

CITY OF WALKER, LOUISIANA
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2017

**CITY OF WALKER
WALKER, LOUISIANA**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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**CITY OF WALKER
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Independent Auditor's Report

The Honorable Jimmy Watson, Mayor
and Members of the City Council
City of Walker
Walker, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the budgetary comparison statements of the General Fund and of the 2000 ½ Cent Sales Tax Special Revenue Fund of the City of Walker, Louisiana, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinions, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, and the respective budgetary comparison statements of the General Fund and of the 2000 ½ Cent Sales Tax Special Revenue Fund of the City of Walker, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the City of Walker's December 31, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information, schedule of proportionate share of the net pension liability (Schedule 1), and the schedule of contributions (Schedule 2) on pages 4 through 11 and 71 through 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Walker's basic financial statements. The Schedule of Insurance Coverage in Force (Schedule 3), Schedule of Number of Customers and Revenue Data Per Customer Per Month (Schedule 4), and Schedule of Utility Rates and Tap Fees (Schedule 5) are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards (Schedule 6) is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards (Schedule 6) is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic

financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards (Schedule 6) is fairly stated in all material respects in relation to the basic financial statements as a whole.

Schedules 3 through Schedule 5 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Walker's internal control over financial reporting and compliance.

Respectfully submitted,

Hannu J. Bourgeois, CPA

Denham Springs, Louisiana
June 25, 2018

CITY OF WALKER
MANAGEMENT’S DISCUSSION AND ANALYSIS

As management of the City of Walker, Louisiana (“the City”), we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2017. The intent of Management’s Discussion and Analysis (“MD&A”) is to look at the overall financial performance of the City using an objective, easily readable analysis of the City’s financial activities. Therefore, we encourage readers to consider the information presented here in conjunction with additional information furnished in the Notes to the Financial Statements. Please reference the Table of Contents for the exact location of those items.

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

Financial Highlights

The City continues to fund major infrastructure improvements with city revenues and grants while minimizing long term debt exposure and improving overall financial health.

- Total net position increased \$4,319,455 (18.51%) over 2016, with a three-year increase of 72.17%
- Net capital assets increased \$2,831,857 (14.53%) over 2016, with a three-year increase of 33.17%
- Long term debt decreased \$455,002 (6.22%) over 2016, with a three-year decrease of 3.61%

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, licenses, permits, fines and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Walker include general

government, public safety, highways and streets, and parks and recreation. The business-type activities of the City of Walker include gas and water distribution operation, a sewer disposal operation, and a contracted solid waste disposal operation. All business-type activities are included in a single Utility Enterprise Fund.

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

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

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

The City maintains two individual governmental funds. The *General Fund* is the chief operating fund of the City. The activities of the General Fund include general and administrative functions, public safety (police and animal control), highways and streets, and parks and recreation. The *Special Revenue Fund* accounts solely for the ½ cent sales tax, the proceeds of which are legally dedicated for the repayment of that portion of the Refunding Bonds Series 2009 originally attributable to the 2000 ½ Cent Sales Tax Bonds and the Refunding Bonds Series 2016; extending, improving, maintaining, and operating the sewerage system of the city; and constructing, improving and maintaining public streets and drainage facilities, including equipment therefore. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the special revenue fund as both funds are considered major funds.

The City adopts an annual appropriated budget for its general fund and its special revenue fund. A budgetary comparison statement has been provided for the general fund (Exhibit B-5) and the special revenue fund (Exhibit B-6) as both funds are considered major funds.

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-70 of this report.

Government-wide Financial Analysis

This analysis pertains to the government-wide financial statements for the fiscal year ended December 31, 2017. The City's net position at December 31, 2017 was \$27,650,333, with a 16.77% increase in unrestricted net position and a 21.92% increase in investment in capital assets. Capital assets are reported net of accumulated depreciation; and the investment in capital assets is reported net of related debt. However, it should be noted that the capital assets are used to provide services to citizens; and consequently, cannot be used to liquidate the related debt. The resources needed to repay this debt must be provided from other sources.

The table below reflects the condensed Statement of Net Position as of December 31, 2017 with comparative totals for 2016.

City of Walker
Condensed Statement of Net Position
For the Year Ended December 31, 2017

| | Governmental Activities | Business-Type Activities | Totals 2017 | Totals 2016 |
|---|----------------------------|-----------------------------|----------------------|----------------------|
| ASSETS | | | | |
| Current and Other Assets | \$ 3,637,518 | \$ 11,164,568 | \$ 14,802,086 | \$ 13,344,254 |
| Restricted Assets | - | 1,112,689 | 1,112,689 | 1,298,525 |
| Capital Assets | 6,592,279 | 15,730,505 | 22,322,784 | 19,490,927 |
| Total Assets | <u>10,229,797</u> | <u>28,007,762</u> | <u>38,237,559</u> | <u>34,133,706</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred Amount on Refunding | 71,909 | 507,645 | 579,554 | 596,241 |
| Deferred Outflows - Related to Pensions | 614,367 | - | 614,367 | 762,094 |
| Total Deferred Outflows of Resources | <u>686,276</u> | <u>507,645</u> | <u>1,193,921</u> | <u>1,358,335</u> |
| LIABILITIES | | | | |
| Current Liabilities | 1,087,992 | 1,315,287 | 2,403,279 | 2,308,939 |
| Long-Term Liabilities | 1,572,784 | 5,285,635 | 6,858,419 | 7,313,421 |
| Net Pension Liability | 2,500,180 | - | 2,500,180 | 2,485,201 |
| Total Liabilities | <u>5,160,956</u> | <u>6,600,922</u> | <u>11,761,878</u> | <u>12,107,561</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred Inflows - Related to Pensions | 19,269 | - | 19,269 | 53,602 |
| NET POSITION | | | | |
| Net Investment in Capital Assets | 5,149,423 | 10,542,416 | 15,691,839 | 13,815,056 |
| Restricted | - | 311,009 | 311,009 | 527,175 |
| Unrestricted | 586,425 | 11,061,060 | 11,647,485 | 8,988,647 |
| Total Net Position | <u>\$ 5,735,848</u> | <u>\$ 21,914,485</u> | <u>\$ 27,650,333</u> | <u>\$ 23,330,878</u> |

The Statement of Activities for 2017 categorizes the City's revenues as program revenues, which are service charges or grants and contributions for specific governmental or business-type functions, and general revenues, which include most taxes and other revenue sources of a government-wide nature.

Total revenues for the City in 2017 were \$17,985,895, with \$12,465,148 derived from program revenues and grants; \$5,282,938 from sales, franchise, and property taxes, occupational licenses, and permits; and the remaining \$237,809 from other miscellaneous income. Total expenses for the City in 2017 were \$13,666,440, leaving a \$4,319,455 increase in net position.

The table below reflects the condensed Statement of Activities for the year ended December 31, 2017 with comparative totals for 2016.

City of Walker
Condensed Statement of Activities
For the Year Ended December 31, 2017

| | Governmental Activities | Business-Type Activities | Totals 2017 | Totals 2016 |
|---|----------------------------|-----------------------------|----------------------|----------------------|
| Revenues: | | | | |
| Program Revenues: | | | | |
| Charges for Services | \$ 934,706 | \$ 8,991,218 | \$ 9,925,924 | \$ 9,306,648 |
| Operating Grants and Contributions | 194,968 | 12,543 | 207,511 | 343,849 |
| Capital Grants and Contributions | 504,820 | 1,826,893 | 2,331,713 | 1,705,319 |
| General Revenues: | | | | |
| Taxes | 5,282,938 | - | 5,282,938 | 5,808,865 |
| Other Grants and Contributions not Restricted to Specific Programs | 13,861 | - | 13,861 | 14,746 |
| Interest and Investment Income | 51,284 | 92,982 | 144,266 | 64,742 |
| Net Gain (Loss) on Disposition of Capital Assets | 10,698 | - | 10,698 | 23,889 |
| Miscellaneous Income | 34,079 | 34,905 | 68,984 | 69,036 |
| Total Revenues | <u>7,027,354</u> | <u>10,958,541</u> | <u>17,985,895</u> | <u>17,337,094</u> |
| Expenses: | | | | |
| General Government | 1,894,765 | - | 1,894,765 | 1,720,716 |
| Public Safety | 2,874,140 | - | 2,874,140 | 2,965,147 |
| Highways and Streets | 1,783,340 | - | 1,783,340 | 1,448,273 |
| Parks and Recreation | 359,872 | - | 359,872 | 363,957 |
| Bond Issuance Costs | - | - | - | 21,066 |
| Interest on Long-Term Debt | 45,199 | - | 45,199 | 60,584 |
| Gas | - | 3,360,446 | 3,360,446 | 2,901,993 |
| Water | - | 1,394,242 | 1,394,242 | 1,499,715 |
| Sewer | - | 1,583,221 | 1,583,221 | 1,490,498 |
| Sanitation | - | 371,215 | 371,215 | 369,792 |
| Total Expenses | <u>6,957,316</u> | <u>6,709,124</u> | <u>13,666,440</u> | <u>12,841,741</u> |
| Net Income before Transfers | 70,038 | 4,249,417 | 4,319,455 | 4,495,353 |
| Transfers In (Out) | 189,500 | (189,500) | - | - |
| Increase in Net Position | 259,538 | 4,059,917 | 4,319,455 | 4,495,353 |
| Net Position - Beginning of Year | 5,476,310 | 17,854,568 | 23,330,878 | 18,835,525 |
| Net Position - End of Year | <u>\$ 5,735,848</u> | <u>\$ 21,914,485</u> | <u>\$ 27,650,333</u> | <u>\$ 23,330,878</u> |

Governmental activities. Governmental activities net position increased \$259,538 (4.74%). Total revenues before transfers decreased \$1,860,307 (20.93%), primarily due to decreases in sales taxes, which were inflated from the prior year due to the August 2016 flood recovery, and decreases in intergovernmental revenue. Total expenses increased \$377,573 (5.74%) attributed in large part to street expenses to widen and overlay Sunset and Ballard streets.

Business-type activities. Business-type activities net position increased \$4,059,917 (22.74%). Net income before transfers was \$4,249,417. Improvements and additions to utility services during 2017 included:

- Our Lady of the Lake water well
- Installed 100,000 gallon storage tank at industrial park
- Installed 10,000 gallon hydropneumatic tank and pumping system at industrial park.

Analysis of Fund Financial Statements

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

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflow, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current year, the City's governmental funds reported combined ending fund balances of \$2,488,608, a decrease of \$1,067,370. The general fund, which is the chief operating fund of the City, reported \$2,587,023 in a deficiency of revenues over expenditures. The transfer of \$1,000,000 from the gas department, a transfer of \$15,670 from the ½ cent sales tax fund, proceeds from issuance of long term debt of \$174,000, and \$10,698 proceeds from disposition of capital assets resulted in a net decrease in fund balance of \$1,386,655. The 2000 ½ cent sales tax fund reported \$1,145,455 in excess revenues over expenditures; and a \$319,285 net increase in fund balance after the above noted transfer to the general fund street department for drainage and road improvements, and equipment therefore; as well as an \$810,500 transfer to the proprietary fund sewer department to support operations and maintenance of the sewerage system.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The proprietary funds reported net operating income of \$2,425,336. Operating income for the gas, water and sanitation departments were \$2,576,959, \$355,737 and \$10,742, respectively. Operations of the sewer department resulted in a loss of \$518,102; however, \$810,500 was transferred from the ½ cent sales tax fund to support operations and maintenance of the sewer system.

General Fund Budgetary Summary

Generally, budget amendments fall into three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once more precise information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. The City adopted nine budget amendments during the fiscal year. Final budget adjustments are introduced in November for public hearing at December council meeting.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets (net of accumulated depreciation for its governmental and business type activities as of December 31, 2017 was \$22,322,784. This investment in capital assets includes land, buildings, improvements, roads and bridges, vehicles, machinery and equipment, furniture and fixtures, recreational equipment, and gas, water, and sewer systems. Governmental activities capital assets increased by \$1,661,928 with depreciation expense of \$401,231 and business-type activities capital assets increased by \$2,339,535 with depreciation expense of \$767,875. Total increase in the net investment in capital assets for 2017 amounted to \$2,831,857. Additional information on the City's capital assets can be found in note 8 on pages 46-49 of this report.

Long-term debt. As of December 31, 2017, the City had total debt outstanding of \$6,858,419, a decrease of \$455,002 (6.22%) from prior year. A breakdown of the long-term debt is as follows:

- 2009 Utility Revenue Bonds (maturing January 1, 2020) having an outstanding balance of \$685,000, with \$541,000 payable from the ½ Cent Sales Tax Fund and \$144,000 payable from the Enterprise Fund.
- 2016 Revenue Refunding Bonds (maturing October 1, 2027) having an outstanding balance of \$4,690,000, with \$583,000 payable from the ½ Cent Sales Tax Fund and \$4,107,000 payable from the Enterprise Fund.
- 2010 Utility Revenue Bonds (maturing October 1, 2029) having an outstanding balance of \$248,000.
- 2011 Utility Revenue Bonds (maturing October 1, 2030) having an outstanding balance of \$463,764.
- Capital Leases having an outstanding balance of \$326,618.
- Compensated absences total \$227,474 with \$129,928 payable from the General Fund and \$97,546 payable from the Enterprise Fund.

Additional information on the City's long-term debt can be found in note 12 on pages 57-63.

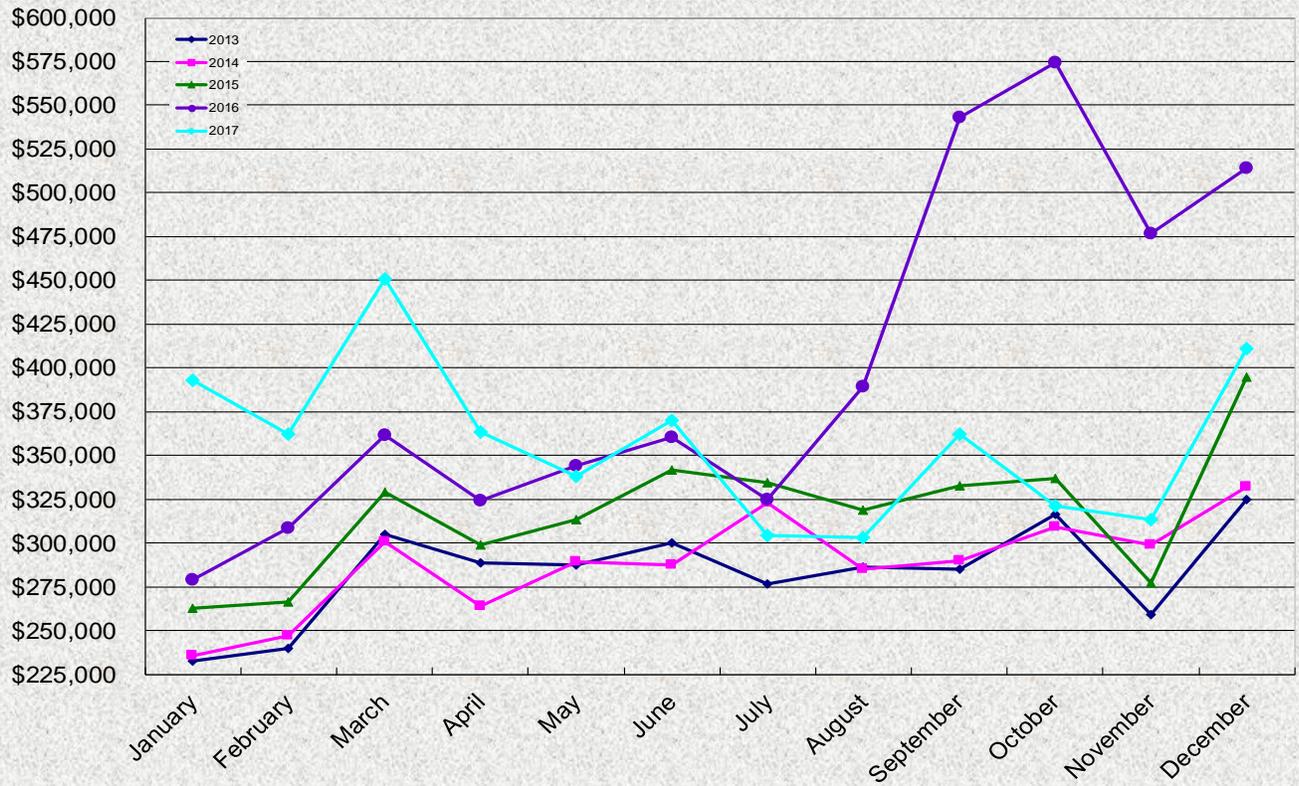
Future Budget and Economic Outlook

Walker continues the long-term task of upgrading infrastructure that began in 2013. Improvements completed in 2017 include the installation of a 100,000 gallon water storage tank and a 10,000 gallon hydropneumatic tank and pumping system at the industrial park. The water department will also be making water line improvements along Walker North from Hwy 190 to Molly Melissa Dr. The sewer department in 2018 will continue to install backflow preventers on all city grinder pumps to alleviate possible sewer backups into homes. The street department will be completing the sidewalks along Ball Park Rd. In addition to infrastructure improvements, the city plans to have the baseball park completely overhauled and replaced in 2018. The walking path at Sidney Hutchinson Park is also set to be completed. The City is also looking to construct a dog park near the existing animal shelter. A community center has also been budgeted to be built at Sidney Hutchinson Park. The building will house a variety of agencies during storm events. The City will be able to use this building as a community/recreational center and have control over it as long as the building is not being used for an emergency situation. The building would allow recreational activities of all types, including basketball, volleyball and others; it could also be used for public meetings and community events as well.

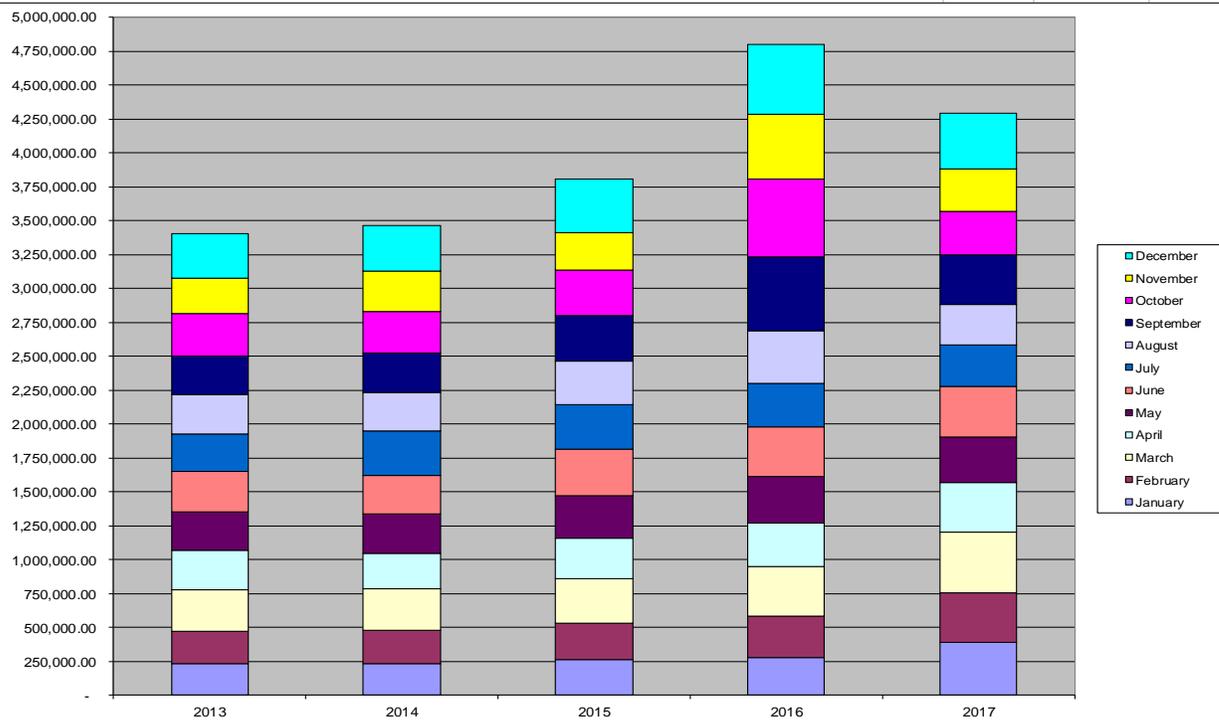
Walker continues to welcome enterprise and entrepreneurship. Scheduled to open in 2018 are Raising Cane's, Lake After Hours Urgent Care, Tierra Santa and Benson Dermatology. The City is in the process of a hotel feasibility study and has contracted with Retail Strategies, a Birmingham, Alabama firm to conduct a retail gap study and to actively recruit national restaurant and retail chains to the city.

The four largest sources of general revenue for the City are taxes, fines and forfeitures, and licenses and permits. The largest source of tax revenue is the 1% general sales tax, which yielded a 10.58% decrease over 2016. This decrease was due from the inflated sales tax received in 2016 after the August flooding event. The 2018 budget reflects moderate growth in tax revenues as compared to 2015, which was the last year unaffected by the flooding event.

CITY OF WALKER GROSS MONTHLY SALES TAX



CITY OF WALKER GROSS ANNUAL SALES TAX



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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF WALKER
STATEMENT OF NET POSITION

DECEMBER 31, 2017

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2016)

| | Governmental Activities | Business-Type Activities | Totals | |
|--|----------------------------|-----------------------------|----------------------|----------------------|
| | | | 2017 | 2016 |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 3,221,958 | \$ 7,752,875 | \$ 10,974,833 | \$ 9,311,045 |
| Investments | 326,134 | - | 326,134 | 322,997 |
| Receivables, Net | 206,421 | 1,731,377 | 1,937,798 | 1,799,698 |
| Due from Other Governments | 1,140,117 | 47,212 | 1,187,329 | 1,450,586 |
| Internal Balances | (1,330,111) | 1,330,111 | - | - |
| Inventories | - | 221,458 | 221,458 | 214,810 |
| Prepaid Insurance | - | - | - | 70,601 |
| Prepaid Items | 72,999 | 81,535 | 154,534 | 174,517 |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents | - | 343,052 | 343,052 | 559,218 |
| Investments | - | 769,637 | 769,637 | 739,307 |
| Capital Assets: | | | | |
| Land and Construction in Progress | 3,350,367 | 3,621,664 | 6,972,031 | 4,976,376 |
| Other Capital Assets, Net of Accumulated Depreciation | 3,241,912 | 12,108,841 | 15,350,753 | 14,514,551 |
| Total Assets | <u>10,229,797</u> | <u>28,007,762</u> | <u>38,237,559</u> | <u>34,133,706</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred Amount on Refunding | 71,909 | 507,645 | 579,554 | 596,241 |
| Deferred Outflows - Related to Pensions | 614,367 | - | 614,367 | 762,094 |
| Total Deferred Outflows of Resources | <u>686,276</u> | <u>507,645</u> | <u>1,193,921</u> | <u>1,358,335</u> |
| LIABILITIES | | | | |
| Accounts Payable and Accrued Expenses | 1,075,911 | 1,283,244 | 2,359,155 | 2,264,072 |
| Accrued Interest Payable | 12,081 | 32,043 | 44,124 | 44,867 |
| Non-Current Liabilities: | | | | |
| Due Within One Year | 399,576 | 319,938 | 719,514 | 688,418 |
| Due in More Than One Year | 1,173,208 | 4,965,697 | 6,138,905 | 6,625,003 |
| Net Pension Liability | 2,500,180 | - | 2,500,180 | 2,485,201 |
| Total Liabilities | <u>5,160,956</u> | <u>6,600,922</u> | <u>11,761,878</u> | <u>12,107,561</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred Inflows - Related to Pensions | 19,269 | - | 19,269 | 53,602 |
| NET POSITION | | | | |
| Net Investment in Capital Assets | 5,149,423 | 10,542,416 | 15,691,839 | 13,815,056 |
| Restricted for | | | | |
| Challenger Field | - | - | - | 224,909 |
| Debt Service | - | 311,009 | 311,009 | 302,266 |
| Unrestricted | 586,425 | 11,061,060 | 11,647,485 | 8,988,647 |
| Total Net Position | <u>\$ 5,735,848</u> | <u>\$ 21,914,485</u> | <u>\$ 27,650,333</u> | <u>\$ 23,330,878</u> |

The accompanying notes are an integral part of this statement.

CITY OF WALKER

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | |
|--------------------------------|-----------------|-----------------------------|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| General Government | \$ 1,894,765 | \$ - | \$ 11,476 | \$ - |
| Public Safety | 2,874,140 | 854,627 | 182,817 | 7,470 |
| Highways and Streets | 1,783,340 | 13,625 | - | 497,350 |
| Parks and Recreation | 359,872 | 66,454 | 675 | - |
| Bond Issuance Costs | - | - | - | - |
| Interest on Long-Term Debt | 45,199 | - | - | - |
| Total Governmental Activities | 6,957,316 | 934,706 | 194,968 | 504,820 |
| Business-Type Activities: | | | | |
| Gas | 3,360,446 | 5,848,484 | - | 42,642 |
| Water | 1,394,242 | 1,716,474 | - | 1,672,206 |
| Sewer | 1,583,221 | 1,044,303 | 12,543 | 112,045 |
| Sanitation | 371,215 | 381,957 | - | - |
| Total Business-Type Activities | 6,709,124 | 8,991,218 | 12,543 | 1,826,893 |
| Total Primary Government | \$ 13,666,440 | \$ 9,925,924 | \$ 207,511 | \$ 2,331,713 |

General Revenues:

Taxes:

Property

Sales

Occupational and Permits

Franchise

Other Grants and Contributions not Restricted to Specific Programs

Transfers

Interest and Investment Income

Net Gain (Loss) on Disposition of Capital Assets

Miscellaneous Income

Total General Revenues

Change in Net Position

Net Position - Beginning of Year

Net Position - End of Year

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Position (Deficit)

| Governmental Activities | Business-Type Activities | Totals | |
|----------------------------|-----------------------------|----------------------|----------------------|
| | | 2017 | 2016 |
| \$ (1,883,289) | \$ - | \$ (1,883,289) | \$ (1,712,894) |
| (1,829,226) | - | (1,829,226) | (1,926,762) |
| (1,272,365) | - | (1,272,365) | 245,905 |
| (292,743) | - | (292,743) | (145,137) |
| - | - | - | (21,066) |
| (45,199) | - | (45,199) | (60,584) |
| (5,322,822) | - | (5,322,822) | (3,620,538) |
| - | 2,530,680 | 2,530,680 | 2,531,820 |
| - | 1,994,438 | 1,994,438 | 78,284 |
| - | (414,330) | (414,330) | (472,922) |
| - | 10,742 | 10,742 | (2,569) |
| - | 4,121,530 | 4,121,530 | 2,134,613 |
| (5,322,822) | 4,121,530 | (1,201,292) | (1,485,925) |
| 126,068 | - | 126,068 | 109,285 |
| 4,291,882 | - | 4,291,882 | 4,799,842 |
| 474,906 | - | 474,906 | 529,692 |
| 390,082 | - | 390,082 | 370,046 |
| 13,861 | - | 13,861 | 14,746 |
| 189,500 | (189,500) | - | - |
| 51,284 | 92,982 | 144,266 | 64,742 |
| 10,698 | - | 10,698 | 23,889 |
| 34,079 | 34,905 | 68,984 | 69,036 |
| 5,582,360 | (61,613) | 5,520,747 | 5,981,278 |
| 259,538 | 4,059,917 | 4,319,455 | 4,495,353 |
| 5,476,310 | 17,854,568 | 23,330,878 | 18,835,525 |
| <u>\$ 5,735,848</u> | <u>\$ 21,914,485</u> | <u>\$ 27,650,333</u> | <u>\$ 23,330,878</u> |

FUND FINANCIAL STATEMENTS

CITY OF WALKER
BALANCE SHEET
GOVERNMENTAL FUNDS

DECEMBER 31, 2017

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2016)

| | General | 2000 1/2 Cent Sales Tax Fund | Total Governmental | |
|--|---------------------|------------------------------------|-----------------------|---------------------|
| | | | 2017 | 2016 |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 975,564 | \$ 2,246,394 | \$ 3,221,958 | \$ 2,557,498 |
| Investments | 326,134 | - | 326,134 | 322,997 |
| Receivables: | | | | |
| Ad Valorem Taxes, Net | 37,089 | - | 37,089 | 108,903 |
| Other | 169,332 | - | 169,332 | 147,410 |
| Prepaid Insurance | - | - | - | 70,601 |
| Due from Other Funds | - | - | - | (275,439) |
| Due from Other Governments | 902,027 | 238,090 | 1,140,117 | 1,450,586 |
| Cash - Restricted | - | - | - | 224,909 |
| Total Assets | <u>\$ 2,410,146</u> | <u>\$ 2,484,484</u> | <u>\$ 4,894,630</u> | <u>\$ 4,607,465</u> |
| LIABILITIES | | | | |
| Accounts Payable | \$ 821,959 | \$ - | \$ 821,959 | \$ 635,411 |
| Payroll Liabilities | 143,552 | - | 143,552 | 124,684 |
| Accrued Salaries and Wages | 110,400 | - | 110,400 | 106,001 |
| Due to Other Funds | 1,233,675 | 96,436 | 1,330,111 | 185,391 |
| Total Liabilities | 2,309,586 | 96,436 | 2,406,022 | 1,051,487 |
| FUND BALANCES | | | | |
| Fund Balances: | | | | |
| Nonspendable: | | | | |
| Prepaid Insurance | - | - | - | 70,601 |
| Restricted For: | | | | |
| Challenger Field | - | - | - | 224,909 |
| Committed For: | | | | |
| Construction Contracts | 48,613 | - | 48,613 | 1,191,705 |
| Assigned To: | | | | |
| Special Revenue Fund | - | 2,388,048 | 2,388,048 | 2,068,763 |
| Unassigned: | | | | |
| General Fund | 51,947 | - | 51,947 | - |
| Total Fund Balances | <u>100,560</u> | <u>2,388,048</u> | <u>2,488,608</u> | <u>3,555,978</u> |
| Total Liabilities and Fund Balances | <u>\$ 2,410,146</u> | <u>\$ 2,484,484</u> | <u>\$ 4,894,630</u> | <u>\$ 4,607,465</u> |

The accompanying notes are an integral part of this statement.

CITY OF WALKER

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2017

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2016)

| | 2017 | 2016 |
|--|--------------|--------------|
| Fund Balances - Total Governmental Funds | \$ 2,488,608 | \$ 3,555,978 |
| Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because: | | |
| Capital Assets Used in Governmental Activities are not Financial Resources and are not Reported in the Governmental Funds | | |
| Governmental Capital Assets | 10,709,293 | 9,159,784 |
| Less Accumulated Depreciation | (4,117,014) | (3,827,702) |
| | 6,592,279 | 5,332,082 |
| Prepaid Items | 72,999 | 62,355 |
| Long-Term Liabilities are not Due and Payable in the Current Period and therefore are not Reported in the Governmental Funds: | | |
| Net Pension Liability | (2,500,180) | (2,485,201) |
| General Obligation Bonds | (1,150,994) | (1,405,994) |
| Deferred Amount on Refunding | 71,909 | 71,909 |
| Compensated Absences Payable | (129,928) | (147,495) |
| Capital Lease Payable | (291,862) | (202,992) |
| Accrued Interest Payable | (12,081) | (12,824) |
| | (4,013,136) | (4,182,597) |
| Deferred Outflows of Resources Related to Pensions are not Reported in Governmental Funds | 614,367 | 762,094 |
| Deferred Inflows of Resources Related to Pensions are not Reported in Governmental Funds | (19,269) | (53,602) |
| Net Position of Governmental Activities | \$ 5,735,848 | \$ 5,476,310 |

The accompanying notes are an integral part of this statement.

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

FOR THE YEAR ENDED DECEMBER 31, 2017

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)

| | 2000 | | Total | |
|--|--------------|----------------------------|----------------------------|--------------|
| | General | 1/2 Cent Sales Tax Fund | Governmental Funds 2017 | 2016 |
| Revenues: | | | | |
| Taxes | \$ 3,390,802 | \$ 1,431,091 | \$ 4,821,893 | \$ 5,293,919 |
| Licenses and Permits | 474,906 | - | 474,906 | 529,692 |
| Fines and Forfeits | 810,984 | - | 810,984 | 788,973 |
| Interest | 17,140 | 34,144 | 51,284 | 26,898 |
| Fees | 117,077 | - | 117,077 | 119,798 |
| Intergovernmental | 628,431 | - | 628,431 | 1,795,833 |
| Miscellaneous | 57,410 | - | 57,410 | 221,601 |
| Total Revenues | 5,496,750 | 1,465,235 | 6,961,985 | 8,776,714 |
| Expenditures: | | | | |
| Current: | | | | |
| General Government | 1,779,711 | 23,704 | 1,803,415 | 1,677,060 |
| Public Safety | 2,601,487 | - | 2,601,487 | 2,728,689 |
| Highways and Streets | 1,654,419 | - | 1,654,419 | 1,337,922 |
| Parks and Recreation | 296,732 | - | 296,732 | 295,192 |
| Capital Outlay | 1,661,428 | - | 1,661,428 | 2,432,707 |
| Debt Service: | | | | |
| Bond Issuance Costs | - | - | - | 21,066 |
| Principal Retirement | 85,130 | 255,000 | 340,130 | 356,985 |
| Interest and Administration Fees | 4,866 | 41,076 | 45,942 | 67,094 |
| Total Expenditures | 8,083,773 | 319,780 | 8,403,553 | 8,916,715 |
| Excess (Deficiency) of Revenues over Expenditures | (2,587,023) | 1,145,455 | (1,441,568) | (140,001) |
| Other Financing Sources (Uses): | | | | |
| Proceeds from Capital Asset Disposition | 10,698 | - | 10,698 | 92,012 |
| Proceeds from Bond Issuance | - | - | - | 583,000 |
| Premium on Bond Issuance | - | - | - | 26,994 |
| Payment to Refund Bonds | - | - | - | (629,022) |
| Transfers In | 1,015,670 | - | 1,015,670 | 1,015,670 |
| Transfer Out | - | (826,170) | (826,170) | (835,670) |
| Proceeds from Issuance of Long Term Debt | 174,000 | - | 174,000 | - |
| Total Other Financing Sources (Uses) | 1,200,368 | (826,170) | 374,198 | 252,984 |
| Net Change in Fund Balances | (1,386,655) | 319,285 | (1,067,370) | 112,983 |
| Fund Balances at Beginning of Year | 1,487,215 | 2,068,763 | 3,555,978 | 3,442,995 |
| Fund Balances at End of Year | \$ 100,560 | \$ 2,388,048 | \$ 2,488,608 | \$ 3,555,978 |

The accompanying notes are an integral part of this statement.

CITY OF WALKER

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)

| | 2017 | 2016 |
|--|-------------------|---------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ (1,067,370) | \$ 112,983 |
| Amounts Reported for Governmental Activities in the Statement of Activities are Different Because: | | |
| Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities, the Cost of Those Assets is Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense. | | |
| Capital Outlay Additions and Net Transfers | 1,661,428 | 2,499,834 |
| Depreciation Expense and Accumulated Depreciation on Transfers In | <u>(401,231)</u> | <u>(350,025)</u> |
| | 1,260,197 | 2,149,809 |
| In the Statement of Activities, Only the Gain on the Sale of Capital Assets is reported. However, in the Governmental Funds, the Proceeds from the Capital Asset Dispositions Increase Financial Resources. Thus, the Change in Net Position Differs from the Change in Fund Balance by the Cost of the Capital Assets Disposed. | | |
| Add Accumulated Depreciation on Capital Assets Retired | 111,919 | 446,872 |
| Less Cost Basis of Capital Assets Retired During the Year | <u>(111,919)</u> | <u>(504,528)</u> |
| | - | (57,656) |
| Governmental Funds Expense Insurance Payments When Paid. In the Statement of Activities, Only the Portion Applicable to the Current Year is Expensed. The Remaining is Recorded in the Statement of Net Position as Prepaid Insurance. | | |
| Change in Prepaid Items | 10,644 | (3,244) |
| The Issuance of Long-Term Debt (e.g., bonds, leases) Provides Current Financial Resources to Governmental Funds, While the Repayment of the Principal of Long-Term Debt Consumes the Current Financial Resources of the Governmental Funds. Neither Transaction, However, has any Effect on Net Position. Also, Governmental Funds Report the Effect of Premiums, Discounts, and Similar Items When Debt is First Issued, Whereas These Amounts are Deferred and Amortized in the Statement of Activities. | | |
| Issuance of Refunding Bonds | - | (609,994) |
| Payment to Refund Bonds | - | 629,022 |
| Proceeds from the Issuance of Capital Lease | (174,000) | - |
| Repayment of Principal on Long-Term Debt | 340,130 | 356,985 |
| Some Expenses Reported in the Statement of Activities do not Require the use of Current Financial Resources and are not Reported as Expenditures in Governmental Funds. | | |
| (Increase) Decrease in Compensated Absences Payable | 17,567 | (30,619) |
| (Increase) Decrease in Pension Expense | (183,043) | (115,209) |
| (Increase) Decrease in Accrued Interest Payable | 743 | 6,510 |
| Proportionate Share of Non-employer Contributions to the Pension Plans do not Provide Current Financial Resources and, Therefore, are not reported as Revenues in the Governmental Funds. | | |
| | <u>54,670</u> | <u>49,331</u> |
| Change in Net Position of Governmental Activities | <u>\$ 259,538</u> | <u>\$ 2,487,918</u> |

The accompanying notes are an integral part of this statement.

CITY OF WALKER
GENERAL FUND

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

FOR THE YEAR ENDED DECEMBER 31, 2017

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual | Variance With Final Budget |
|------------------------------|---------------------------------|------------------------------|------------|-------------------------------|
| Revenues | | | | |
| Taxes: | | | | |
| Ad Valorem Taxes | \$ 114,000 | \$ 114,000 | \$ 126,068 | \$ 12,068 |
| Alcoholic Beverage Tax | 14,500 | 14,500 | 13,861 | (639) |
| Franchise Taxes | 400,000 | 400,000 | 390,082 | (9,918) |
| Sales Taxes | 2,670,000 | 2,670,000 | 2,860,791 | 190,791 |
| | 3,198,500 | 3,198,500 | 3,390,802 | 192,302 |
| Licenses and Permits: | | | | |
| Occupational Licenses | 346,200 | 346,200 | 378,464 | 32,264 |
| Other Permits and Licenses | 98,400 | 98,400 | 96,442 | (1,958) |
| | 444,600 | 444,600 | 474,906 | 30,306 |
| Fines and Forfeits | 960,000 | 725,000 | 810,984 | 85,984 |
| Interest Income | 6,000 | 6,000 | 17,140 | 11,140 |
| Fees: | | | | |
| Animal Adoption Fees | 1,000 | 1,000 | 2,776 | 1,776 |
| Parks and Recreation Fees | 82,000 | 82,000 | 59,809 | (22,191) |
| Police Extra Duty Charges | 41,000 | 41,000 | 40,867 | (133) |
| Road Maintenance | 9,200 | 9,200 | 13,625 | 4,425 |
| | 133,200 | 133,200 | 117,077 | (16,123) |

(CONTINUED)

**CITY OF WALKER
GENERAL FUND**

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

FOR THE YEAR ENDED DECEMBER 31, 2017

| | <u>Original Budgeted Amounts</u> | <u>Final Budgeted Amounts</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|---|--|---------------------------------------|------------------|---------------------------------------|
| Intergovernmental: | | | | |
| State and Local Grants: | | | | |
| Other State and Local Grants | 200,000 | 50,000 | - | (50,000) |
| On Behalf Payments for Salaries | 108,000 | 108,000 | 102,266 | (5,734) |
| Street Department Grant | - | 1,006,000 | 85,694 | (920,306) |
| Federal Grants: | | | | |
| Flood Relief Grant | - | 11,475 | 11,476 | 1 |
| Street Planning and Construction Grant | 3,143,700 | 1,016,469 | 411,656 | (604,813) |
| Animal Control Grants | - | - | 7,470 | 7,470 |
| Law Enforcement Grants | 20,000 | 20,000 | 9,869 | (10,131) |
| | <u>3,471,700</u> | <u>2,211,944</u> | <u>628,431</u> | <u>(1,583,513)</u> |
| Miscellaneous: | | | | |
| Parks and Recreation Concessions | 8,500 | 8,500 | 6,645 | (1,855) |
| Miscellaneous | 22,000 | 22,000 | 50,765 | 28,765 |
| | <u>30,500</u> | <u>30,500</u> | <u>57,410</u> | <u>26,910</u> |
| Total Revenues | <u>8,244,500</u> | <u>6,749,744</u> | <u>5,496,750</u> | <u>(1,252,994)</u> |

(CONTINUED)

CITY OF WALKER
GENERAL FUND

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

FOR THE YEAR ENDED DECEMBER 31, 2017

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual | Variance With Final Budget |
|---|---------------------------------|------------------------------|------------------|-------------------------------|
| Expenditures | | | | |
| General Government: | | | | |
| General Provisions: | | | | |
| Salaries | 832,940 | 832,940 | 936,840 | (103,900) |
| Aldermen's Per Diem | 60,000 | 60,000 | 61,000 | (1,000) |
| Payroll Taxes, Retirement, and Group Insurance | 390,800 | 390,800 | 354,159 | 36,641 |
| Advertising | 10,000 | 10,000 | 11,048 | (1,048) |
| Collection Costs | 51,900 | 51,900 | 58,548 | (6,648) |
| Community Events | 30,000 | 30,000 | 23,929 | 6,071 |
| Contracted Services | 6,800 | 6,800 | 6,454 | 346 |
| Coroner Fees | 6,000 | 6,000 | 1,500 | 4,500 |
| Court Costs | 14,400 | 18,000 | 18,000 | - |
| Economic Development | 15,000 | 15,000 | 10,000 | 5,000 |
| Insurance | 64,700 | 64,700 | 57,877 | 6,823 |
| Legal and Professional | 28,700 | 28,700 | 25,056 | 3,644 |
| Membership Fees and Educational Training | 16,000 | 26,000 | 28,436 | (2,436) |
| Miscellaneous | 3,800 | 3,800 | 5,691 | (1,891) |
| Printing, Postage and Office Supplies | 51,800 | 96,800 | 66,797 | 30,003 |
| Rental Equipment | 6,600 | 6,600 | 9,022 | (2,422) |
| Repairs and Maintenance | 33,200 | 68,200 | 55,837 | 12,363 |
| Small Tools and Supplies | - | - | 515 | (515) |
| Telephone | 22,900 | 22,900 | 22,666 | 234 |
| Utilities | 17,000 | 17,000 | 14,957 | 2,043 |
| Uniforms | 500 | 500 | 2,110 | (1,610) |
| Vehicle Expenses | 12,000 | 12,000 | 9,269 | 2,731 |
| Total General Government | <u>1,675,040</u> | <u>1,768,640</u> | <u>1,779,711</u> | <u>(11,071)</u> |

(CONTINUED)

CITY OF WALKER
GENERAL FUND

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

FOR THE YEAR ENDED DECEMBER 31, 2017

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual | Variance With Final Budget |
|---|---------------------------------|------------------------------|----------------|-------------------------------|
| Public Safety: | | | | |
| Animal Control: | | | | |
| Salaries | 122,000 | 122,000 | 116,880 | 5,120 |
| Payroll Taxes, Retirement, and Group Insurance | 55,200 | 55,200 | 49,395 | 5,805 |
| Animal Care Expense | 10,500 | 10,500 | 10,078 | 422 |
| Insurance | 5,400 | 5,400 | 7,133 | (1,733) |
| Legal and Professional | 1,300 | 1,300 | 2,027 | (727) |
| Miscellaneous | 7,600 | 7,600 | 5,228 | 2,372 |
| Printing, Postage and Office Supplies | 700 | 700 | 3,501 | (2,801) |
| Small Tools and Supplies | 10,000 | 10,000 | 4,594 | 5,406 |
| Telephone | 3,100 | 3,100 | 3,166 | (66) |
| Utilities | 10,000 | 10,000 | 8,020 | 1,980 |
| Vehicle Expense | 4,000 | 4,000 | 3,922 | 78 |
| Total Animal Control | <u>229,800</u> | <u>229,800</u> | <u>213,944</u> | <u>15,856</u> |
| Police: | | | | |
| Salaries | 1,325,700 | 1,325,700 | 1,236,879 | 88,821 |
| Payroll Taxes, Retirement, and Group Insurance | 723,900 | 723,900 | 699,847 | 24,053 |
| Contracted Services | 5,800 | 5,800 | 3,355 | 2,445 |
| Equipment Rental | 18,900 | 30,400 | 28,168 | 2,232 |
| Insurance | 163,300 | 163,300 | 187,963 | (24,663) |
| Membership Fees and Educational Training | 9,000 | 9,000 | 11,159 | (2,159) |
| Miscellaneous | 7,400 | 7,400 | 6,726 | 674 |
| Printing, Postage and Office Supplies | 7,200 | 7,200 | 10,623 | (3,423) |
| Professional Fees | 12,000 | 12,000 | 23,184 | (11,184) |
| Repairs and Maintenance | 32,500 | 32,500 | 19,159 | 13,341 |
| Small Tools and Supplies | 15,000 | 26,000 | 20,488 | 5,512 |

(CONTINUED)

**CITY OF WALKER
GENERAL FUND**

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

FOR THE YEAR ENDED DECEMBER 31, 2017

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual | Variance With Final Budget |
|---|---------------------------------|------------------------------|------------------|-------------------------------|
| Public Safety (Continued): | | | | |
| Police (Continued): | | | | |
| Telephone | 30,800 | 30,800 | 32,582 | (1,782) |
| Uniforms | 14,000 | 14,000 | 15,321 | (1,321) |
| Utilities | 7,500 | 7,500 | 9,618 | (2,118) |
| Vehicle Expense | 80,000 | 80,000 | 82,471 | (2,471) |
| Total Police | <u>2,453,000</u> | <u>2,475,500</u> | <u>2,387,543</u> | <u>87,957</u> |
| Total Public Safety | <u>2,682,800</u> | <u>2,705,300</u> | <u>2,601,487</u> | <u>103,813</u> |
| Highways and Streets: | | | | |
| Streets: | | | | |
| Salaries | 507,400 | 513,900 | 474,416 | 39,484 |
| Payroll Taxes, Retirement, and Group Insurance | 244,300 | 244,300 | 228,307 | 15,993 |
| Contract Services | 4,900 | 4,900 | 41,331 | (36,431) |
| Equipment Expense | 78,200 | 118,200 | 113,641 | 4,559 |
| Equipment Rental | 12,400 | 12,400 | 11,433 | 967 |
| Insurance | 81,200 | 81,200 | 103,984 | (22,784) |
| Landscaping and Beautification | 224,300 | - | - | - |
| Legal and Professional | 27,200 | 77,200 | 98,465 | (21,265) |
| Streets Maintenance and Materials | 57,000 | 342,000 | 462,729 | (120,729) |
| Membership Fees and Educational Training | 1,500 | 1,500 | 2,715 | (1,215) |
| Miscellaneous | 2,000 | 2,000 | 828 | 1,172 |
| Small Tools and Supplies | 14,000 | 24,000 | 26,580 | (2,580) |
| Telephone | 8,900 | 8,900 | 9,393 | (493) |
| Uniforms | 1,500 | 1,500 | 1,505 | (5) |
| Utilities | 72,800 | 72,800 | 79,092 | (6,292) |
| Total Highways and Streets | <u>1,337,600</u> | <u>1,504,800</u> | <u>1,654,419</u> | <u>(149,619)</u> |

(CONTINUED)

**CITY OF WALKER
GENERAL FUND**

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

FOR THE YEAR ENDED DECEMBER 31, 2017

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual | Variance With Final Budget |
|---|---------------------------------|------------------------------|-----------|-------------------------------|
| Parks and Recreation: | | | | |
| Salaries | 79,100 | 89,100 | 77,689 | 11,411 |
| Payroll Taxes, Retirement, and Group Insurance | 24,800 | 24,800 | 32,619 | (7,819) |
| Concession Supplies | 1,200 | 1,200 | - | 1,200 |
| Equipment Rental | 3,700 | 3,700 | 6,352 | (2,652) |
| Insurance | 11,700 | 11,700 | 11,615 | 85 |
| Membership Fees and Educational Training | 1,500 | 1,500 | 2,597 | (1,097) |
| Miscellaneous | 3,300 | 3,300 | 4,021 | (721) |
| Legal and Professional | 1,300 | 36,300 | 3,941 | 32,359 |
| Printing, Postage and Office Supplies | 1,200 | 1,200 | 1,294 | (94) |
| Recreational Supplies | 30,000 | 35,000 | 33,244 | 1,756 |
| Repairs and Maintenance | 32,900 | 52,900 | 28,898 | 24,002 |
| Small Tools and Supplies | 6,000 | 6,000 | 2,349 | 3,651 |
| Telephone | 1,800 | 1,800 | 1,820 | (20) |
| Tournament Expenses | 50,000 | 65,000 | 60,356 | 4,644 |
| Utilities | 24,200 | 31,200 | 29,817 | 1,383 |
| Uniforms | 500 | 500 | 120 | 380 |
| Total Parks and Recreation | 273,200 | 365,200 | 296,732 | 68,468 |
| Capital Outlay | 3,574,400 | 2,801,162 | 1,661,428 | 1,139,734 |
| Debt Service: | | | | |
| Principal Retirement | 99,200 | 99,200 | 85,130 | 14,070 |
| Interest | 5,500 | 5,500 | 4,866 | 634 |
| Total Debt Service | 104,700 | 104,700 | 89,996 | 14,704 |
| Total Expenditures | 9,647,740 | 9,249,802 | 8,083,773 | 1,166,029 |

(CONTINUED)

**CITY OF WALKER
GENERAL FUND**

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

FOR THE YEAR ENDED DECEMBER 31, 2017

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual | Variance With Final Budget |
|--|---------------------------------|------------------------------|-------------|-------------------------------|
| Excess (Deficiency) of Revenues Over Expenditures | (1,403,240) | (2,500,058) | (2,587,023) | (86,965) |
| Other Financing Sources (Uses): | | | | |
| Transfers In | 1,365,700 | 1,300,700 | 1,015,670 | (285,030) |
| Sale of Capital Assets | - | - | 10,698 | 10,698 |
| Proceeds from Issuance of Debt | - | - | 174,000 | 174,000 |
| Total Other Financing Sources (Uses) | 1,365,700 | 1,300,700 | 1,200,368 | (100,332) |
| Net Change in Fund Balance | (37,540) | (1,199,358) | (1,386,655) | (187,297) |
| Fund Balance at Beginning of Year | 1,487,215 | 1,487,215 | 1,487,215 | - |
| Fund Balance at End of Year | \$ 1,449,675 | \$ 287,857 | \$ 100,560 | \$ (187,297) |

The accompanying notes are an integral part of this statement.

CITY OF WALKER

2000 1/2 CENT SALES TAX SPECIAL REVENUE FUND

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

FOR THE YEAR ENDED DECEMBER 31, 2017

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual | Variance With Final Budget |
|--|---------------------------------|------------------------------|--------------|-------------------------------|
| Revenues: | | | | |
| Sales Taxes | \$ 1,335,000 | \$ 1,335,000 | \$ 1,431,091 | \$ 96,091 |
| Interest | 9,000 | 9,000 | 34,144 | 25,144 |
| Total Revenues | 1,344,000 | 1,344,000 | 1,465,235 | 121,235 |
| Expenditures: | | | | |
| General Government: | | | | |
| Collection Expenses | 21,100 | 25,100 | 23,704 | 1,396 |
| Total General Government | 21,100 | 25,100 | 23,704 | 1,396 |
| Debt Service: | | | | |
| Principal Retirement | 135,000 | 255,000 | 255,000 | - |
| Interest and Administrative Fees | 47,600 | 47,600 | 41,076 | 6,524 |
| Total Debt Service | 182,600 | 302,600 | 296,076 | 6,524 |
| Total Expenditures | 203,700 | 327,700 | 319,780 | 7,920 |
| Excess (Deficiency) of Revenues over Expenditures | 1,140,300 | 1,016,300 | 1,145,455 | 129,155 |
| Other Financing Sources (Uses): | | | | |
| Operating Transfers Out | (1,176,200) | (1,211,200) | (826,170) | 385,030 |
| Total Other Financing Sources (Uses) | (1,176,200) | (1,211,200) | (826,170) | 385,030 |
| Net Change in Fund Balance | (35,900) | (194,900) | 319,285 | 514,185 |
| Fund Balance at Beginning of Year | 2,068,763 | 2,068,763 | 2,068,763 | - |
| Fund Balance at End of Year | \$ 2,032,863 | \$ 1,873,863 | \$ 2,388,048 | \$ 514,185 |

The accompanying notes are an integral part of this statement.

**CITY OF WALKER
PROPRIETARY FUND**

STATEMENT OF NET POSITION

DECEMBER 31, 2017

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2016)

| | Business Type Activities - Enterprise Fund | |
|--|---|---------------|
| | 2017 | 2016 |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 7,752,875 | \$ 6,753,547 |
| Due From Other Funds | 1,330,111 | 460,830 |
| | 9,082,986 | 7,214,377 |
| Receivables: | | |
| Accounts (Net of Allowance for Uncollectible Accounts of \$5,000 in 2017 and \$5,000 in 2016) | 979,685 | 973,255 |
| Unbilled Utility Sales | 751,692 | 570,130 |
| Due from Other Governments | 47,212 | - |
| | 1,778,589 | 1,543,385 |
| Inventory, at Cost | 221,458 | 214,810 |
| Prepaid Expenses | 51,429 | 81,066 |
| Total Current Assets | 11,134,462 | 9,053,638 |
| Noncurrent Assets: | | |
| Restricted Cash, Cash Equivalents, and Investments: | | |
| Revenue Bond Covenant Accounts | 343,052 | 334,309 |
| Investments - Customer Deposits | 769,637 | 739,307 |
| Prepaid Items | 30,106 | 31,096 |
| Capital Assets, at Cost (Net of Accumulated Depreciation) | 15,730,505 | 14,158,845 |
| Total Noncurrent Assets | 16,873,300 | 15,263,557 |
| Total Assets | 28,007,762 | 24,317,195 |
| Deferred Outflows of Resources: | | |
| Deferred Amount on Refunding of Debt | 507,645 | 524,332 |
| Total Deferred Outflows of Resources | 507,645 | 524,332 |
| Total Assets and Deferred Outflows of Resources | \$ 28,515,407 | \$ 24,841,527 |

The accompanying notes are an integral part of this statement.

| | Business Type Activities - Enterprise Fund | |
|--------------------------------------|---|---------------|
| | 2017 | 2016 |
| Current Liabilities: | | |
| Accounts Payable | \$ 454,028 | \$ 583,568 |
| Accrued Salaries and Wages | 41,726 | 40,601 |
| Accumulated Unpaid Vacation | 24,387 | 21,015 |
| Customers' Deposits | 758,642 | 739,047 |
| Other Current Liabilities | 28,848 | 34,760 |
| Bonds Payable - Current Portion | 295,551 | 289,865 |
| Accrued Bond Interest | 32,043 | 32,043 |
| Total Current Liabilities | 1,635,225 | 1,740,899 |
| Noncurrent Liabilities: | | |
| Bonds Payable - Less Current Portion | 4,892,538 | 5,183,014 |
| Accumulated Unpaid Vacation | 73,159 | 63,046 |
| Total Noncurrent Liabilities | 4,965,697 | 5,246,060 |
| Total Liabilities | 6,600,922 | 6,986,959 |
| Net Position: | | |
| Net Investment in Capital Assets | 10,542,416 | 8,685,966 |
| Restricted for Debt Service | 311,009 | 302,266 |
| Unrestricted | 11,061,060 | 8,866,336 |
| Total Net Position | 21,914,485 | 17,854,568 |
| Total Liabilities and Net Position | \$ 28,515,407 | \$ 24,841,527 |

**CITY OF WALKER
PROPRIETARY FUND**

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2017

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2016)

| | Business - Type Activities - Enterprise Fund | |
|--|---|---------------|
| | 2017 | 2016 |
| Operating Revenues: | | |
| Charges for Services | \$ 8,991,218 | \$ 8,394,077 |
| Total Operating Revenues | 8,991,218 | 8,394,077 |
| Operating Expenses: | | |
| Personal Services and Benefits | 1,706,482 | 1,615,604 |
| Contractual Services | 815,464 | 794,056 |
| Cost of Materials | 1,657,427 | 1,183,690 |
| Utilities | 230,959 | 210,570 |
| Repair and Maintenance | 983,253 | 1,088,220 |
| Supplies | 189,609 | 93,844 |
| Insurance | 182,675 | 162,109 |
| Depreciation | 767,875 | 793,198 |
| Bad Debts | 32,138 | 14,617 |
| Total Operating Expenses | 6,565,882 | 5,955,908 |
| Operating Income | 2,425,336 | 2,438,169 |
| Nonoperating Revenues: | | |
| Interest and Investment Income | 92,982 | 37,844 |
| Gain (Loss) on Capital Asset Dispositions | - | (10,467) |
| Miscellaneous | 34,905 | 25,445 |
| Total Nonoperating Revenues | 127,887 | 52,822 |
| Nonoperating Expenses: | | |
| Interest and Administrative Fees | 131,830 | 154,850 |
| Bond Issuance Costs | - | 124,386 |
| Amortization of Bond Insurance Costs | 990 | 476 |
| Amortization of Bond Discount (Premium) | (6,265) | (3,016) |
| Amortization of Deferred Amount on Refunding | 16,687 | 8,034 |
| Loss on Capital Asset Transfers | - | 21,360 |
| Total Nonoperating Expenses | 143,242 | 306,090 |
| Income Before Contributions and Transfers | 2,409,981 | 2,184,901 |
| Capital and Other Contributions | 1,839,436 | 2,534 |
| Transfers from Special Revenue Fund | 810,500 | 820,000 |
| Transfers to General Fund | (1,000,000) | (1,000,000) |
| Change in Net Position | 4,059,917 | 2,007,435 |
| Total Net Position at Beginning of Year | 17,854,568 | 15,847,133 |
| Total Net Position at End of Year | \$ 21,914,485 | \$ 17,854,568 |

The accompanying notes are an integral part of this statement.

**CITY OF WALKER
PROPRIETARY FUND**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)

| | <u>Business-Type Activities - Enterprise Fund</u> | |
|---|---|----------------------------|
| | <u>2017</u> | <u>2016</u> |
| Cash Flows From Operating Activities: | | |
| Cash Received from Customers | \$ 8,723,876 | \$ 7,982,845 |
| Cash Payments to Suppliers for Goods and Services | (4,171,850) | (3,482,490) |
| Cash Payments to Employees for Services and Benefits | (1,691,872) | (1,599,570) |
| Other Receipts (Payments) | (834,376) | 297,939 |
| Net Cash Provided by Operating Activities | <u>2,025,778</u> | <u>3,198,724</u> |
| Cash Flows From Noncapital and Related Financing Activities: | | |
| Transfer From Special Revenue Fund | 810,500 | 820,000 |
| Transfer To General Fund | (1,000,000) | (1,000,000) |
| Net Cash Used in Noncapital and Related Financing Activities | <u>(189,500)</u> | <u>(180,000)</u> |
| Cash Flows From Capital and Related Financing Activities: | | |
| Proceeds from Disposition of Assets | - | 2,785 |
| Acquisition and Construction of Capital Assets | (2,339,535) | (1,464,563) |
| Net Receipts from Customer Deposits | 19,595 | 16,808 |
| Proceeds from Issuance of Debt | - | 4,506,850 |
| Principal Paid on Loans | (278,525) | (4,040,195) |
| Bond Issuance Expense | - | (124,386) |
| Prepaid Bond Insurance Costs | - | (31,572) |
| Net Deferred Refunding Amount | - | (466,713) |
| Interest and Administrative Fees Paid on Loans | (131,830) | (169,864) |
| Capital Contributions | 1,839,436 | 2,534 |
| Net Cash Used in Capital and Related Financing Activities | <u>(890,859)</u> | <u>(1,768,316)</u> |
| Cash Flows From Investing Activities: | | |
| Net Purchases of Investments | (30,330) | (5,469) |
| Investment Income | 92,982 | 37,844 |
| Net Cash Provided by Investing Activities | <u>62,652</u> | <u>32,375</u> |
| Net Increase in Cash and Cash Equivalents | 1,008,071 | 1,282,783 |
| Cash and Cash Equivalents - Beginning of Year | <u>7,087,856</u> | <u>5,805,073</u> |
| Cash and Cash Equivalents - End of Year | <u><u>\$ 8,095,927</u></u> | <u><u>\$ 7,087,856</u></u> |

(CONTINUED)

**CITY OF WALKER
PROPRIETARY FUND**

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2017

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)

| | Business-Type Activities - Enterprise Fund | |
|--|---|---------------------|
| | <u>2017</u> | <u>2016</u> |
| Reconciliation of Operating Income to Net Cash | | |
| Provided by Operating Activities: | | |
| Operating Income | \$ 2,425,336 | \$ 2,438,169 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | | |
| Depreciation | 767,875 | 793,198 |
| Provision for Bad Debts | 32,138 | 14,617 |
| Miscellaneous Revenues | 34,905 | 25,445 |
| Changes in Assets and Liabilities: | | |
| (Increase) Decrease in Accounts Receivable | (85,780) | (249,543) |
| (Increase) Decrease in Unbilled Utility Sales | (181,562) | (161,689) |
| (Increase) Decrease in Due from Other Funds | (869,281) | 272,494 |
| (Increase) Decrease in Inventory | (6,648) | (7,344) |
| (Increase) Decrease in Prepaid Expenses | 29,637 | 7,678 |
| Increase (Decrease) in Accounts Payable | (129,540) | 45,004 |
| Increase (Decrease) in Accrued Salaries and Wages | 1,125 | 6,350 |
| Increase (Decrease) in Other Current Liabilities | (5,912) | 4,661 |
| Increase (Decrease) in Accumulated Unpaid Vacation | 13,485 | 9,684 |
| Net Cash Provided by Operating Activities | <u>\$ 2,025,778</u> | <u>\$ 3,198,724</u> |
| Schedule of Noncash Investing, Capital, and Financing Activities: | | |
| Amortization of Bond Insurance Cost | <u>\$ 990</u> | <u>\$ 476</u> |
| Amortization of Bond (Premium) Discount | <u>\$ (6,265)</u> | <u>\$ (3,016)</u> |
| Reconciliation of Cash and Cash Equivalents to the | | |
| Statement of Net Position: | | |
| Cash and Cash Equivalents, Unrestricted | \$ 7,752,875 | \$ 6,753,547 |
| Cash and Cash Equivalents, Restricted | 343,052 | 334,309 |
| Total Cash and Cash Equivalents | <u>\$ 8,095,927</u> | <u>\$ 7,087,856</u> |

The accompanying notes are an integral part of this statement.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

Introduction:

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

The accounting and reporting policies of the City of Walker conform to accounting principles generally accepted in the United States of America as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and the Governmental Accounting Standards Board.

1. Summary of Significant Accounting Policies and Nature of Operations:

A. Financial Reporting Entity

This report includes all funds which are controlled by or dependent on the City's Mayor and City Councilmen. Control by or dependence on the City 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 City and potential component unit. Also, consideration of a component unit was determined based on whether the nature and significance of the organization's relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The criteria in GASB Statement No. 61 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 Parish Gravity Drainage District # 5, which are staffed by independently elected or appointed officials. Although the City may provide facilities, no control is exercised over their operations. Also, exclusion of these units of government would not cause the financial statements of the City to be misleading or incomplete. These units of government are considered separate reporting entities and issue financial statements separate from those of the City.

Governmental Accounting Standards Board (GASB) Statement No. 61 established criteria for determining the reporting entity and component units that should be included within the reporting entity. Under provisions of this statement, the City 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. 61, fiscally independent means that the City may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. Since the City of Walker has no component units, these financial statements include only information on the primary government.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

B. Basis of Presentation

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units and promulgated by the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards. These statements established standards for external financial reporting for all state and local governmental entities which includes a balance sheet, a statement of revenues, expenses and changes in net position and a statement of cash flows. The more significant of these accounting policies are described below, and where appropriate, subsequent pronouncements will be referenced.

The City's basic financial statements consist of the government-wide statements (based on the City as a whole) and the fund financial statements (the total of all funds of a particular type).

Government-Wide Financial Statements:

The government-wide financial statements include the statement of net position and the statement of activities. The government-wide presentation focuses primarily on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These statements are prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable), but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter. The effect of interfund activity has been removed from these statements with the exception of payments between the utility enterprise fund and the other various functions of government for charges such as utility services. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The financial statements also contain a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.

Statement of Net Position - In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The City generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The columns presented in the statement of net position and general descriptions of each are as follows:

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

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

Statement of Activities - The government-wide statement of activities reflects both the gross and net cost per functional category (public safety, streets and parks, etc.), which are otherwise being supported by general government revenues (property, sales and use taxes, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, streets and parks, etc.) or a business-type activity and include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Taxes and other items not properly included among program revenues are reported instead as general revenues. The City does not allocate indirect expenses.

Fund Financial Statements:

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

Governmental Funds

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

General Fund - The General Fund is the general operating fund of the City. It is used to account for and report all financial resources not accounted for and reported in other funds. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for services, and interest income. The General Fund may also account for long-term debt issues and repayments of the City.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

Special Revenue Fund - The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are assigned to expenditure for specified purposes other than debt services or capital projects. The Special Revenue Fund of the City (2000 ½ Cent Sales Tax Fund) is considered a major fund for reporting purposes. The *2000 ½ Cent Sales Tax Fund* is used to account for the proceeds of a ½ cent sales tax levied in the year 2000. These proceeds are assigned for 1) payment of principal and interest on the Series 2000 Sales Tax Bonds, 2) payments into the required “Sinking Fund” and Reserve Fund, and 3) expenditures assigned for specified purposes.

Proprietary Funds

Proprietary Funds are used to account for activities that are similar to those found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government’s business activities are accounted for through these funds. The measurement focus is on the determination of net income, financial position, and cash flows. Operating expenses include costs of services and materials, contracts, personnel, and dedication.

Enterprise Fund or Business Fund - The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and / or net income is appropriate for capital maintenance, public policy, management control, accountability, and other purposes. The City’s Utility Enterprise Fund is considered a major fund and accounts for the operations of providing natural gas services, water services, sewer services, and sanitation services to the residents of the City of Walker and some residents of the parishes of Livingston and St. Helena. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collections.

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

Government-Wide Financial Statements:

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

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

Fund Financial Statements:

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

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

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

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

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

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

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

The business-type activities and the proprietary fund financial statements follow guidance included in GASB Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements*.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile funds based on financial statements with the governmental column of the government-wide presentation.

D. Budgets and Budgetary Accounting

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

- i. The City's Finance Director prepares a proposed budget and submits this budget to the Mayor and City Council no later than fifteen days prior to the beginning of each fiscal year.
- ii. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
- iii. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
- iv. After holding the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is adopted. The original budget for 2017 was adopted on December 12, 2016.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

- v. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the City Council.
- vi. All budgetary appropriations lapse at the end of each fiscal year. The final amended budget was adopted on December 11, 2017.
- vii. The budget for the General Fund and the Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Council.

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial process of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. The City provides budgetary comparison information in these financial statements on each major fund. The budgetary comparisons schedules include the original budget to the current comparison of final budget and actual results.

E. Cash and Investments

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

F. Receivables and Payables

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

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

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable based on agings and estimated charge-off percentages comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to two and one-half percent of the current year property tax levy plus one hundred percent of any unpaid prior year tax at December 31, 2017.

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

G. Inventories and Prepaid Items

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

Also included in prepaid items is prepaid insurance on the issuance of bonds. Prepaid insurance on the issuance of bonds is recognized as an expense in a systematic and rational manner over the duration of the related bonds.

H. Restricted Assets

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

I. Capital Assets

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

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

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

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

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

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

J. Deferred Outflows and Inflows of Resources

The statement of financial position reports a separate section for deferred outflows and (or) inflows of financial resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represents an acquisition of a net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time.

The City has deferred outflows and inflows of resources on the statement of net position that are related to pensions. See Pension Plan Note 11. The City also has deferred outflows on the statement of net position that are related to refunding bonds. See Changes in Long-Term Obligations Note 12.

K. 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, 2017, the accrued liability for unpaid vacation benefits amounted to \$227,474. The amount applicable to the Enterprise Fund was \$97,546, and is recorded in that Fund, and the amount of \$129,928 applicable to the General Fund is reflected on the Statement of Net Position.

In accordance with GASB 16 (Codification 60), *Accounting for Compensated Absences*, no liability has been accrued for unused employee sick leave.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

L. Pensions

The City is a participating employer in a cost-sharing, multiple-employer defined benefit plan as described in Note 11. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the plan, and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as it is reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs meeting the definition contained in GASB 65 are capitalized and amortized over the term of the related debt.

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

N. Fund Equity

Government-Wide Statements

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

1. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position - Consists of net position with constraints placed on the use either by:
 - a. External groups such as creditors, grantors, contributors, or laws or regulations of other governments, or
 - b. Law through constitutional provisions or enabling legislation.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

3. Unrestricted net position - All other net positions that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Statements

The City implemented the provisions of Governmental Accounting Standards Board Statement No. 54 in the fund financial statements. In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors.

Committed - Amounts that can only be used for specific purposes determined by a formal action by City Council ordinance or resolution. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed.

Assigned - Amounts the City intends to use for a specific purpose; intent can be expressed by the City Council or by an official or body to which the Council delegates the authority.

Unassigned - All amounts not included in other spendable classifications; positive amounts are only in the general fund. The City has not adopted a policy to maintain the general fund’s unassigned fund balance above a certain minimum level.

The details of the fund balances are included in the Balance Sheet - Governmental Funds (Exhibit B-1). The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. As noted above, restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the City Council or the Assignment has been changed by the City Council. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned becomes zero, then Assigned and Committed Fund Balances are used in that order.

Proprietary fund equity is classified the same as in the government-wide statements.

O. Estimates

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

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

P. Summary Financial Information for 2016

The financial statements include certain prior year summarized information in total. Such information does not include sufficient details to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City’s financial statements for the year ended December 31, 2016, from which the summarized information was derived.

2. Cash and Cash Equivalents

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

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

The City of Walker has cash and cash equivalents totaling \$11,317,885 at December 31, 2017. The following is a summary of cash and cash equivalents at December 31, 2017.

| | <u>Governmental Activities</u> | <u>Business- Type Activities</u> | <u>Total</u> |
|---------------|------------------------------------|--|----------------------|
| Book Balances | \$ <u>3,221,958</u> | \$ <u>8,095,927</u> | \$ <u>11,317,885</u> |
| Bank Balances | \$ <u>3,449,634</u> | \$ <u>8,015,041</u> | \$ <u>11,464,675</u> |

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. To mitigate this risk, state law requires for these deposits (or the resulting bank balances) to be secured by federal deposit insurance or the pledge of securities 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 bank. 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. The pledged securities are deemed by Louisiana State Law to be under the control and possession and in the name of the City regardless of its designation by the financial institution in which it is deposited. As of December 31, 2017, none of the City’s bank balance of \$11,464,675 was exposed to custodial credit risk.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

3. Investments

All investments are stated on the balance sheet (carrying value) at market value. All investments are in mutual funds that are held by a broker or in the Louisiana Asset Management Pool (LAMP), a local government external investment pool.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2a7, which governs registered money market funds. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days.

LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company. LAMP, Inc., issues an annual publicly available financial report that includes financial statements and required supplementary information for LAMP, Inc. That report may be obtained by writing to LAMP, Inc., 228 St. Charles Avenue, Suite 1123, New Orleans, Louisiana 70130, or by calling (800) 249-5267.

At December 31, 2017, the City holds investments totaling \$1,095,771 as follows:

| | <u>Carrying Amount</u> | <u>Market Value</u> |
|---|----------------------------|-------------------------|
| <u>Governmental Activities:</u> | | |
| Louisiana Asset Management Pool (LAMP) | \$ <u>326,134</u> | \$ <u>326,134</u> |
| <u>Business-Type Activities:</u> | | |
| U.S. Government Securities Fund – A – Mutual Fund | \$ <u>769,637</u> | \$ <u>769,637</u> |

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following fair value measurements as of December 31, 2017: U.S. Government Securities Fund – A – Mutual Funds of \$769,637 are valued using quoted market prices (Level 1 inputs). The LAMP investment is stated at the net asset value of the pool shares, which is the same as the fair value which is permitted per GASB Statement No. 59.

Interest Rate Risk. As a means of limiting its exposure to fair value changes arising from fluctuations in interest rates, the City invests in mutual funds that have underlying investments in government backed securities. In the case of LAMP, 2a7-like investment pools are excluded from this disclosure requirement per paragraph 15 of the GASB 40 statement.

Credit Risk. Under state law, the City may invest in United States bonds, treasury notes, or certificates. The City invests in mutual funds with underlying securities that are in compliance with the state law. LAMP is rated AAAM by Standards and Poor's.

Concentration of Credit Risk. Pooled investments are excluded from the five percent disclosure requirement. U.S. Government Securities Fund – A – Mutual Fund investments are 70% of the total investments.

Custodial Credit Risk - Investments. In the case of investments in mutual funds, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. To mitigate this risk, state law requires for these investments (or the resulting bank balances) to be secured by federal deposit insurance or the pledge of securities 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 bank. 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. The pledged securities are deemed by Louisiana State Law to be under the control and possession and in the name of the City regardless of its designation by the financial institution in which it is deposited. As of December 31, 2017, none of the City's investments in mutual funds of \$769,637 were exposed to custodial credit risk. In the case of LAMP, participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

4. Ad Valorem Taxes

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

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

For the year ended December 31, 2017, taxes of 2.20 mills were levied on property with assessed valuations totaling \$55,852,230 and were dedicated to general purposes.

Total taxes levied were \$122,875. Taxes receivable at December 31, 2017, consisted of the following:

| | |
|-----------------------------------|-----------------|
| Taxes Receivable - Current Roll | \$40,161 |
| Allowance for Uncollectible Taxes | <u>(3,072)</u> |
| | <u>\$37,089</u> |

5. Receivables

Receivables as of December 31, 2017, including the applicable allowance for uncollectible accounts, are as follows:

| | <u>Ad Valorem Taxes</u> | <u>Franchise Taxes</u> | <u>Accounts</u> | <u>Unbilled Sales</u> | <u>Less: Allowance for Uncollectibles</u> | <u>Total - Net Receivable</u> |
|----------------------------------|-----------------------------|----------------------------|--------------------|---------------------------|---|---------------------------------------|
| <u>Governmental Activities:</u> | | | | | | |
| General Fund | \$ 40,161 | \$151,741 | \$ 17,591 | \$ - | \$ (3,072) | \$ 206,421 |
| Total Governmental Activities | 40,161 | 151,741 | 17,591 | - | (3,072) | 206,421 |
| <u>Business-Type Activities:</u> | | | | | | |
| Utility Fund | - | - | 984,685 | 751,692 | (5,000) | 1,731,377 |
| Total Receivables | <u>\$ 40,161</u> | <u>\$151,741</u> | <u>\$1,002,276</u> | <u>\$751,692</u> | <u>\$ (8,072)</u> | <u>\$1,937,798</u> |

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

6. Due From Other Governments

Due from Other Governments as of December 31, 2017, consists of the following:

| | <u>U.S. Department of Commerce</u> | <u>Livingston Parish School Board</u> | <u>State of Louisiana</u> | <u>Total</u> |
|----------------------------------|--|---|-------------------------------|--------------------|
| <u>Governmental Activities</u> | | | | |
| General Fund | \$ 302,848 | \$ 495,816 | \$ 103,363 | \$ 902,027 |
| 2000 ½ Cent Sales Tax Fund | <u>-</u> | <u>238,090</u> | <u>-</u> | <u>238,090</u> |
| Total Governmental Activities | 302,848 | 733,906 | 103,363 | 1,140,117 |
| <u>Business-Type Activities</u> | | | | |
| Utility Fund | <u>-</u> | <u>-</u> | <u>47,212</u> | <u>47,212</u> |
| Total Due from Other Governments | <u>\$ 302,848</u> | <u>\$ 733,906</u> | <u>\$ 150,575</u> | <u>\$1,187,329</u> |

7. Interfund Receivables/Payables

The following is a detailed list of interfund balances as of December 31, 2017, reported in the fund financial statements.

| | <u>Net Internal Due to</u> | <u>Net Internal Due from</u> | <u>Balances</u> |
|--------------------------------------|------------------------------------|--------------------------------------|------------------|
| <u>Governmental Activities</u> | | | |
| General Fund | \$ (1,233,675) | \$ - | \$ (1,233,675) |
| 2000 ½ Cent Sales Tax Fund | <u>(96,436)</u> | <u>-</u> | <u>(96,436)</u> |
| Total Governmental Activities | (1,330,111) | - | (1,330,111) |
| <u>Business-Type Activities</u> | | | |
| Utility Fund | <u>-</u> | <u>1,330,111</u> | <u>1,330,111</u> |
| Total Interfund Receivables/Payables | <u>\$ (1,330,111)</u> | <u>\$ 1,330,111</u> | <u>\$ -</u> |

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

8. Changes in Capital Assets

The following is a summary of the changes in capital assets for the year ended December 31, 2017:

| | Balance January 1, 2017 | Additions | Deletions | Balance December 31, 2017 |
|---|----------------------------|---------------------|-----------------------|------------------------------|
| <u>Governmental Activities:</u> | | | | |
| Capital Assets not being Depreciated: | | | | |
| Land and Right-of-Ways | \$ 929,347 | \$ - | \$ - | \$ 929,347 |
| Construction in Progress | 2,234,065 | 1,425,650 | (1,238,695) | 2,421,020 |
| Total Capital Assets not being Depreciated | 3,163,412 | 1,425,650 | (1,238,695) | 3,350,367 |
| Capital Assets being Depreciated: | | | | |
| Land Improvements | 332,557 | - | - | 332,557 |
| Buildings | 1,157,453 | 1,244,640 | - | 2,402,093 |
| Equipment and Vehicles | 2,310,728 | 229,833 | (111,919) | 2,428,642 |
| Furniture and Fixtures | 26,161 | - | - | 26,161 |
| Recreational Equipment | 368,251 | - | - | 368,251 |
| Infrastructure | 1,801,222 | - | - | 1,801,222 |
| Total Capital Assets being Depreciated | 5,996,372 | 1,474,473 | (111,919) | 7,358,926 |
| Less: Accumulated Depreciation for: | | | | |
| Land Improvements | 130,279 | 26,340 | - | 156,619 |
| Buildings | 412,321 | 96,315 | - | 508,636 |
| Equipment and Vehicles | 1,554,676 | 210,333 | (111,919) | 1,653,090 |
| Furniture and Fixtures | 26,161 | - | - | 26,161 |
| Recreational Equipment | 288,925 | 22,155 | - | 311,080 |
| Infrastructure | 1,415,340 | 46,088 | - | 1,461,428 |
| Total Accumulated Depreciation | 3,827,702 | 401,231 | (111,919) | 4,117,014 |
| Total Capital Assets being Depreciated, Net | 2,168,670 | 1,073,242 | - | 3,241,912 |
| Total Governmental Activities Capital Assets, Net | <u>\$ 5,332,082</u> | <u>\$ 2,498,892</u> | <u>\$ (1,238,695)</u> | <u>\$ 6,592,279</u> |

(CONTINUED)

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

| | Balance January 1, 2017 | Additions | Deletions | Balance December 31, 2017 |
|---|----------------------------|--------------|--------------|------------------------------|
| <u>Business-Type Activities:</u> | | | | |
| Capital Assets not being Depreciated: | | | | |
| Land - Gas and Water System | \$ 262,949 | \$ - | \$ - | \$ 262,949 |
| Land - Sewer System | 99,875 | - | - | 99,875 |
| Construction in Progress | 1,450,140 | 2,287,652 | (478,952) | 3,258,840 |
| | | | | |
| Total Capital Assets not being Depreciated | 1,812,964 | 2,287,652 | (478,952) | 3,621,664 |
| Capital Assets being Depreciated: | | | | |
| Gas System | 5,246,967 | 76,605 | - | 5,323,572 |
| Water System | 4,488,802 | - | - | 4,488,802 |
| Sewer System | 13,869,878 | 402,347 | - | 14,272,225 |
| Buildings | 436,845 | - | - | 436,845 |
| Land Improvements | 111,568 | - | - | 111,568 |
| Machinery and Equipment | 1,076,603 | 51,883 | - | 1,128,486 |
| | | | | |
| Total Capital Assets being Depreciated | 25,230,663 | 530,835 | - | 25,761,498 |
| Less: Accumulated Depreciation for: | | | | |
| Gas System | 3,333,659 | 122,301 | - | 3,455,960 |
| Water System | 2,118,542 | 120,484 | - | 2,239,026 |
| Sewer System | 6,501,406 | 423,257 | - | 6,924,663 |
| Buildings | 78,036 | 13,198 | - | 91,234 |
| Land Improvements | 50,827 | 5,161 | - | 55,988 |
| Machinery and Equipment | 802,312 | 83,474 | - | 885,786 |
| | | | | |
| Total Accumulated Depreciation | 12,884,782 | 767,875 | - | 13,652,657 |
| | | | | |
| Total Capital Assets being Depreciated, Net | 12,345,881 | (237,040) | - | 12,108,841 |
| | | | | |
| Total Business-Type Activities Capital Assets, Net | \$ 14,158,845 | \$ 2,050,612 | \$ (478,952) | \$ 15,730,505 |

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

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

Governmental Activities:

| | |
|-----------------------------------|-------------------|
| General Government | \$ 92,457 |
| Public Safety | 117,815 |
| Highways and Streets | 127,847 |
| Parks and Recreation | 63,112 |
| Total Depreciation Expense | |
| Governmental Activities | <u>\$ 401,231</u> |

Business-Type Activities:

| | |
|-------------------------------------|-------------------|
| Water | \$ 156,102 |
| Gas | 162,131 |
| Sewer | 449,642 |
| Total Depreciation Expense - | |
| Business-Type Activities | <u>\$ 767,875</u> |

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

A summary of commitments under construction contracts for the City at December 31, 2017, follows:

Governmental Activities:

| | Project Authorization | Expended to December 31, 2017 | Unexpended Commitment |
|--|--------------------------|----------------------------------|--------------------------|
| Safe House | \$ 7,500 | \$ 7,500 | \$ - |
| TEG Sidewalk Project Phase III | 470,585 | 429,348 | 41,237 |
| Industrial Park Road Phase III - Extension | 1,581,674 | 1,534,439 | 47,235 |
| Challenger Field | 323,230 | 276,450 | 46,780 |
| Sidney Hutchinson Park Trail Extension | 112,505 | 107,685 | 4,820 |
| Ball Park Renovations | 65,598 | 65,598 | - |
| Total | <u>\$ 2,561,092</u> | <u>\$ 2,421,020</u> | <u>\$ 140,072</u> |

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(CONTINUED)

Business-Type Activities:

| | <u>Project Authorization</u> | <u>Expended to December 31, 2017</u> | <u>Unexpended Commitment</u> |
|--|----------------------------------|--|----------------------------------|
| Our Lady of Lake Water Well | \$ 1,129,323 | \$ 1,114,847 | \$ 14,476 |
| I-12 to Buddy Ellis Road Gas Extension | 75,505 | 72,677 | 2,828 |
| Gas Upgrade - Juban 190 | 36,685 | 36,685 | - |
| Relocate Gas - Juban | 35,925 | 4,000 | 31,925 |
| Gas Relocate Hwy 1026 & I-12 | 19,458 | 6,360 | 13,098 |
| Pontchartrain Basin Restoration | 35,000 | 35,000 | - |
| Walker North Water Line Upgrade | 226,750 | 84,400 | 142,350 |
| Industrial Park Road Phase III - Extension | 1,963,510 | 1,904,871 | 58,639 |
| Total | <u>\$ 3,522,156</u> | <u>\$ 3,258,840</u> | <u>\$ 263,316</u> |

Governmental Funds – Fund balance and Unexpended Commitments:

| | <u>Fund Balance Committed for Construction Contracts at December 31, 2017</u> | <u>Fund Unexpended Commitment December 31, 2017</u> | <u>Actual Committed Fund Balance Less Unexpended Commitment December 31, 2017</u> |
|--------------|---|---|---|
| General Fund | \$ 48,613 | \$ 140,072 | \$ (91,459) |

At December 31, 2017 the unexpended commitments are recorded in the General Fund as fund balance committed to contracts in the amount of \$48,613. The unavailable amount of \$(91,459) will be resolved in future years by capital project grant funds awarded but not yet received. At December 31, 2017 the City has \$113,447 remaining in available grant funds for the Industrial Park Road Phase III Project.

9. Accounts, Salaries, and Other Payables

The payables at December 31, 2017 are as follows:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|-------------------|------------------------------------|-------------------------------------|--------------------|
| Accounts Payable | \$ 821,959 | \$ 454,028 | \$1,275,987 |
| Withholdings | 143,552 | 28,848 | 172,400 |
| Accrued Salaries | 110,400 | 41,726 | 152,126 |
| Customer Deposits | - | <u>758,642</u> | <u>758,642</u> |
| Total | <u>\$1,075,911</u> | <u>\$1,283,244</u> | <u>\$2,359,155</u> |

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

10. Retirement Benefits (Other Than Police Officers)

The City has a qualified retirement plan with employees eligible to participate upon completion of their sixth month of employment and must be employed full time. For employees hired prior to January 1, 2014, the City contributes 9% of the regular gross pay on the employee's behalf. Effective January 1, 2014, for employees hired after December 31, 2013, the City contributes 50% of the first six percent of employee contribution upon completion of 30 days of employment and must be employed full time. The moneys contributed are used to make payments on annuity contracts for the benefit of the employee. The City's contributions to the plan amounted to \$171,985, for the year ended December 31, 2017.

11. Pension Plan

The City follows the requirements of GASB Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment to GASB 68*. These standards revise and establish new financial reporting requirements for governments that provide their employees with pension benefits. These standards require the City to record its proportionate share of the pension plans net pension liability and report the following disclosures:

General Information about the Pension Plan

Plan Description:

Municipal Police Employees Retirement System of Louisiana (MPERS)

The Municipal Police Employees' Retirement System (MPERS) is the administrator of a cost-sharing, multiple-employer defined benefit pension plan. Membership in MPERS is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing he or she does not have to pay social security and providing he or she meets the statutory criteria. Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211- 11:2233. MPERS issues a publicly available financial report that can be obtained at www.lampers.org.

Benefits Provided:

The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

1. Retirement, Survivor Benefits, and Disability Benefits

Membership Prior to January 1, 2013

A member is eligible for regular retirement after he has been a member of MPERS and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. A member is eligible for early retirement after he has been

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

a member of the System for 20 years of creditable service at any age with an actuarially reduced benefit.

Benefit rates are three and one-third percent of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200 per month, whichever is greater.

Membership Commencing January 1, 2013

Member eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of MPERS and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55.

Under the Hazardous and Non Hazardous Duty sub plans, the benefit rates are three percent and two and a half percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from twenty-five to fifty-five percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives ten percent of average final compensation or \$200 per month whichever is greater. If deceased member had less than ten years of service, beneficiary will receive a refund of employee contributions only.

Cost of Living Adjustments

The Board of Trustees is authorized to provide annual cost-of-living adjustments computed on the amount of the current regular retirement, disability, beneficiary or survivor's benefit, not to exceed 3% in any given year. The Board is authorized to provide an additional 2% COLA, computed on the member's original benefit, to all regular retirees, disability, survivors and beneficiaries who are 65 years of age or older on the cut-off date which determines eligibility.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

No regular retiree, survivor or beneficiary shall be eligible to receive a cost-of-living adjustment until benefits have been received at least one full fiscal year and the payment of such COLA, when authorized, shall not be effective until the lapse of at least one-half of the fiscal year.

Members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age.

2. DROP Benefits

A member is eligible to elect to enter the deferred retirement option plan (DROP) when he is eligible for regular retirement based on the member's sub plan participation. Upon filing the application for the program, the employee's active membership in MPERS is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the DROP is thirty-six months or less. If employment is terminated after the three year period the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into MPERS shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of MPERS's investment portfolio as certified by the actuary on an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on the MPERS's investment portfolio return or a money market investment return. This could result in a negative earnings rate being applied to the account.

If the member elects a money market investment return, the funds are transferred to a government money market account.

3. Initial Benefit Option Plan

In 1999, the State Legislature authorized MPERS to establish an Initial Benefit Option program. Initial Benefit Option is available to members who are eligible for regular retirement and have not participated in DROP. The Initial Benefit Option program provides both a one-time single sum payment of up to 36 months of regular monthly retirement benefit, plus a reduced monthly retirement benefit for life. Interest is computed on the balance based on same criteria as DROP.

Contributions:

According to state statute, contribution requirements for all employers are actuarially determined each year. The City's required contribution rate for the period January 1, 2017 to June 30, 2017 was 31.75% and was 30.75% for the period July 1, 2017 to December 31, 2017. The employee rate for both periods was 10% for hazardous duty members. Contributions to MPERS from the City were \$259,259 for the year ended December 31, 2017.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

MPERS also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. The amount of non-employer contributions recognized as revenue in the government-wide governmental activities statement of activities was \$54,670 for the year ended December 31, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017, the City reported a liability of \$2,500,180 for its proportionate share of the net pension liability of MPERS. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportion was .28638% which was an increase of .02123% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$442,303 related to MPERS.

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to the pension plan from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 16,371 | \$ 19,217 |
| Changes in assumptions | 177,901 | - |
| Net difference between projected and actual earnings on pension plan investments | 109,448 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 186,144 | 52 |
| Employer contributions subsequent to the measurement date | 124,503 | - |
| Total | <u>\$ 614,367</u> | <u>\$ 19,269</u> |

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

\$124,503 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ended December 31:</u> | |
|--------------------------------|------------|
| 2018 | \$ 199,723 |
| 2019 | 199,422 |
| 2020 | 130,114 |
| 2021 | (58,664) |
| | <hr/> |
| | \$ 470,595 |
| | <hr/> |

Actuarial Assumptions:

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2017 for the plan are as follows:

| | |
|---------------------------|--|
| Inflation | 2.70% |
| Investment rate of return | 7.325% (net of investment expense) |
| Salary increases | Vary from 9.75% in first year of service to 4.25% after 23 years |

For MPERS, mortality assumptions were set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2009 through June 30, 2014. The RP-2000 Employee Mortality Table was selected for active members. The RP-2000 Healthy Annuitant Mortality Table was selected for healthy annuitants and beneficiaries. The RP- 2000 Disabled Lives Mortality Table was selected for disabled annuitants.

For the plan's cost of living adjustments, the present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increase not yet authorized by the Board of Trustees.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

For MPERS, the forecasted long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The resulting forecasted long-term rates of return is 8.19% for the year ended June 30, 2017. Best estimates of arithmetic real rates of return for each major asset class included in the MPERS’s target asset allocation as of June 30, 2017 are summarized in the following table:

| Asset Class | Target Asset Allocation | Long-Term Expected Portfolio Real Rate of Return |
|------------------------------------|--|---|
| Equity | 53.0% | 3.66% |
| Fixed Income | 21.0% | 0.52% |
| Alternative | 20.0% | 1.10% |
| Other | 6.0% | 0.16% |
| Total | 100.0% | 5.44% |
| Inflation | | 2.75% |
| Expected Arithmetic Nominal Return | | 8.19% |

Discount Rate

The discount rate used to measure the total pension liability was 7.325% for MPERS. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions from participating employers and non-employer contributing entities will be made at actuarially determined rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems’ Actuarial Committee. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the current discount rate, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate as of June 30, 2017 for MPERS:

| | <u>Changes in Discount Rate</u> | | |
|-----------------------|---------------------------------|----------------------------------|--------------------|
| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
| | <u>6.325%</u> | <u>7.325%</u> | <u>8.325%</u> |
| Net Pension Liability | \$ 3,454,245 | \$ 2,500,180 | \$ 1,699,795 |

Pension Plans Fiduciary Net Position

MPERS issued a stand-alone audit report on its financial statements for the year ended June 30, 2017. Access to the audit report can be found on the System's website: www.lampers.org or on the Office of Louisiana Legislative Auditor's official website: www.lla.state.la.us.

Payables to the Pension Plan

At December 31, 2017, included in liabilities is a payable in the amount of \$25,997 to MPERS. This payable is normal legally required contributions to the pension plan.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

12. Changes in Long-Term Obligations

The following is a summary of debt transactions of the City of Walker for the year ended December 31, 2017:

| | Debt Payable 1/1/2017 | Additions | Deletions | Debt Payable 12/31/2017 | Due within 1 year |
|---|--------------------------|-------------------|-------------------|----------------------------|----------------------|
| Governmental Activities: | | | | | |
| Compensated Absences | \$ 147,495 | \$ 96,396 | \$ 113,963 | \$ 129,928 | \$ 32,482 |
| Capital Lease Payable | 202,992 | 174,000 | 85,130 | 291,862 | 102,094 |
| Refunding Bond Payable | | | | | |
| by Utility Issues, Series 2009 | 796,000 | - | 255,000 | 541,000 | 265,000 |
| Refunding Bond Payable | | | | | |
| by Utility Issues, Series 2016 | 583,000 | - | - | 583,000 | - |
| Premium on Bonds | 26,994 | - | - | 26,994 | - |
| Total Governmental Activities | 1,756,481 | 270,396 | 454,093 | 1,572,784 | 399,576 |
| Business-Type Activities: | | | | | |
| Compensated Absences | 84,061 | 69,225 | 55,740 | 97,546 | 24,387 |
| Capital Lease Payable | 57,281 | - | 22,525 | 34,756 | 23,055 |
| Refunding Series Bonds, Series 2009 (Gross) | 1,010,000 | - | 325,000 | 685,000 | 339,000 |
| Refunding Series Bonds, Series 2016 (Gross) | 4,825,000 | - | 135,000 | 4,690,000 | 140,000 |
| Combined Utilities Revenue Bonds, Series 2010B | 266,000 | - | 18,000 | 248,000 | 18,000 |
| Combined Utilities Revenue Bonds, Series 2011 | 496,764 | - | 33,000 | 463,764 | 34,000 |
| Less: Intragovernmental Payable | (1,379,000) | - | (255,000) | (1,124,000) | (265,000) |
| Premium on Bonds | 196,834 | - | 6,265 | 190,569 | 6,496 |
| Total Business-Type Activities | 5,556,940 | 69,225 | 340,530 | 5,285,635 | 319,938 |
| Total Debt | <u>\$ 7,313,421</u> | <u>\$ 339,621</u> | <u>\$ 794,623</u> | <u>\$6,858,419</u> | <u>\$719,514</u> |

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

Prior Year Advance Refunding

On March 31, 2016, the City issued \$4,890,000 Revenue Refunding Bonds Series 2016 for the purpose of refunding \$4,415,000 of the outstanding balance of the Refunding Bonds Series 2009 and interest associated with the Series 2009 Bonds. The net proceeds of \$5,026,597 (after payment of \$189,147 in cost of issuance plus an additional \$98,900 of the sinking fund monies) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2009 Bonds. This advance refunding was undertaken to decrease total debt service payments over the next 13 years by \$396,307 and resulted in an economic gain of \$217,107.

The advance refunding of the Series 2009 Bonds resulted in differences between the reacquisition price and the net carrying amount of the old debt of \$604,275, which was deferred and is being amortized over the life of the new bonds. This difference is reported in the accompanying financial statements as Deferred Outflow of Resources and is to be charged to operations as a component of interest expense. At December 31, 2017, the unamortized balance is \$579,554. Also, as a result of the advance refunding of the Series 2009 Bonds, \$4,415,000 of the Series 2009 Bonds were considered in-substance defeased and the liability for those bonds was removed from the City's books. At December 31, 2017, \$4,415,000 of the Series 2009 defeased bonds are still outstanding.

Refunding Bonds, Series 2016

City of Walker Series 2016 Revenue Refunding Bonds - \$4,890,000 (\$583,000 payable from Governmental Activities and \$4,307,000 payable from Business-Type Activities) of Refunding Bonds Dated March 31, 2016, due in annual installments of principal and semi-annual installments of interest through October 1, 2027; variable interest rate ranging from 2.000% to 3.000%. \$ 4,690,000

The principal and interest on the refunding bonds, series 2016, was allocated between governmental activities and business-type activities based on balances of the old debt net of the cash contributed by the proprietary fund. A schedule of the outstanding Refunding Series 2016 Bonds principal and interest requirements are as follows:

Governmental Activities:

| Year Ended December 31, | 2016 Refunding Series | | |
|-------------------------|-----------------------|-----------|-----------|
| | Principal | Interest | Total |
| 2018 | \$ - | \$ 11,660 | \$ 11,660 |
| 2019 | - | 11,660 | 11,660 |
| 2020 | 285,000 | 11,660 | 296,660 |
| 2021 | 298,000 | 5,960 | 303,960 |
| | 583,000 | 40,940 | 623,940 |

(CONTINUED)

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

Business-Type Activities:

| Year Ended December 31, | 2016 Refunding Series | | |
|------------------------------------|-----------------------|------------|-------------|
| | Principal | Interest | Total |
| 2018 | \$ 140,000 | \$ 110,740 | \$ 250,740 |
| 2019 | 140,000 | 107,940 | 247,940 |
| 2020 | 220,000 | 105,140 | 325,140 |
| 2021 | 217,000 | 100,740 | 317,740 |
| 2022 | 530,000 | 96,400 | 626,400 |
| 2023-2027 | 2,860,000 | 262,350 | 3,122,350 |
| | 4,107,000 | 783,310 | 4,890,310 |
| Total Refunding Bond 2016 Issue | \$ 4,690,000 | \$ 824,250 | \$5,514,250 |

The City of Walker Series 2016 Revenue Refunding Bonds requires the following funds to be maintained:

A debt service fund designed to achieve proper remittance of principal and interest payments as due on the Revenue Bond. The City is required to pay monthly one-sixth (1/6) of the interest due on the next interest payment date due on the bonds into an interest account of the Debt Service Fund. In addition, the City is required to pay monthly one-twelfth (1/12) of the principal due on the next principal payment date due on the bonds into a principal account of the Debt Service Fund. At December 31, 2017, the Debt Service Fund requirement for the interest and principal accounts of the 2016 Revenue Refunding Bonds were fully funded with an actual balance of \$66,064, and is reported on the Proprietary Fund as restricted cash.

Refunding Bonds, Series 2009 – Unrefunded Portion

City of Walker Utilities Project Series 2009 Refunding Bonds - \$7,440,000 (\$2,904,000 payable from Governmental Activities and \$4,536,000 payable from Business-Type Activities) of Refunding Bonds Dated September 3, 2009, due in annual installments of principal and semi-annual installments of interest through October 1, 2029; variable interest rate ranging from 3.000% to 4.875%. \$ 685,000

The principal and interest on the refunding bonds, series 2009, was allocated between governmental activities and business-type activities based on balances of the old debt net of the cash contributed by the proprietary fund. A portion of these bonds was refunded in the Refunding Bonds, Series 2016. A schedule of the outstanding principal and interest requirements of the unrefunded portion of the Refunding Series 2009 Bonds are as follows:

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

Governmental Activities:

| <u>Year Ended December 31,</u> | 2009 Refunding Series | | |
|--------------------------------|-----------------------|-----------|------------|
| | Principal | Interest | Total |
| 2018 | \$ 265,000 | \$ 18,568 | \$ 283,568 |
| 2019 | 276,000 | 6,819 | 282,819 |
| | 541,000 | 25,387 | 566,387 |

Business-Type Activities:

| <u>Year Ended December 31,</u> | 2009 Refunding Series | | |
|------------------------------------|-----------------------|-----------|------------|
| | Principal | Interest | Total |
| 2018 | \$ 70,000 | \$ 6,700 | \$ 76,700 |
| 2019 | 74,000 | 6,306 | 80,306 |
| | 144,000 | 13,006 | 157,006 |
| Total Refunding Bond 2009 Issue | \$ 685,000 | \$ 38,393 | \$ 723,393 |

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

A debt service fund designed to achieve proper remittance of principal and interest payments as due on the Revenue Bond. The City is required to pay monthly one-sixth (1/6) of the interest due on the next interest payment date due on the bonds into an interest account of the Debt Service Fund. In addition, the City is required to pay monthly one-twelfth (1/12) of the principal due on the next principal payment date due on the bonds into a principal account of the Debt Service Fund. At December 31, 2017, the Debt Service Fund requirements for the interest and principal accounts on the Series 2009 Refunding Bonds were fully funded with an actual balance of \$90,951, and is reported on the Proprietary Fund as restricted cash.

Combined Utilities Revenue Bonds, 2010B

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

\$ 248,000

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

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

| Year Ended December 31, | 2010B Utilities Revenue Bonds | | | |
|-------------------------|-------------------------------|------------------|-----------------|-------------------|
| | Principal | Interest | Fees | Total |
| 2018 | \$ 18,000 | \$ 7,316 | \$ 1,240 | \$ 26,556 |
| 2019 | 19,000 | 6,785 | 1,150 | 26,935 |
| 2020 | 19,000 | 6,225 | 1,055 | 26,280 |
| 2021 | 19,000 | 5,664 | 960 | 25,624 |
| 2022 | 20,000 | 5,104 | 865 | 25,969 |
| 2023-2027 | 106,000 | 16,461 | 2,790 | 125,251 |
| 2028-2029 | 47,000 | 2,095 | 355 | 49,450 |
| | <u>\$ 248,000</u> | <u>\$ 49,650</u> | <u>\$ 8,415</u> | <u>\$ 306,065</u> |

Combined Utilities Revenue Bonds, 2011

City of Walker Combined Utilities Revenue Bonds, Series 2011 - \$675,141 of Combined Utility Revenue Bonds Dated April 20, 2011, due in annual installments of principal and semi-annual installments of interest through October 1, 2030; interest rate of 0.45%.

\$ 463,764

A schedule of the outstanding Combined Utilities Revenue Bonds, Series 2011 Bonds principal and interest requirements are as follows:

| Year Ended December 31, | 2011 Utilities Revenue Bonds | | | |
|-------------------------|------------------------------|------------------|------------------|-------------------|
| | Principal | Interest | Fees | Total |
| 2018 | \$ 34,000 | \$ 2,087 | \$ 2,319 | \$ 38,406 |
| 2019 | 34,000 | 1,934 | 2,149 | 38,083 |
| 2020 | 34,000 | 1,781 | 1,979 | 37,760 |
| 2021 | 35,000 | 1,628 | 1,809 | 38,437 |
| 2022 | 35,000 | 1,470 | 1,634 | 38,104 |
| 2023-2027 | 180,000 | 4,963 | 5,514 | 190,477 |
| 2028-2030 | 111,764 | 1,009 | 1,121 | 113,894 |
| | <u>\$ 463,764</u> | <u>\$ 14,872</u> | <u>\$ 16,525</u> | <u>\$ 495,161</u> |

The 2010 Series Bonds and the 2011 Series Bonds require the maintenance of a separately identifiable fund or account designated as the "Debt Service Fund" into which deposits are required in sufficient amount to pay promptly and fully the interest and principal installments of the Bonds as the required payments become due, by transferring from the Revenue Fund to the Debt Service Fund monthly on or before the 20th day of each month of each year, a sum equal to 1/6 of the interest and administrative fee falling due on the Bonds on the next interest payment date, and a sum equal to 1/12 of the principal falling due on the Bonds on any principal date within the next twelve months.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

The City is also required to deposit funds into a “Reserve Fund” and a “Contingencies Fund” on a monthly basis. At December 31, 2017, the Debt Service Fund, Reserve Fund, and Contingencies Fund requirements were fully funded with an actual balance of \$186,037 and are reported on the Proprietary Fund as restricted cash.

Bond covenants of the outstanding parity obligations require the City to fix, establish, maintain, levy and collect, so long as any principal and interest is unpaid on the Bonds, such rates, fees, rents, or other charges for services and facilities of the System and all parts thereof, and revise the same from time to time whenever necessary as will always provide system revenues in each Fiscal Year plus tax revenues, if any, sufficient to pay reasonable and necessary operations and maintenance expenses in each Fiscal Year and provide in an amount equal to at least one hundred twenty-five percent of the maximum annual debt service requirements on the Bonds. The covenants require 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 the foregoing purposes. The calculated bond debt coverage ratio for existing Bonds exceeded the 125 percent ratio for the fiscal year ended December 31, 2017.

Capital Lease Payable

The City entered into a capital lease agreement on June 9, 2014 for financing the purchase of six pick-up trucks and equipment. The lease requires 20 quarterly payments of principal and interest of \$14,573 with the final payment due April 9, 2019. The City entered into a capital lease agreement on February 16, 2015 for financing the purchase of five police vehicles and equipment for the Police Department. The lease requires 17 quarterly payments of principal and interest of \$9,573 with the final payment due July 1, 2019. The City entered into a capital lease agreement on August 14, 2017 for financing the purchase of five police vehicles and equipment for the Police Department. The lease requires 20 quarterly payments of principal and interest of \$9,652 with the final payment due October 15, 2022. All four lease agreements contain a non-appropriation exculpatory clause that allows cancellation if the City Council does not make an annual appropriation for the lease payments. The capital leases payable at December 31, 2017, are as follows:

| <u>Description/Purpose</u> | <u>Original Lease Amount</u> | <u>Interest Rate</u> | <u>Final Maturity</u> | <u>Balance December 31, 2017</u> |
|---|--------------------------------------|--------------------------|---------------------------|--------------------------------------|
| Capital lease to finance the purchase of six pick-up trucks and equipment | \$ 277,652 | 2.00% | 4/9/19 | \$ 86,136 |
| Capital lease to finance the purchase of five police vehicles and equipment | \$ 150,571 | 3.28% | 7/1/19 | 66,482 |
| Capital lease to finance the purchase of five police vehicles and equipment | \$ 174,000 | 3.79% | 10/15/22 | <u>174,000</u> |
| | | | | <u>\$326,618</u> |

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

A schedule of the outstanding capital lease payments to maturity including interest requirements are as follows:

| <u>Year Ended December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|-------------------|------------------|-------------------|
| 2018 | \$ 124,924 | \$ 10,276 | \$ 135,200 |
| 2019 | 92,692 | 5,614 | 98,306 |
| 2020 | 34,974 | 3,634 | 38,608 |
| 2021 | 36,317 | 2,291 | 38,608 |
| 2022 | 37,711 | 896 | 38,607 |
| | <u>\$ 326,618</u> | <u>\$ 22,711</u> | <u>\$ 349,329</u> |

Leased equipment and vehicles under capital lease in capital assets at December 31, 2017, include the following:

| | | |
|----------------------------------|--|-------------------|
| <u>Governmental Activities:</u> | | |
| Equipment and Vehicles | | \$ 497,460 |
| Less: Accumulated Depreciation | | <u>(148,539)</u> |
| | | <u>\$ 348,921</u> |
| <u>Business-Type Activities:</u> | | |
| Equipment and Vehicles | | \$ 116,207 |
| Less: Accumulated Depreciation | | <u>(63,121)</u> |
| | | <u>\$ 53,086</u> |

Amortization of leased equipment and vehicles under capital assets is included with depreciation expense.

13. On-Behalf Payments Made by State of Louisiana

For the year ended December 31, 2017, the State of Louisiana made on-behalf payments in the form of supplemental pay to the City's policemen. In accordance with GASB 24, the City has recorded \$102,266 of on-behalf payments as revenue and as expenses in the General Fund.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

14. Restricted Assets

Restricted assets were applicable to the following at December 31, 2017:

| | <u>Business-Type Activities</u> |
|--|-------------------------------------|
| Cash and Cash Equivalents: | |
| Refunding Bonds, Series 2009 - Debt Service | \$ 90,951 |
| Combined Utility Bonds, Series 2010B and Series 2011 - Debt Service | 186,037 |
| Refunding Bonds, Series 2016 - Debt Service | <u>66,064</u> |
| Total Cash and Cash Equivalents | 343,052 |
| Investments: | |
| Customers Deposits | <u>769,637</u> |
| Total Restricted Assets | <u><u>\$1,112,689</u></u> |

CITY OF WALKER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

**15. Schedule of Utility Enterprise Fund Net Income (Loss) from Operations
by Department for the Year Ended December 31, 2017**

| | Gas Department | Water Department | Sewer Department | Sanitation Department | Total Utility Enterprise Fund |
|--|-------------------|---------------------|---------------------|--------------------------|--|
| Operating Revenues: | | | | | |
| Charges for Services | \$ 5,578,664 | \$ 1,525,169 | \$ 1,017,788 | \$ 376,030 | \$ 8,497,651 |
| Delinquent Charges | 81,351 | 29,514 | 15,417 | 5,927 | 132,209 |
| Miscellaneous | 188,469 | 161,791 | 11,098 | - | 361,358 |
| Total Operating Revenues | 5,848,484 | 1,716,474 | 1,044,303 | 381,957 | 8,991,218 |
| Operating Expenses: | | | | | |
| Direct | 3,065,136 | 1,177,949 | 1,478,610 | 367,834 | 6,089,529 |
| General and Administrative | 206,389 | 182,788 | 83,795 | 3,381 | 476,353 |
| Total Operating Expenses | 3,271,525 | 1,360,737 | 1,562,405 | 371,215 | 6,565,882 |
| Operating Income (Loss) by Department | 2,576,959 | 355,737 | (518,102) | 10,742 | 2,425,336 |
| Nonoperating Revenues | 122,239 | 3,640 | 1,765 | 243 | 127,887 |
| Nonoperating Expenses | (88,921) | (33,505) | (20,816) | - | (143,242) |
| Federal Grant | 22,555 | 871,474 | 112,045 | - | 1,006,074 |
| State Grant | 20,087 | 800,732 | 12,543 | - | 833,362 |
| Transfers from Special Revenue | - | - | 810,500 | - | 810,500 |
| Transfers to General Fund | (1,000,000) | - | - | - | (1,000,000) |
| Change in Net Position | | | | | \$ 4,059,917 |
| Business-Type Activities | | | | | |
| Departmental Net Income (Loss) | \$ 1,652,919 | \$ 1,998,078 | \$ 397,935 | \$ 10,985 | |

CITY OF WALKER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

**16. Schedule of Utility Enterprise Fund Operating Expenses by Department
for the Year Ended December 31, 2017**

| | <u>Gas Department</u> | <u>Water Department</u> | <u>Sewer Department</u> | <u>Sanitation Department</u> | <u>Total Utility Enterprise Fund</u> |
|--|----------------------------|-----------------------------|-----------------------------|----------------------------------|--|
| Direct Expenses: | | | | | |
| Natural Gas Purchases | \$ 1,657,427 | \$ - | \$ - | \$ - | \$ 1,657,427 |
| Salaries and Wages | 519,292 | 325,932 | 302,818 | - | 1,148,042 |
| Payroll Taxes, Retirement and Group Insurance | 259,358 | 173,061 | 126,021 | - | 558,440 |
| Contract Services | 166,630 | 81,118 | 14,331 | 367,834 | 629,913 |
| Depreciation | 162,131 | 156,102 | 449,642 | - | 767,875 |
| Equipment Expenses | 62,652 | 17,894 | 7,788 | - | 88,334 |
| Equipment Rental | 12,060 | 8,976 | 62,305 | - | 83,341 |
| Lab Fees | - | - | 26,951 | - | 26,951 |
| Maintenance | 201,588 | 346,198 | 347,133 | - | 894,919 |
| Small Tools and Supplies | 14,372 | 7,547 | 9,086 | - | 31,005 |
| Utilities | 9,626 | 61,121 | 132,535 | - | 203,282 |
| | <u>3,065,136</u> | <u>1,177,949</u> | <u>1,478,610</u> | <u>367,834</u> | <u>6,089,529</u> |
| General and Administrative Expenses: | | | | | |
| Insurance | 89,605 | 65,284 | 27,556 | 230 | 182,675 |
| Miscellaneous | 57,274 | 71,153 | 13,883 | - | 142,310 |
| Office Expense | 7,221 | 5,146 | 3,927 | - | 16,294 |
| Professional Fees | 22,548 | 24,228 | 26,400 | 2,083 | 75,259 |
| Telephone | 14,935 | 5,882 | 6,860 | - | 27,677 |
| Bad Debts | 14,806 | 11,095 | 5,169 | 1,068 | 32,138 |
| | <u>206,389</u> | <u>182,788</u> | <u>83,795</u> | <u>3,381</u> | <u>476,353</u> |
| Total Operating Expenses | <u><u>\$ 3,271,525</u></u> | <u><u>\$ 1,360,737</u></u> | <u><u>\$ 1,562,405</u></u> | <u><u>\$ 371,215</u></u> | <u><u>\$ 6,565,882</u></u> |

CITY OF WALKER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

**17. Schedule of Utility Enterprise Fund Operating Expenses by
Function for the Year Ended December 31, 2017**

Personal Services and Benefits:

| | |
|---|--------------|
| Direct Labor | \$ 1,148,042 |
| Payroll Taxes, Retirement and Group Insurance | 558,440 |
| | <hr/> |
| | 1,706,482 |

Contractual Services:

| | |
|----------------------|---------|
| Equipment Rental | 83,341 |
| Lab Fees | 26,951 |
| Subcontract Services | 629,913 |
| Professional Fees | 75,259 |
| | <hr/> |
| | 815,464 |

Cost of Materials:

| | |
|-----------------------|-----------|
| Natural Gas Purchases | 1,657,427 |
|-----------------------|-----------|

Utilities:

| | |
|-----------|---------|
| Utilities | 203,282 |
| Telephone | 27,677 |
| | <hr/> |
| | 230,959 |

Repair and Maintenance:

| | |
|--------------------|---------|
| Equipment Expenses | 88,334 |
| Maintenance | 894,919 |
| | <hr/> |
| | 983,253 |

Supplies:

| | |
|--------------------------|---------|
| Small Tools and Supplies | 31,005 |
| Office Expense | 16,294 |
| Miscellaneous | 142,310 |
| | <hr/> |
| | 189,609 |

Depreciation

767,875

32,138

Total Operating Expenses

\$ 6,565,882

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

18. Litigation

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

19. Contingencies

DOTD Liability

Primarily during years 1996 - 1998, the City 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 City of Walker:

| <u>Department</u> | |
|-----------------------------------|-------------------|
| Gas Department | \$ 103,665 |
| Water Department | 151,189 |
| Sewer Department | <u>231,211</u> |
| Total DOTD Contingent Liabilities | <u>\$ 486,065</u> |

Since it could not be determined if LDOTD will enforce payment of these liabilities, this amount was recorded as a debit (increase) to capital assets and a credit to contributed capital in a prior year. Upon determination that the remaining liability is enforceable and the City must reimburse LDOTD, the City must reduce the capital account by any amounts reimbursed to the LDOTD.

Flooding Event

From August 11, 2016 through August 15, 2016, the City of Walker and surrounding areas experienced record-breaking rainfall resulting in significant flooding in certain areas. The City incurred expenses related to this event. This flooding event was declared a natural disaster by the State of Louisiana and the federal government which enabled the City to apply for federal financial assistance. While management feels the City will receive some additional federal financial assistance related to emergency protective measures they performed, there are no amounts recorded as revenue or receivable as of December 31, 2017 which in accordance with federal guidelines related to the timing of approval of FEMA project worksheets. Revenues will be recorded in a future period when approved.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

20. Compensation Paid Mayor and Council Members

Jimmy Watson, Mayor
13561 Graham Lane
Walker, LA 70785
(225) 665-5705

\$ 64,077

David Clark, Council Member
P.O. Box 1407
Walker, LA 70785

12,200

James Eric Cook, Council Member
30272 Sunset Lane
Walker, LA 70785
(225) 667-7218

12,200

Gary Griffin, Council Member
P.O. Box 951
Walker, LA 70785
(225) 665-9125

12,200

Scarlett Major, Council Member
13699 Aydell Lane
Walker, LA 70785
(225) 665-6695

12,200

Richard Wales, Council Member
13964 Guy Street
Walker, LA 70785
(225) 978-3283

12,200

\$125,077

Terms expire December 31, 2020.

CITY OF WALKER

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

21. Schedule of Compensation, Benefits, and Other Payments to Mayor

In accordance with Louisiana Revised Statute 24:513A, the following is a Schedule of Compensation and Benefits received by the Mayor, who was the acting agency head for the year ended December 31, 2017:

| | <u>1/23 – 12/31</u> <u>Jimmy Watson</u> | <u>1/1 – 1/23</u> <u>Rick Ramsey</u> |
|---------------------------------|--|---|
| Salary | \$ 64,077 | \$ 3,923 |
| Benefit-Retirement | 6,243 | 353 |
| Benefit-Insurance | - | - |
| Registration Fees | - | - |
| Travel Reimbursements | 246 | - |
| Conferences | - | - |
| Meals | <u>-</u> | <u>-</u> |
| Total Compensation and Benefits | <u>\$ 70,566</u> | <u>\$ 4,276</u> |

22. Revenues Actual Compared to Budget

The General Fund had actual revenues with an unfavorable budget variance exceeding 5% for the year ended December 31, 2017.

| <u>Final Budget</u> | <u>Actual</u> | <u>Unfavorable</u> <u>Variance</u> | <u>Unfavorable</u> <u>Variance</u> <u>Percentage</u> |
|---------------------|---------------|---------------------------------------|--|
| \$ 6,749,744 | \$ 5,496,750 | \$ (1,252,994) | (18.56)% |

23. Subsequent Events

On March 22, 2018, the City Council approved a motion to enter into a lease agreement with Enterprise Fleet Management for equipment at a cost of \$119,274. The quoted terms are for a five year lease with monthly payments of principal and interest of approximately \$1,970.

Management has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through June 25, 2018, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WALKER

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

FOR THE YEAR ENDED DECEMBER 31, 2017*

| <u>Fiscal Year</u> | <u>Employer's Proportion of the Net Pension Liability</u> | <u>Employer's Proportionate Share of the Net Pension Liability</u> | <u>Employer's Covered- Employee Payroll</u> | <u>Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll</u> | <u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u> |
|---|---|--|---|--|---|
| Municipal Police Employees Retirement System of Louisiana: | | | | | |
| 2014 | 0.23749% | \$ 1,485,737 | \$ 689,545 | 215.47% | 75.10% |
| 2015 | 0.25967% | 2,034,266 | 694,836 | 292.77% | 70.73% |
| 2016 | 0.26515% | 2,485,201 | 743,310 | 334.34% | 66.04% |
| 2017 | 0.28638% | 2,500,180 | 859,300 | 290.96% | 70.08% |

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

*For MPERS, the amounts presented were determined as of June 30 that occurred within the City's fiscal year. MPERS fiscal year is from July 1 to June 30.

See independent auditor's report.

CITY OF WALKER

SCHEDULE OF CONTRIBUTIONS

FOR THE YEAR ENDED DECEMBER 31, 2017

| <u>Fiscal Year</u> | <u>Contractually Required Contributions</u> | <u>Contributions in Relation to Contractually Required Contributions</u> | <u>Contribution Deficiency (Excess)</u> | <u>Employer's Covered Employee Payroll</u> | <u>Contributions as a % of Covered Employee Payroll</u> |
|---|---|--|---|--|---|
| Municipal Police Employees Retirement System of Louisiana: | | | | | |
| 2014 | \$ 209,014 | \$ 209,014 | \$ - | \$ 668,802 | 31.25% |
| 2015 | 223,956 | 223,956 | - | 734,913 | 30.47% |
| 2016 | 244,373 | 244,373 | - | 798,757 | 30.59% |
| 2017 | 259,259 | 259,259 | - | 831,643 | 31.17% |

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF WALKER

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2017

Municipal Police Employees' Retirement System:

Changes in Actuarial Assumptions

| Valuation Date | June 30, 2017 | June 30, 2016 |
|----------------|---------------|---------------|
| Inflation Rate | 2.70% | 2.875% |
| Discount Rate | 7.325% | 7.50% |

Changes of Assumptions

There were no changes of benefit assumptions for the year ended June 30, 2017.

See independent auditor's report.

OTHER SUPPLEMENTAL INFORMATION

CITY OF WALKER

SCHEDULE OF INSURANCE COVERAGE IN FORCE

FOR THE YEAR ENDED DECEMBER 31, 2017

(UNAUDITED)

| <u>Insurance Company / Policy Number</u> | <u>Coverage</u> | <u>Amount</u> | <u>Policy Period</u> |
|--|--|--|-----------------------------|
| Essex Insurance Co. LMA1700077 | Auto Physical Damage | Per Schedule on File | 05/28/2017 to 05/28/2018 |
| EMC Insurance Co. 3X1-18-93-17 | Business Protection - Property and Inland Marine | Per Schedule on File | 05/28/2017 to 05/28/2018 |
| EMC Insurance Co. T230013 | Government Crime Employee Theft (\$10,000 Deductible) Forgery and Alteration (\$10,000 Deductible) | 100,000 100,000 | 08/06/2017 to 08/06/2018 |
| American Strategic Insurance FLD186993 | Municipal Building Flood Insurance Building (\$1,000 Deductible) Contents (\$1,000 Deductible) | 250,000 100,000 | 12/07/2017 to 12/07/2018 |
| LMA Risk Management 100-0466-00015968 | Commercial Package Policy: Commercial General Liability Bodily Injury and Property Damage Premises Operations (per occurrence) Products Completed Operations Per Occurrence Aggregate Law Enforcement Officer Personal Injury or Property Damage (\$1,000 Deductible) Errors and Omissions (\$1,000 Deductible) Automobile Liability Bodily Injury and Property Damage (\$0 Deductible) | 500,000 500,000 included 500,000 500,000 500,000 500,000 | 05/28/2017 to 05/28/2018 |
| Western Surety Company 69486003 | Clerk Surety Bond | 50,000 | 03/10/2017 to 03/10/2018 |
| Hartford Life & Accident 43SR841655 | Volunteer Police Officers Accident Accidental Death Accidental Dismemberment Accident Medical Expense (\$0 Deductible) Maximum Dental Accident Total Disability Maximum Payment per Week Waiting Period Maximum Payment Period | 10,000 10,000 10,000 250 100 7 days 104 weeks | 03/10/2017 to 03/10/2018 |

See independent auditor's report.

CITY OF WALKER

SCHEDULE OF NUMBER OF CUSTOMERS AND
REVENUE DATA PER CUSTOMER PER MONTHFOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)Number of Customers

| | December 31, 2017 | December 31, 2016 | Increase (Decrease) |
|----------------------|----------------------|----------------------|------------------------|
| Gas Customers | 8,769 | 8,641 | 128 |
| Water Customers | 4,811 | 4,715 | 96 |
| Sewer Customers | 2,566 | 2,509 | 57 |
| Sanitation Customers | 2,119 | 2,103 | 16 |

Revenue Data Per Customer Per Month

| | December 31, 2017 | December 31, 2016 | Increase (Decrease) | Percentage Change |
|------------------|----------------------|----------------------|------------------------|----------------------|
| Gas Sales | \$53.02 | \$50.16 | \$2.86 | 6% |
| Water Sales | \$26.42 | \$25.95 | \$0.47 | 2% |
| Sewer Sales | \$33.05 | \$32.31 | \$0.74 | 2% |
| Sanitation Sales | \$14.79 | \$14.39 | \$0.40 | 3% |

See independent auditor's report.

CITY OF WALKER

SCHEDULE OF UTILITY RATES AND TAP FEES

FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

| Fees | Tap Fees | |
|--------------------------------------|------------|--------|
| | Type | Fee |
| <u>Gas</u> | Gas Taps | \$ 295 |
| Residential and Commercial | | |
| Minimum Flat Rate | \$ | 8.25 |
| Per 100 CFT of Gas Used | | 0.90 |
| <u>Water</u> | Water Taps | \$ 285 |
| Residential | | |
| First 3,000 Gallons | \$ | 13.58 |
| Per Next 1,000 Gallons of Water Used | | 2.60 |
| Commercial | | |
| First 3,000 Gallons | \$ | 37.30 |
| Per Next 1,000 Gallons of Water Used | | 2.60 |
| <u>Sewer</u> | Sewer Taps | \$ 500 |
| Residential | Tie-in Fee | 200 |
| First 3,000 Gallons (Gravity) | \$ | 19.28 |
| First 3,000 Gallons (Grinder Pump) | | 17.66 |
| Per Next 1,000 Gallons of Water Used | | 2.08 |
| Commercial | | |
| First 3,000 Gallons | \$ | 25.53 |
| Per Next 1,000 Gallons of Water Used | | 2.96 |
| <u>Garbage</u> | | |
| Residential and Commercial | | |
| Flat Rate per Cart | \$ | 14.48 |
| Senior Citizens | | |
| Flat Rate per Cart | \$ | 9.34 |

Sewer, Gas & Water Misc. Fees

Fees for extensions, road bores, etc. are based on each account.

See independent auditor's report.

CITY OF WALKER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2017

| <u>Federal Grantor/ Pass - Through Grantor/ Program Name</u> | <u>Federal CFDA Number</u> | <u>Agency or Pass-Through Number</u> | <u>Federal Expenditures</u> |
|---|------------------------------------|--|---------------------------------|
| <u>Federal Grants</u> | | | |
| <u>United States Department of Commerce</u> | | | |
| Direct Program: | | | |
| Investments for Public Works and Economic Development Facilities | 11.300 | N/A | \$ <u>1,003,882</u> |
| Total United States Department of Commerce | | | 1,003,882 |
| <u>United States Department of Transportation</u> | | | |
| Passed Through Louisiana Department of Transportation and Development: | | | |
| Highway Planning and Construction [1] | 20.205 | N/A | 315,436 |
| Passed Through Louisiana Department of Public Safety and Corrections – Louisiana Highway Safety Commission: | | | |
| National Highway Traffic Safety Administration Discretionary Safety Grants | 20.614 | N/A | <u>5,310</u> |
| Total United States Department of Transportation | | | 320,746 |
| <u>United States Department of Homeland Security</u> | | | |
| Passed Through Louisiana Governor’s Office of Homeland Security and Emergency Preparedness: | | | |
| Disaster Grant - Public Assistance | 97.036 | N/A | <u>83,708</u> |
| Total United States Department of Homeland Security | | | 83,708 |
| <u>United States Department of Justice</u> | | | |
| Passed Through Louisiana Department of Public Safety and Corrections - Louisiana Highway Safety Commission: | | | |
| Bulletproof Vest Partnership Program | 16.607 | N/A | 1,946 |
| Passed Through Louisiana Department of Public Safety and Corrections - Louisiana Commission on Law Enforcement: | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | N/A | <u>1,263</u> |

CITY OF WALKER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2017

| | | | |
|---|--------|-----|---------------------------|
| Total United States Department of Justice | | | 3,209 |
| <u>United States Environmental Protection Agency</u> Passed Through University of New Orleans: | | | |
| Lake Pontchartrain Basin Restoration Program | 66.125 | N/A | <u>35,000</u> |
| Total United States Environmental Protection Agency | | | <u>35,000</u> |
| Total Expenditures of Federal Awards | | | <u><u>\$1,446,545</u></u> |

[1] Highway Planning and Construction Cluster

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

CITY OF WALKER

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2017

Note A - Significant Accounting Policies -

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Walker and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*

Note B - Indirect Cost Rate Election -

The City did not elect to use the 10% de minimis indirect cost rate during the year ended December 31, 2017.

See independent auditor's report.

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



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

The Honorable Mayor, Jimmy Watson
and Members of the City Council
City of Walker
Walker, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the budgetary comparative statements of the General Fund and of the 2000 ½ Cent Sales Tax Special Revenue Fund of the City of Walker, Louisiana (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated June 25, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may

exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as items 2017-01 and 2017-02.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as item 2017-03.

The City of Walker's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion or any assurance on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose; however, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Harris J. Bourgeois, CPA

Denham Springs, Louisiana
June 25, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE

The Honorable Mayor, Jimmy Watson
and Members of the City Council
City of Walker
Walker, Louisiana

Report on Compliance for Each Major Federal Program

We have audited the City of Walker's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Walker's ("the City") major federal programs for the year ended December 31, 2017. The major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Walker complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose; however, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Harris J. Bourgeois, CPA

Denham Springs, Louisiana
June 25, 2018

CITY OF WALKER

SCHEDULE OF FINDINGS AND QUESTIONED COST

FOR THE YEAR ENDED DECEMBER 31, 2017

A. Summary of Auditor’s Results

As required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), the following is a summary of the results of our audit:

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes x No
- Significant deficiencies identified? _____ x Yes _____ None Reported
- Noncompliance material to financial statements noted? _____ Yes x No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ Yes x No
- Significant deficiencies identified? _____ Yes x None Reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes x No

The following program was tested as a Type “A” major program:

| Federal Grantor/ Pass - Through Grantor/ Program Name | <u>CFDA Number</u> |
|---|------------------------|
| <u>United States Department of Commerce</u> | |
| Direct Program | |
| Investments for Public Works and Economic Development Facilities | 11.300 |

- The threshold for distinguishing Types A and B programs was \$750,000.
- The City was determined not to be a low-risk auditee.

CITY OF WALKER

SCHEDULE OF FINDINGS AND QUESTIONED COST (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2017

B. Internal Control Over Financial Reporting

Finding 2017-01 Bank Reconciliations

Criteria:

Bank account reconciliations should be performed timely and include documentation to support that the bank statements and reconciliations were reviewed by a member of management who is not responsible for reconciling the bank accounts. The monthly bank reconciliations should be maintained on file for subsequent review and audit.

Condition:

During our current year audit, we noted the main operating cash account and non-operating accounts appeared to be reconciled timely; however, it was noted that copies of the bank reconciliations were not kept on file for review. Additionally, there was no evidence to support that the bank reconciliations were being reviewed by a member of management that was not responsible for reconciling the bank accounts.

Cause:

The City underwent several personnel changes during the 2017 including a new finance director. The City's new finance director was tasked with closing out the fiscal year for 2016 and was responsible for the 2016 audit along with normal operations. Closing out fiscal year 2016 included additional financial activity due to the August 2016 flooding event. These events and changes resulted in oversight of this control.

Effect:

The lack of review of bank reconciliations and not maintaining the reconciliations on file creates the potential for misstatements to go undetected.

Recommendation:

We recommend the City implement procedures to print and maintain physical copies or an electronic copy with noted approvals of monthly bank reconciliations and implement procedures to ensure the monthly reconciliations are reviewed by a member of management not responsible for reconciling the bank accounts.

Management's Response:

Management will print out reconciled bank reconciliations monthly and have a member of the City Council review and initial these reconciliations going forward.

CITY OF WALKER

SCHEDULE OF FINDINGS AND QUESTIONED COST (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2017

Finding 2017-02 Budget-to-Actual Comparisons

Criteria:

Budget-to-actual comparisons should be prepared and presented to and reviewed by the City Council on a monthly basis.

Condition

During our current year audit, we noted that budget-to-actual comparisons were not presented at City Council meetings on a monthly basis. The City Council was presented with information on budget amendments throughout the year.

Cause:

The City underwent several personnel changes during the 2017 including a new finance director. The City's new finance director was tasked with closing out the fiscal year for 2016 and was responsible for the 2016 audit along with normal operations. Closing out fiscal year 2016 included additional financial activity due to the August 2016 flooding event. These events and changes resulted in oversight of this control.

Effect:

The lack of monitoring of the budget to actual results creates the potential for non-compliance with state budget law as well as potential oversight of errors that would otherwise be prevented through board review.

Recommendation:

We recommend the City implement procedures to review budget-to-actual comparisons at City Council meetings on a monthly basis.

Management's Response:

Management is now close to being caught up from the turnover that occurred in 2017 and budget to actual comparison will begin to be given out.

C. Compliance and Other Matters

Finding 2017-03 Unfavorable Budget Variance >5% of Amended Budget

Criteria:

The City is required to follow the requirements of the Louisiana Local Government Budget Act at LSA R.S. 39:1301 through 39:1315.

CITY OF WALKER

SCHEDULE OF FINDINGS AND QUESTIONED COST (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2017

Condition:

State law requires that budgets be amended when actual revenues are less than budgeted revenues or actual expenditures exceed budgeted expenditures and other financing uses exceed budgeted amounts by 5% or more. See Note 22 to the financial statements. An unfavorable budget variance for Actual Revenues compared to Final Budgeted Revenues in the General Fund exceeded the 5% variance required by state law.

Cause:

The City's amended Final Budgeted Revenues were not adjusted enough to reduce the budget variance below the 5% variance as required by state law.

Effect:

Because the City's amended Final Budgeted Revenues were not adjusted enough to reduce the budget variance below the 5% variance as required by state law, the budget variance for Actual Revenue compared to Final Budgeted Revenues created an unfavorable budget variance that exceeded the 5% variance required by state law.

Recommendation:

We recommend the City implement procedures to monitor actual revenue and expenses more closely and make appropriate budget amendments to comply with the law requiring the budget to actual variance to be within 5%.

Management's Response:

With new management in place now, any future road projects will be managed appropriately from the beginning with grant revenues and expenses being properly separated out into the street and utility departments going forward.

CITY OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2017

(A) Findings - Internal Control Over Financial Reporting -

None

(B) Findings - Compliance and Other Matters -

Reference Number: 2004M-9

Category: Contingent Liabilities

Description of Finding:

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

- Contingent Liability to Louisiana Department of Transportation and Development (LDOTD). Primarily during the years 1996 - 1998, the City of Walker entered into several contracts for relocation of utility lines and facilities. Documentation obtained from LDOTD and the City (including road transfer credits issued in 2016) indicates the following amounts owed to LDOTD by the City of Walker.

| <u>Department</u> | |
|-----------------------------------|-------------------|
| Gas Department | \$ 103,665 |
| Water Department | 151,189 |
| Sewer Department | <u>231,211</u> |
| Total DOTD Contingent Liabilities | <u>\$ 486,065</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. It is not determinable if LDOTD 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 City of Walker must reduce the capital accounts by any amounts reimbursed to the LDOTD.

Recommendations:

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

CITY OF WALKER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2017

Corrective Action Taken:

During 2016, the City negotiated a partial settlement with LDOTD, in which the City accepted ownership of a state owned road within its City limits, Burgess Avenue. In return, LDOTD applied road transfer credits of \$888,282 to reduce the contingent liability. The City still has no intentions to install utility services along the State's right of way; therefore, the possible liability due to the Louisiana Department of Transportation and Development has not been determined and is still reported as a contingent liability in these financial statements.

Management's Response:

The City of Walker is currently working with the Louisiana Department of Transportation and Development to address the contingent liability to the State of Louisiana for the utility relocations that were completed during 1996-1998.

City of WALKER LOUISIANA *City Living Country Charm*

MAYOR
Jimmy Watson

CHIEF OF
OPERATIONS
Jamie Etheridge

CITY ATTORNEY
Robert King

CITY CLERK
Myra Streeter

MAYOR PRO TEM
Scarlett Milton Major

COUNCILMEN
David Clark
Eric Cook
Gary Griffin
Richard Wales

June 25, 2018

Hannis T. Bourgeois, LLP, CPAs
178 Del Orleans Avenue, Suite C
Denham Springs, Louisiana 70726

Finding 2017-01 Bank Reconciliations

Response: Management will print out reconciled bank statements monthly and have a member of the city council review and initial these reconciliations going forward.

Finding 2017-02 Budget-to-Actual Comparisons

Response: Management is now close to being caught up from the turnover that occurred in 2017, budget to actual comparisons will begin to be given out.

Finding 2017-03 Unfavorable Budget Variance > 5% of Amended Budget

Response: With new management in place now, any future road projects will be managed appropriately from the beginning with grant revenues and expenses being properly separated out into the street and utility departments going forward.



Jimmy Watson
Mayor



Mike Cotton
Financial Director