at 3.190%.

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.

Town of Walker, Louisiana
Notes to the Financial Statements

As of and for the Year Ended December 31, 2004

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, 2004, the Refunding Bonds (2004) sinking fund was underfunded with an actual balance of \$5,528, compared to a required balance of \$20,615.

The annual requirements to amortize all outstanding debt of the governmental funds, including interest payments of \$1,319,928 are as follows:

Year Ending December 31,	Certificates of Indebtedness, Series 1998	Sales Tax Bonds, 2000	Refunding Series 2004	Total
2005	\$ 188,594	\$ 284,960	\$ 61,846	\$ 535,400
2006	194,668	285,406	62,219	542,293
2007	199,417	285,644	62,528	547,589
2008	204,871	287,641	63,774	556,286
2009	-	288,379	63,924	352,303
2010-2014	-	1,458,569	65,010	1,523,579
2015-2019	-	1,490,142	-	1,490,142
2020-2024	-	603,335	-	603,335
	<u>\$ 787,550</u>	<u>\$ 4,984,076</u>	<u>\$ 379,301</u>	<u>\$ 6,150,927</u>

Enterprise Funds - Debt Requirements and Bond Covenants

1999 Gas and Water Revenue Bonds

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 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

Town of Walker, Louisiana
Notes to the Financial Statements

As of and for the Year Ended December 31, 2004

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, 2004, the 1999 Natural Gas and Water Revenue Bonds Sinking Fund balance was overstated with an actual balance of \$112,399, compared to a required balance of \$33,678.

- (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, 2004, the 1999 Natural Gas and Water Revenue Bonds Reserve Fund balance was overfunded with an actual balance of \$412,581, compared to a required balance of \$408,610.
- (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).

At December 31, 2004, the 1999 Natural Gas and Water Revenue Bonds Depreciation and Contingency Fund balance was \$50,721, compared to a balance of \$516,783. Sufficient financial data was not available to determine if the decrease of \$466,062 in the account balance from December 31, 2002 to December 31, 2004, was in compliance with bond restrictions. Specifically, financial data was not available to determine if the transfers from the 1999 Natural Gas and Water Revenue Bonds Depreciation and Contingency account was expended for eligible improvements to the system per bond covenants.

Bond covenants for the 1999 Natural Gas and Water Revenue Bonds also specify that: "The issuer, through its Governing Authority, hereby covenants to fix, establish, maintain and collect such rates, fees, rents or other charges for the services and facilities of the System, and all parts thereof, and to revise the same from time to time whenever necessary, as will always provide revenue in each year sufficient to pay reasonable

Town of Walker, Louisiana
Notes to the Financial Statements

As of and for the Year Ended December 31, 2004

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.

2000 Sewer Revenue Bonds

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 of, 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, 2004, the 2000 Sewer Revenue Bonds Sinking Fund balance was overfunded with an actual balance of \$49,741, compared to a required balance of \$12,659.

Town of Walker, Louisiana
Notes to the Financial Statements

As of and for the Year Ended December 31, 2004

(b) Reserve Fund.

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

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

In connection with the issuance of bonds, notes or other debt obligations by or on behalf of the Department, the Department may require it if 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, 2004, the 2000 and 2001 Sewer Revenue Bonds Sinking Reserve Fund balance was overfunded with an actual balance of \$231,591, compared to a required balance of \$196,320.

(c) Renewal and Replacement Fund.

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

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

Town of Walker, Louisiana
Notes to the Financial Statements

As of and for the Year Ended December 31, 2004

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, 2004, the 2000 Sewer Revenue Bonds Renewal and Replacement Fund balance was \$95,892, compared to a balance of \$83,398 at December 31, 2002. Financial data was not available to determine if deposits and withdrawals from this fund were in compliance with bond covenants.

2001 Sewer Revenue Bonds

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 loan in the amount of \$2,400,000 for the purpose of renovating the sewer system. As of December 31, 2004, the Town of Walker had drawn down funds from the Department of Environmental Quality totaling \$2,388,527 of the authorized issue of \$2,400,000. Construction was recorded as substantially complete as detailed in *Footnote 7 - Construction in Progress*.

Town of Walker, Louisiana
Notes to the Financial Statements

As of and for the Year Ended December 31, 2004

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

(a) Sinking Fund.

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

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

The maintenance of the "Sewer Revenue Bond Sinking Fund" (the "Sinking Fund"), heretofore established and maintained by the Parity Bond Ordinance, sufficient in amount to pay promptly and fully the principal and the interest on the Bonds and any Parity Obligations issued hereafter in the manner provided by this Ordinance, as they severally become due and payable, by transferring from the Sewer Revenue Fund to the Sinking Fund monthly in advance on or before the 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, 2004, the 2001 Sewer Revenue Bond Sinking Fund was overfunded with an actual balance of \$81,898, as compared to a required balance of \$52,678.

(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, Louisiana
Notes to the Financial Statements

As of and for the Year Ended December 31, 2004

The annual requirements to amortize all outstanding debt of the enterprise funds, including interest payments of \$3,880,404 are as follows:

Year Ending December 31,	Gas & Water Revenue Bonds, Series 1999	Sewer Revenue Bonds, Series 2000	Sewer Revenue Bonds, Series 2001	Total
2005	\$ 404,140	\$ 29,561	\$ 242,215	\$ 675,916
2006	404,165	29,802	239,143	673,110
2007	403,620	28,974	236,864	669,458
2008	407,505	29,146	233,309	669,960
2009	405,535	28,249	230,547	664,331
2010-2014	2,029,185	136,824	1,105,438	3,271,447
2015-2019	2,036,660	124,879	1,014,986	3,176,525
2020-2024	-	46,347	557,310	603,657
	<u>\$ 6,090,810</u>	<u>\$ 453,782</u>	<u>\$ 3,859,812</u>	<u>\$ 10,404,404</u>

10. Municipal Police Employees Retirement System of Louisiana (MPERS)

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

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

Funding Policy. Plan members are required by state statute to contribute 7.5% of their annual covered salary and the Town of Walker is required to contribute at an actuarially determined rate. The current rate is 21.5% of annual covered payroll. The contribution requirements of plan members and the Town of Walker are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Walker contributions to the System for the years ending December 31, 2004 was \$51,355, equal to the required contributions for the year.

Town of Walker, Louisiana
Notes to the Financial Statements

As of and for the Year Ended December 31, 2004

11. Retirement Benefits

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 employee must contribute a minimal amount (\$25.00) monthly and the Town will contribute 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 \$51,749, for the year ended December 31, 2004.

12. Compensated Absences

At December 31, 2004, employees of the Town have accumulated and vested \$54,774 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. Of this amount, \$8,021 is recorded as an obligation of the General Fund, and \$46,753 is recorded as an obligation of the Enterprise Funds.

13. Prior Period Adjustment

As noted in the Accountant's Compilation's Report, dated September 6, 2005, numerous adjustments to fund balance for governmental funds, and to retained earnings for the enterprise funds, were required to correct account balances for balance sheet accounts.

14. Major Federal Programs

During the fiscal years ending December 31, 2004 and 2003, the Town of Walker received loan assistance, referenced as DEQ Loan # 3, under the U.S. Environmental Protection Agency program entitled "Capitalization Grants for State Revolving Funds" (CFDA No. 66.458). The program, DEQ Project No. CS-2210150-03 (Sewer Collection System Addition), was administered as a pass-through from the Louisiana Department of Environmental Quality and provided maximum loan funding of \$2,400,000. Funds received under this program were as follows:

Loan Funds Received as of December 31, 2002	\$ 1,120,458
Loan Funds Received for Fiscal Years 2004 and 2003	1,268,069
Total Loan Funds Received as of December 31, 2004	<u>\$ 2,388,527</u>

Construction costs incurred by the Town of Walker under DEQ Loan # 3 as of the fiscal year ending December 31, 2002, and for fiscal years ending December 31, 2004 and 2003, from DEQ loan funds and local funds were as follows:

Construction Costs as of December 31, 2002	\$ 1,120,458
Construction Costs for Fiscal Years 2004 and 2003	1,268,069
Construction Period Interest Payments	87,183
Total Construction Costs	<u>\$ 2,475,710</u>

Construction for the Sewer Collection System addition was recorded as substantially complete on May 31, 2004.

Town of Walker, Louisiana
Notes to the Financial Statements

As of and for the Year Ended December 31, 2004

15. Fraud and Irregularities

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

Other irregularities have been disclosed in a Compliance Audit issued July 27, 2005, by the Louisiana Legislative Auditor. Additional review and investigation is being conducted by the Legislative Auditor.

16. 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.

Fund	Liability Amount
Water Department	\$ 293,136
Gas Department	427,445
Wastewater Department	653,766
Total DOTD Contingent Liabilities	\$ 1,374,347

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. 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.

Other Supplemental Information

Town of Walker, Louisiana

Schedule 1

Schedule of Compensation Paid Board Members
For the Year Ended December 31, 2004

Travis B. Clark, Mayor 30078 College Dr. P.O. Box 218 Walker, LA 70785 (225) 664-9737	\$ 50,861
Michael Grimmer, Ex-Mayor 13246 Pendarvis Lane Walker, LA 70785 (225) 665-5351 Resigned effective 1/12/04	2,495
Gary Griffin, Board Member 28891 Gaylord Rd. Walker, LA 70785 (225) 665-9125	4,800
Ricky Goff, Board Member 27901 Lakeview Dr. Walker, LA 70785 (225) 665-3628	4,800
Rick Ramsey, Board Member 16289 Pendarvis Lane Walker, LA 70785 (225) 665-7846	4,800
Don Townsend, Board Member 30296 Stafford Ave. Walker, LA 70785 (225) 664-5015	4,800
Debra Keller, Board Member P.O. Box 612 Walker, LA 70785 (225) 664-5996	4,800
	<u>\$ 77,356</u>

Terms end December 31, 2004 for board members.

Bruce C. Harrell, CPA

Dale H. Jones, CPA
Charles P. Hebert, CPA

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MANAGEMENT LETTER

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

In the course of compiling the financial statements for the Town of Walker for the fiscal year ended December 31, 2004, we became aware of irregularities and of matters that offer opportunities for the Town of Walker to strengthen internal controls and operating efficiency. Our comments and recommendations are included within two sections following this management letter. The first section includes "Prior Year Findings and Recommendations" and is followed by "Current Year Findings and Recommendations" developed as a result of procedures applied in the compilation of financial statements for the fiscal year ended December 31, 2004 and the limited information that was available for the fiscal year ended December 31, 2003.

Response to these management findings is located at the end of this report in Schedule 4 on pages 61 through 68. The response, prepared by the Town of Walker, included not only the planned corrective actions, but also the anticipated completion date for the planned corrective actions, and the name, address, and phone number for the key official responsible for implementing corrective actions.

We have discussed these recommendations with management of the Town of Walker, and will be pleased to discuss them further at your convenience, to perform additional studies of these matters, or to assist you in implementing the recommendations.

Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

September 6, 2005

**Prior Year Findings and Recommendations
For the Years Ended December 31, 2004 and 2003**

Reference Number: 2002-2

Fiscal Year Finding Occurred: Ending December 31, 2002

Description of Finding:

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

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

Corrective Action Taken: None

Description of Corrective Action Taken:

Corrective action taken is listed as "None" until the audit is presented as legally required within six months of the end of the fiscal year.

(Concluded)

**Current Year Findings and Recommendations
For the Years Ended December 31, 2004 and 2003**

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

Section I - Internal Control and Compliance Material to the Financial Statements

Reference Number: 2004M-1

Category: Computer Systems

Description of Finding:

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

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

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

(Continued)

**Current Year Findings and Recommendations
For the Years Ended December 31, 2004 and 2003**

Recommendations:

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

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

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

Reference Number: 2004M-2

Category: Fixed Assets (Capital Assets)

Description of Finding:

The fixed asset management software, and final capital asset listings, could not be located for fiscal years 2003 and 2004, and therefore fixed assets are not consistently presented within the related financial reports and depreciation expense is presented for the utility funds and not presented for governmental activities. Louisiana Revised 25:513(A) states that the Town "...shall maintain records of all land, buildings, improvements other than buildings, equipment, and any other general fixed assets which were purchased or otherwise acquired, and for which such entity is accountable." The statute requires an inventory of assets on no less than an annual basis. Governmental Accounting Standard Board Statement Number 34 (GASB 34) further extends requirements to include maintaining asset listings for governmental and enterprise funds in a format that allows calculation of depreciation expense in a manner similar to depreciation calculated for business enterprises, and adopts the terminology "capital assets" to refer to land, equipment, furniture, vehicles, and building improvements, and infrastructure with a useful life of more than one year.

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

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

(Continued)

**Current Year Findings and Recommendations
For the Years Ended December 31, 2004 and 2003**

Recommendations:

We recommend immediate implementation of capital asset accounting. Recommended steps for implementation are as follows:

1) Designate an "Asset Officer" to be responsible for the management of capital assets. The segregation of duties for the "Asset Officer" is dependent on the available personnel, but the assignment of duties should be made with consideration of the following criteria:

- The "Asset Officer" should not be responsible for initiating or approving capital transactions.
- Duties should be restricted to record-keeping for fixed asset management and the "Asset Officer" should not be involved in general ledger input or accounting.
- The responsibility for physically conducting the inventory should be assigned to responsible employees who have no custodial record-keeping responsibilities. The "Asset Officer" may be more actively involved in the initial inventory.

2) Select and implement capital asset accounting software. Software should meet the following minimum criteria:

- Ability to record capital asset listings for separate companies (such as for governmental and enterprise funds).
- Capability of recording depreciation expense on capital assets.
- Ability to categorize each capital asset at a minimum by department, type asset, function, and general ledger code. Department and type asset generally are required for management control and financial statement reporting; further grouping by function (such as "general government, public safety, public works, etc.) is generally necessary to meet the reporting requirements of GASB Statement No. 34. Listing asset additions by general ledger code allows reconciliation to monthly general ledger records of capital asset purchases. It is also helpful to code assets that can be inventoried (not built in to the ground) to produce listings for periodic inventory. Additional software capabilities for coding, such as tracing to specific locations and employees, are based on client evaluation and needs.
- Ability to produce a variety of reports but at a minimum monthly and annual reports that provide an audit trail for the total capital assets owned by the Town, additions and deletions, and reporting within the minimum categories noted above.
- Consideration should be given, based on available funds, to the purchase of capital asset software that permits the use of bar codes to facilitate periodic inventory of assets.

3) Concurrent with the selection of software should be the development of written procedures for managing capital assets. Written procedures will describe the detail of capital asset records including the monthly reports, records, and reconciliations that must be maintained for proper disclosure. In addition, the procedures will also list the "Capital Asset Threshold" that has been adopted by the Town. The Town must specify the minimum value of capital assets to be maintained in the capital assets software. Setting too small a value, such as \$100 per item, may make the capital asset system burdensome.

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

(Continued)

**Current Year Findings and Recommendations
For the Years Ended December 31, 2004 and 2003**

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

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

Reference Number: 2004M-3

Category: Purchasing/Control over Disbursements

Description of Finding:

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

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

Other weaknesses noted in internal controls over disbursements included:

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

(Continued)

**Current Year Findings and Recommendations
For the Years Ended December 31, 2004 and 2003**

Recommendations:

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

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

Reference Number: 2004M-4

Category: Cash Receipts/Revenues

Description of Finding:

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

(Continued)

**Current Year Findings and Recommendations
For the Years Ended December 31, 2004 and 2003**

either significantly delayed or had to be re-constructed.

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

Recommendations:

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

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

(Continued)

**Current Year Findings and Recommendations
For the Years Ended December 31, 2004 and 2003**

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

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. We also observed supplies being stored in open areas where access was not controlled. In addition, we found 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, we recommend that the Town implement additional controls to manage supplies inventory. We recommend that inventory software be purchased and that records be maintained on a perpetual basis to track the daily disposition of supplies inventory. We further recommend 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.

Reference Number: 2004M-6

Category: Payroll Reporting

Description of Finding:

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

Recommendations:

We recommended that personnel classifications be corrected to employee status as required.

(Continued)

**Current Year Findings and Recommendations
For the Years Ended December 31, 2004 and 2003**

Reference Number: 2004M-7

Category: Financial Reporting

Description of Finding:

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

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

Recommendations:

We recommend that the administration focus efforts on providing monthly budget-to-actual reports, submitting budget-to-actual reports to finance committee and board on a scheduled basis.

Reference Number: 2004M-8

Category: Uncollectible Utility Billing Accounts

Description of Finding:

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

(Continued)

**Current Year Findings and Recommendations
For the Years Ended December 31, 2004 and 2003**

Recommendations:

We recommend that the Town of Walker:

- 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.

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 we reviewed are as follows:

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

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

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

- Department of Environmental Quality Contingent Payments. As a result of past violations, the Town of Walker has a contingent liability of approximately \$970,000 for past assessments and penalties for violations. In response to the DEQ assessment, the Town of Walker must either fund (pay) the assessments or conduct "Beneficial Environmental Projects". Engineers have been drafting proposals for "Beneficial Environmental Projects" that could be conducted in lieu of paying fines, and there is to be a status meeting on the proposed projects for August or September 2005.

(Continued)

**Current Year Findings and Recommendations
For the Years Ended December 31, 2004 and 2003**

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

Recommendations:

We recommend that the Town review the above contingent liabilities, and additional liabilities disclosed as current balances are corrected, and either record the corrected liabilities in the Town's monthly financial statements, or compile the documentation necessary for annual financial statement disclosure.

In relation to customer records for meter deposits, we recommend that the Town of Walker, update current customer records for meter deposits, and develop a plan for fund obligations to customers.

Reference Number: 2004M-10

Category: Fund Balance and Intrafund Receivables and Payables

Description of Finding:

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

Recommendations:

Consistent with reporting under new financial reporting standards, Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999, we recommend that each department be treated as a "cost center" showing the functional expenses associated with operation of that department. This will involve placing the focus on the costs of operation of a department, and when that department operates at a loss, determining how much of the Town's general revenues (such as sales tax revenues not designated for debt service or expenditure per bond covenant) must be used to provide essential services to the Town. Consistent with generally accepted accounting standards, the elimination of departmental fund balances and receivables and payables between departments will allow department heads to focus on controlling the costs for which they are accountable and not to rely on amounts due from other departments that may or may not be available.

(Continued)

Current Year Findings and Recommendations
For the Years Ended December 31, 2004 and 2003

Reference Number: 2004M-11

Category: Review of Bond Covenant Requirements

Description of Finding:

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

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

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

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

(Continued)

Town of Walker, Louisiana

Schedule 3

**Current Year Findings and Recommendations
For the Years Ended December 31, 2004 and 2003**

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

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

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

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

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

Recommendations:

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

(Continued)

Current Year Findings and Recommendations
For the Years Ended December 31, 2004 and 2003

Reference Number: 2004M-12

Category: Insurance Liability/Review of Coverages

Description of Finding:

In the review of account balances and interview with management, we noted the following as relates to insurance coverages:

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

Recommendations:

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

Reference Number: 2004M-13

Category: Disclosure of Liability for Retirement Contributions

Description of Finding:

Management determined that the correct employer contribution for the retirement program had not been forwarded to the plan provider. The minimum per employee had been forwarded, and not the applicable percentage of salary required under the program, although the required percentage had been accrued as a payable. Questions had been raised concerning the offering and other administration plan.

Recommendations:

We recommend that required contributions to the retirement plan be made immediately.

Reference Number: 2004M-14

Category: Utility Billing Controls

Description of Finding:

Utility billing findings are addressed separately in the Louisiana Legislative Auditor Compliance Report dated July 27, 2005. In addition, management responded by implementing a new utility billing program intended to provide a more extensive audit trail for tracking individual user input. This finding is listed as a management finding since

(Continued)

**Current Year Findings and Recommendations
For the Years Ended December 31, 2004 and 2003**

management has taken significant corrective action, including implementation of new utility billing software. This finding is intended to build on current management efforts to improve utility billing controls and to address the following deficiencies:

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

Recommendations:

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

In relation to the monthly accounts receivable reconciliation, the new utility billing software provides an "A/R Posting Summary" report, printable in various groupings and level of detail, including customer activity by routes. The report recreates an accounts receivable reconciliation by beginning with the beginning customer accounts, listing transaction activity for the month (billings, adjustments, penalties, payments) by type service, and the resulting ending accounts receivable balance. We recommend that the ending accounts receivable balance be reconciled monthly to the general ledger control account and that as a check on the integrity of the utility billing software, management periodically cross reference monthly total cash collection of customer payments reported by the utility billing software to totals reported in bank reconciliations.

We also recommend that the Town standardize calculations for fuel adjustments so that Town can recover additional costs as incurred for increases in fuel costs.

Reference Number: 2004M-15

Category: Code of Ethics

Description of Finding:

In the review of procedures and the documentation of internal controls, we noted that the Town of Walker had not adopted a Code of Ethics.

Recommendations:

Considering the deficiencies noted, and the controls and procedures that must be implemented, we recommend that the Town of Walker formally adopt a Code of Ethics and communicate the policy statement to its employees. Guidance and a copy of the Louisiana Code of Governmental Ethics can be found on the website for the Louisiana State Board of Ethics.

(Continued)

**Current Year Findings and Recommendations
For the Years Ended December 31, 2004 and 2003**

Reference Number: 2004M-16

Category: Sales Tax Receipts and Creation of Special Revenue Fund

Description of Finding:

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

Recommendations:

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

Reference Number: 2004-M17

Category: Walker Youth Sports Association Funds

Description of Finding:

At December 31, 2004, a separate cash account totaling \$4,647 in the name of the Town of Walker was maintained for the Walker Youth Sports Association (WYSA), a separate non-profit entity. The account was maintained in the name of the Town of Walker and under the Town's Federal Identification Number. In addition, a certificate of deposit was also maintained for the Walker Youth Sports Association, totaling \$20,000 at December 31, 2004. Neither the cash account or certificate of deposit are recorded on the financial statements of the Town of Walker.

Recommendations:

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

(Continued)

**Current Year Findings and Recommendations
For the Years Ended December 31, 2004 and 2003**

Reference Number: 2004-M18

Category: Christmas Club Account

Description of Finding:

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

Recommendations:

We recommend that the Town of Walker continue review of the Christmas Club account and periodically request an update of the on-going review by the Legislative Auditor.

Reference Number: 2004-M19

Category: Credit Cards Issued by Town

Description of Finding:

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

Recommendations:

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

Reference Number: 2004-M20

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

Description of Finding:

The Town incurred and received notices for penalties for failure to timely file and pay payroll and sales taxes.

Recommendations:

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

(Concluded)

**Town of Walker
Management's Response to Findings**

TOWN OF WALKER

PINE TREE CAPITAL OF THE WORLD
TRAVIS CLARK, MAYOR

MAYOR PRO TEM:
Richard Wales

CLERK
Myra Streeter, CAA/CMA

TOWN ATTORNEY
John Sharp

ALDERMAN
Gary Griffin
James Phillips
Rick Ramsey
Thomas Watson

September 26, 2005

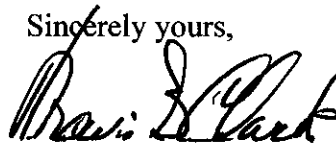
Bruce Harrell and Company, CPAs
109 West Minnesota Park
Suite 7
Hammond, Louisiana 70403

Dear Mr. Harrell,

I am in receipt of your management letter dated September 6, 2005 and received on September 12, 2005. In accordance with your request, I am providing a management response to disclose our planned corrective actions for each of your findings in the seven pages attached hereto. Many of your findings, as you will see from our responses, have already been the subject of corrective action as of this date and many of them are works in progress and refinement. It will be an objective of the Town to achieve implementation of all recommended corrective actions not later than December 31, 2005. Mr. Ron Petty, Financial Director, will have oversight responsibility for implementation procedures and deadlines. He may be contacted by telephone at (225) 665-4356, or visited at the Town Hall at 10136 Florida Avenue, Walker, La.

I appreciate the earnest efforts exhibited by your staff in the conduct of their work. I am sure we will succeed in implementing the many progressive suggestions made in your report, and that the result will be not only a safer, but a more stable financial future for the Town of Walker.

Sincerely yours,



Travis B. Clark, Mayor

TBC:rp

Finding: Ref Number 2002-2

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

Finding: Ref Number 2004M-1

- 1- The utility billing software which failed during the course of this audit has been replaced by a system which has many more edits and controls over the transactions related to providing utility services to the customers of the Town of Walker Utility System. The new software has provisions so that a system administrator may restrict program functions by user, thus providing better control and an audit trail of information entered into the system. In conjunction with the purchase of software, the Town also acquired training for its employees in the operation of the new software. The Town acquired new servers and work stations in October, 2004 under the state contract with Dell Computers.
- 2- The Town of Walker has retained the services of RAM Computers, who have extensive governmental experience, to support its network. They have taken corrective action to stabilize the condition of the network and have implemented an automated backup system to prevent the loss of data previously experienced. RAM Computers has been assigned the responsibility at this time to assure the integrity of backup tapes. Town personnel transport backup tapes to the bank as its off site storage facility. In addition, the Town also purchased new accounting software which is currently installed and being utilized by the Town's staff to record financial transactions.

Finding: Ref Number 2004M-2

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

accomplish this task but apparently never implemented the program. We will pay particular attention to assure that any software utilized is adequate and will allow the Town to comply with the requirements of GASB 34.

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

Finding: Ref Number 2004M-3

- 1- The Town of Walker had promulgated processing procedures which should have provided for adequate separation of duties and timely review of financial transactions had they been followed. The circumstances surrounding the embezzlement of \$210,026 in public funds was the result of failure of the former Municipal Clerk to assure adherence to these internal control policies. Additionally, the former Municipal Clerk failed to heed significant warning signs that this key employee was becoming a high risk for potential mismanagement or misappropriation of funds. For example, in the 2003 calendar year, the former Municipal Clerk instructed the Payroll Clerk of the Town to deviate from the normal direct deposit payroll procedures, and remit handwritten pay checks to the offending employee. It is our understanding that the offending employee explained that this was necessary to prevent seizure of her funds due to the fact she had numerous insufficient fund transactions which had created overdrafts on her personal account. The present administration believes that such a request from an employee should have triggered an immediate review of that employee's assigned duties. Instead however, the Town's past administration ignored the warning signs and facilitated the employee's request.
- 2- The internal control policies of the Town will be amended to include a review of the duties of any employee assigned financial transaction responsibilities in the event the Town becomes aware that an employee has apparent financial difficulties. Further, the Town will monitor adherence to promulgated internal control policies.
- 3- The Town has implemented new procedures relative to contractors operating concessions at recreational activities. These procedures include reconciliations of cash receipts. The previous administration's policy of advancing funds to private contractors for procurement of goods, with suspect reconciliation, has been rescinded.
- 4- The Town has implemented new purchasing procedures that provide for requisitions, purchase orders, receiving reports with appropriate separation of duties which should adequately safeguard the assets of the Town.
- 5- The Town purchased new accounting software that provides for entry and tracking of purchase orders and encumbers budgeted funds upon issuance of an order for goods and services.
- 6- The Town has designated a new employee as Purchasing Agent. This employee is the sole source for execution of purchase orders but has no authority to initiate or approve any transactions. The former Purchasing Agent for the Town currently acts

- as a Receiving Agent for all purchases. Purchase orders, invoices and receiving reports are currently being appropriately compared prior to payment. Any discrepancies noted are being investigated and resolved.
- 7- All checks issued by the Town of Walker require dual signatures. Most checks are signed by the Mayor and the Municipal Clerk, but members of the Town Council are authorized signers also, only in the event of absence of the Mayor or Municipal Clerk.

Finding: Ref Number 2004M-4

- 1- The Town has implemented new cash receipt controls simultaneously with the installation of new utility billing and accounting software. The majority of cash receipts in the operation of this municipality are associated to the utility billing system. The new software implemented in October, 2004, allowed the Town to install cash register printers to provide customers with computer generated receipts. Customer Service Representatives currently count cash in conjunction with their Supervisor at the end of each day. Monies collected and daily cash receipt batch reports are then transported to the Accounting Department where personnel reconcile postings to collections and then prepare daily deposits. In addition, the Town has gone to a lock box method of collection since transferring its accounts to the custody of Hancock Bank. Mail in payments are received by the bank, opened and deposited to the Town's accounts. Details of those deposits are then provided by the bank to the Town and accounts are credited accordingly. Monies received at the Town Hall are currently transported to the bank via armored car personnel.
- 2- Bank account reconciliations are current and are performed by personnel who have no responsibility for making deposits or disbursements.
- 3- Exception reports are currently in place that alert the Mayor, Municipal Clerk and Financial Director to any discrepancies related to cash receipts, i.e., cash shortages or overages, etc. Appropriate corrective action is being initiated from these reports with the responsible party and their supervisor.

Finding: Ref Number 2004M-5

- 1- The current administration has implemented inventory controls that it feels 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 the Town plans 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.

Finding: RefNumber 2004M-6

- 1- In October, 2004, the current administration transferred all personnel previously treated as contract labor by the prior administration to employee status. For 2004, those persons who had been treated as contract labor were issued both an IRS Form 1099-Misc. for the period they were inappropriately classified, and an IRS Form W-2 for the period they were appropriately reclassified as employees. As of October, 2004, all of the affected parties were afforded the opportunity of participating in the fringe benefit programs offered by the Town to its employees. This was of significant value to such personnel, who as contract labor did not have the opportunity to participate in these benefit programs.

Finding: RefNumber 2004M-7

- 1- The current administration has been unable to provide complete monthly financial reports to the Town's Board of Aldermen due to the condition of the financial records maintained by the previous administration. The previous Municipal Clerk never provided the Town's prior audit firm, Leroy J. Chutz, CPA, with 2003 financial statements and related general ledger data. The former Municipal Clerk resigned in late June, 2004, within days of the date that the Town was required to submit audited financial statements to the Office of the Legislative Auditor. The current administration made every effort to reconstruct the Town's records from source documents available for the years 2003 and 2004. Those efforts have been hampered by both computer hardware and software complications. The Town believes that it has now addressed these deficiencies as well as the apparent deletions of data by former employees. The Town's efforts were further complicated by the fact that the employee eventually convicted of embezzling Town funds altered and/or destroyed crucial financial records for the 2003 and 2004 accounting periods in order to prevent her illegal activities from being readily detected. The present administration has procured new software which will allow it to track financial data, provide budget comparisons and provide financial statements, by fund, to the Board of Aldermen on a timely basis. The Town is currently in the process of entering the 12/31/2004 balance forwards provided by Bruce Harrell and Company into the software database which will enable the Town to begin providing complete financial disclosures to the Board of Aldermen.

Finding: Ref Number: 2004M-8

- 1- The current administration has acquired and implemented new billing software that prevents the unauthorized transfer of utility receivables into uncollectible status. The Town has been executing disconnects in accordance with promulgated policy. Accounts improperly identified as uncollectible have been referred to the Town Attorney for collection. It is the Town's intent to perform further examination of the numerous accounts in uncollectible status as of December, 2003 as time permits.

Finding: Ref Number: 2004M-9

- 1- The Town of Walker will seek the opinion of the Town Attorney relative to the liability created when utilities were relocated by the Louisiana Department of Transportation and Development. The Town will determine the appropriate disclosure in accordance with said legal opinion.
- 2- The Town received a compliance order from the Louisiana Department of Environmental Quality for violations of Louisiana environmental laws commencing in 1996 and continuing through 2003. The Town faces penalties of approximately \$970,000.00. The Town of Walker is currently working with the Louisiana Department of Environmental Quality in an effort to reach an amicable resolution of this matter. The Louisiana Department of Environmental Quality is presently considering a proposal from the Town in which the Town proposes to perform approximately \$374,000.00 in Beneficial Environmental Projects in lieu of payment of cash penalties. The Town will make an appropriate disclosure of this obligation once a settlement agreement is reached.
- 3- The Town was unable to provide any subsidiary ledger records which support the Customer Deposit liability reflected in its general ledger for the years 2003 or 2004. There are only customer deposit cards in the Town's files for each customer. The present administration has discovered that a number of these cards carry a notation that deposit fees were waived. At present, our clerical staff is reviewing each file to determine the amount of the deposit (if any) that is being held on each customer. The results of this review will be entered into a database which will act as a subsidiary ledger to the Town's general ledger. Upon identification and verification of this liability, an appropriate cash reserve will be established on the accounting records of the Town.

Finding: Ref Number: 2004M-10

- 1- Financial accounting, by department, will be implemented in accordance with the recommendations of Bruce Harrell and Company.

Finding: Ref Number: 2204M-11

- 1- The Town of Walker will assign an employee in the Accounting Department the responsibility of monitoring compliance with all covenants of its bonded indebtedness. This employee will be responsible for insuring that all obligations for reserves, contingencies and replacements are observed as specified in the bond documents. In addition, this employee will monitor bond principle reductions.

Finding: Ref Number: 2004M-12

- 1- The Town of Walker has designated an employee to be responsible for managing its insurance coverages. Future financial transactions associated with insurance activities will be recorded in accordance with generally accepted accounting practices.

Finding: Ref Number: 2004M-13

- 1- The Town has purchased and implemented a new payroll software. It is the Town's intention to utilize the features of that software to automate the remittance of retirement contribution liabilities. The delinquency disclosed in this finding was remitted to the annuity company in December, 2004. The Town is presently current on its contributions.

Finding: Ref Number: 2004M-14

- 1- The Town purchased and implemented a new utility billing software package in October, 2004. The new software has internal control and authorization capabilities that provide extensive constraints over what employees may enter or change in the system. A new Supervisor has been hired for the utility department and is monitoring the activities of the employees of that department. Currently the Town is performing monthly reconciliations to verify the integrity of data and calculations being entered.
- 2- The Town did not adjust its billing for fuel adjustments from January, 2004 through August, 2004. This function had been the responsibility of the former Municipal Clerk, until her departure in late June, 2004. This function was not disclosed to the new Municipal Clerk and as a result, it went unaddressed. Commencing in September, 2004, the present administration began to recalculate the fuel adjustment on a monthly basis.

Finding: Ref Number: 2004M-15

- 1- The Town of Walker will adopt the Code of Ethics as promulgated by the Louisiana Board of Ethics in the form of a formal resolution of the Board of Alderman. A copy of that resolution will be presented to all existing and future employees along with a copy of the Code of Governmental Ethics.

Finding: Ref Number: 2004M-16

- 1- The Town of Walker agrees to, and will report designated sales tax receipts in a separate special revenue fund.

Finding: Ref Number: 2004M-17

- 1- The Town has referred this matter to its legal counsel for investigation and recommendations. 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. Should the opinion conclude that the Town is the owner, said funds will be reported in the General Fund of the Town.

Finding: Ref Number: 2004M-18

- 1- *The Christmas Fund account referenced in this finding was closed on February 18, 2004, by a then Alderman and the former Mayor. The former Mayor had resigned from office on January 12, 2004, to assume his newly elected position as Parish President. The Town is aware that the activities conducted through this account are being reviewed by the Legislative Auditor. The Town will continue to monitor these proceedings.*

Finding: Ref Number: 2004M-19

- 1- *At the present time, the Town of Walker has credit cards with Hibernia Bank, Hancock Bank, Office Depot, Home Depot and WalMart. The account with Hibernia will be closed once the Town concludes its banking relationship with this institution. The Town currently has accounts payable controls in place which would prevent payment of charges without the disclosure of transaction details.*

Finding: Ref Number: 2004M-20

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