

VILLAGE OF GILBERT
Gilbert, Louisiana

Report On Audit
Of
Basic Financial Statements
For The Year Ended
June 30, 2006

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

Release Date 2/7/07

Jimmie Self, CPA
A Professional Accounting Corporation
2908 Cameron Street, Suite C
Monroe, Louisiana 71201
Phone 318/323-4656 • FAX 318/388-0724

VILLAGE OF GILBERT

Gilbert, Louisiana

Report On The Audit
Of The
Basic Financial Statements
For The Year Ended
June 30, 2006

Jimmie Self, CPA
A Professional Accounting Corporation
2908 Cameron Street, Suite C
Monroe, Louisiana 71201
Phone 318/323-4656 • FAX 318/388-0724

VILLAGE OF GILBERT
GILBERT, LOUISIANA
Table of Contents
As of and for the year ended June 30, 2006

	<u>Exhibit</u>	<u>Schedule</u>	<u>Page</u>
Independent Auditor's Report			1-2
Required Supplementary Information (Part I)			
Management Discussion and Analysis			4-10
Basic Financial Statements			
Government-Wide Statements:			
Statement of Net Assets	A		12
Statement of Activities	B		13
Fund Financial Statements			
Governmental Funds:			
Balance Sheet – Governmental Funds	C		15
Reconciliation of the Balance Sheet to the Statement of Net Assets - Governmental Funds	C-1		16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	D		17
Reconciliation of the Statement of Revenues Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	D-1		18
Statement of Net Assets - Proprietary Funds	E		19
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	F		20
Statement of Cash Flows – Proprietary Funds	G		21
Notes to Financial Statements			
Notes			23-37
Required Supplementary Information (Part II)			
Statement of Revenues, Expenditures, and Changes in Fund Balances Budget (GAAP Basis) to Actual – General Fund		1	39
Schedule of Compensation Paid Elected Officials		2	40

VILLAGE OF GILBERT
GILBERT, LOUISIANA
Table of Contents
As of and for the year ended June 30, 2006

**Other Independent Auditor's Reports and Findings
and Recommendations**

Report on Internal Control over Financial Reporting and on Compliance and on Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	42-43
Schedule of Findings and Responses	44-45
Summary of Findings	46
Communication of Reportable Conditions to Management	47-48
Management's Corrective Action Plan	49-50

**Jimmie Self, CPA
A Professional Accounting Corporation
2908 Cameron Street, Suite C
Monroe, Louisiana 71201
Phone 318-323-4656 Fax 318-388-0724**

Independent Auditor's Report

To the Honorable Mayor and
The Village Council
Village of Gilbert
Gilbert, Louisiana

I have audited the financial statements of the governmental activities, the business-type activities, and each major fund, of the Village of Gilbert, Louisiana, as of and for the year ended June 30, 2006, which collectively comprise the basic financial statements of the Village of Gilbert, Louisiana as listed in the table of contents. These financial statements are the responsibility of Village of Gilbert, Louisiana's management. My responsibility is to express opinions on these financial statements based on my audit.

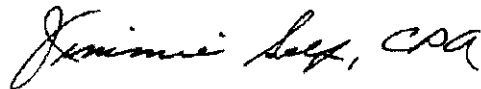
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and major funds, of the Village of Gilbert, Louisiana as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying supplemental information listed in the table of contents under Supplemental Information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, therefore, I express no opinion on them.

The Management Discussion and Analysis and the schedule presented therewith are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, I have also issued my report dated December 29, 2006, on my consideration of the Village of Gilbert, Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

A handwritten signature in cursive script that reads "Jimmie Self, CPA".

Jimmie Self, CPA
Monroe, Louisiana
December 29, 2006

**Required Supplementary Information
(Part I)**

Management Discussion and Analysis

VILLAGE OF GILBERT
Gilbert, Louisiana
Management Discussion and Analysis
June 30, 2006

As management of the Village of Gilbert, Louisiana, hereafter referred to as the Village, we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended June 30, 2006. The Management Discussion and Analysis ("MD&A") is designed to provide an objective and easy to read analysis of the Village's financial activities based on currently known facts, decisions, and conditions. It is intended to provide readers with a broad overview of Village finances. It is also intended to provide readers with an analysis of short-term and long-term activities of the Village based on information presented in the financial report and fiscal policies that have been adopted by the Village. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the Village's financial activity, identify changes in the Village's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify fund issues or concerns.

As with other sections of the financial report, the information contained within the MD&A should be considered only a part of the greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and the other Required Supplementary Information that is provided in addition to this Management Discussion and Analysis.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's financial statements. The Village's basic financial statements consist of the following components:

1. Government-Wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements
4. Required Supplementary Information, which is in addition to the basic financial statements themselves.

1. Government-Wide Financial Statements

Government-Wide Financial Statements are designed by GASB Statement No. 34 to change the way in which government financial statements are presented. It now provides readers for the first time a concise "entity-wide" Statement of Net Assets and Statement of Activities, seeking to give the user of the financial statements a broad overview of the Village's financial position and results of operations in a manner similar to a private-sector business.

A. The Statement of Net Assets presents information on all the Village's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between the assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or weakening.

VILLAGE OF GILBERT
Gilbert, Louisiana
Management Discussion and Analysis
June 30, 2006

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

The government-wide financial statements further assist the reader in their evaluation by distinguishing functions of the Village into:

A. *Governmental activities* that are principally supported by taxes and intergovernmental revenues, and

B. *Business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges.

Financial Analysis of the Village as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the Village as a whole. Below is a brief description of the total assets, total liabilities, and total net assets showing restricted and unrestricted portions, the program revenues, and the related expenditures and expenses.

VILLAGE OF GILBERT
Government-Wide Financial Analysis - Net Assets
June 30, 2006

	Governmental Activities		Business-type Activities		Totals	
	2005	2006	2005	2006	2005	2006
Current and other assets	66,359	40,888	95,825	94,864	162,184	135,752
Capital Assets	1,273,829	1,209,623	1,094,950	1,043,606	2,368,779	2,253,229
Total Assets	1,340,188	1,250,511	1,190,775	1,138,470	2,530,963	2,388,981
Long-Term Liabilities	17,614		41,973	44,833	59,587	41,973
Other Liabilities	26,011	14,586	84,574	61,699	110,585	76,285
Total Liabilities	43,625	14,586	126,547	106,532	170,172	121,118
Net Assets						
Invested in capital Assets						
net of related debt	1,296,733	1,209,623	1,599,022	959,612	2,895,755	2,169,235
Restricted	22,734		106,289	41,005	129,023	41,005
Unrestricted	(22,904)	26,302	(641,084)	31,321	(663,988)	57,623
Total net assets	1,296,563	1,235,925	1,064,227	1,031,938	2,360,790	2,267,863

VILLAGE OF GILBERT
Gilbert, Louisiana
Management Discussion and Analysis
June 30, 2006

Governmental Activities

The Governmental Activities of the city include General Government, Public Safety, Public Works, Community Development, and Miscellaneous Programs. Sales taxes, property taxes, as well as licenses, permits, and fines fund most of these governmental activities.

Here we show the Village's expenditures related to those functions typically associated with governments. In the chart below, General government includes the following departments: Legislative (Village Council), Executive, Financial, Building, and other General Administration. Public Safety encompasses the police and fire protection departments. Public Works is made up of Water, Sewerage, and street departments.

Governmental Activities Expenditures	June 30, 2005		June 30, 2006	
General Government	\$ 94,804	41 %	\$ 146,597	70%
Public Safety	72,887	31 %	35,356	18%
Public Works	19,570	8 %	25,137	12%
Transfers Out	44,200	20 %	-	0%
Total Governmental Activities	<u>\$ 231,461</u>	100%	<u>\$ 207,090</u>	100%

General revenues are those available for the city to use to pay for the governmental activities as described above.

GENERAL REVENUES	June 30, 2005		June 30, 2006	
Taxes:				
Property Taxes	\$ 6,619	6 %	\$6,986	17.3%
Other Taxes	1,332	1 %	38,124	93.9%
Transfers In	42,200	40 %	(5,000)	(12.3%)
Governmental Grants	10,989	5 %	-	- %
Investment Earnings	24	1 %	473	1.1%
Fines	35,631	33 %	-	- %
Miscellaneous	8,601	14 %	-	- %
Total General Revenues and Transfers	<u>\$ 105,396</u>	100 %	<u>\$40,583</u>	100 %

For the prior fiscal year ended June 30, 2005, sales tax revenues (included in the chart above as Transfers In) was the largest revenue source of \$42,200 for the Village

VILLAGE OF GILBERT
Gilbert, Louisiana
Management Discussion and Analysis
June 30, 2006

comprising 40 % of total governmental revenue . The second highest source of revenues for the prior year, Fines, was in the amount of \$35,631
For the current fiscal year ended June 30, 2006, other taxes was the largest revenue source for the Village comprising 93.9 % of total governmental revenue. Property tax revenues for the year ended June 30, 2006 were in the amount of \$6,619

Business-Type Activities

The Business-Type Activities of the Village are those fees to customers that help cover all or most of the cost of the services it provides. The Village water and sewer departments are reported here.

Business-type Activities (Water and Sewer Fund)	June 30, 2005	June 30, 2006
Operating Revenues	\$ 119,688	\$ 131,937
Operating Expenses	\$ 92,401	\$ 164,871

2. 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 Village, like any other state or local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental funds and proprietary funds.

A. Governmental funds

Governmental funds are used to account for most of the Village's basic services reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Those funds are reported using modified accrual accounting that measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Village's general governmental operations and basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs.

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 government funds with similar information presented for governmental activities in the government-

VILLAGE OF GILBERT
Gilbert, Louisiana
Management Discussion and Analysis
June 30, 2006

wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Reconciliation of the Balance Sheet to the Statement of Net Assets Governmental Funds" and the "Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are identified as Exhibit C-1 and Exhibit D-1.

The Village maintains two individual governmental funds. Information is presented separately in the "Balance Sheet Governmental Funds" and in the "Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds" for the General Fund. The reports are identified as Exhibit C and Exhibit D.

Financial Analysis of Government Funds

As of the end of the prior fiscal year ended June 30, 2006, the Village's governmental funds reported combined ending fund balances of \$22,734. In the General Fund, the unreserved fund balance is \$(0). There were no reserved fund balances.

At the end of the current fiscal year ended June 30, 2006, the Village's governmental funds reported combined ending balances of 26,302. In the General Fund, the unreserved fund balance is \$(0).

CHANGES IN FUND BALANCES	June 30, 2005	June 30, 2006
General Fund	\$ 22,734	\$ 3,568
Water and Sewer Fund	\$ (31,255)	\$ (32,291)

B. Proprietary Funds

Proprietary Funds, also referred to as Enterprise funds, are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its Water and Sewer Department. These funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Department, which is considered to be major funds of the Village. The basic proprietary fund financial statements can be found on pages in the "Basic Financial Statements" section of this report.

3. Notes to the Financial Statements

VILLAGE OF GILBERT
Gilbert, Louisiana
Management Discussion and Analysis
June 30, 2006

The Notes to the Financial Statements provide additional information that is essential for a full understanding of the data provided in the government-wide and financial statements. The notes to the financial statements can be found immediately following the section entitled "Basic Financial Statements."

4. Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found beginning with a section entitled "Required Supplementary Information – Part I."

A. Budgetary Comparison Schedule

The Village adopts an annual appropriated budget for its general fund. A budgetary comparison schedule (Schedule 1 in the Required Supplementary Information Part II section) has been provided for the purpose of comparing the budgeted and actual amounts of individual revenues and expenditures to demonstrate compliance with the adopted budget and state laws.

B. Analysis of Significant Budget Variances in the General Fund.

- i. Revenues – 20,333 unfavorable
- ii. Expenditures – 26,582 favorable

Budget Variances	June 30, 2005	June 30, 2006
Revenues	\$9,632 favorable	\$20,333 unfavorable
Expenditures	\$26,781 unfavorable	\$26,582 favorable

5. Combining Statements for the non-major Governmental Funds – The village reports no non-major Governmental Funds.

6. Other Supplementary Schedules are included in this report.

Capital Assets and Debt Administration

1. Capital Assets

The Village's investment in capital assets, net of accumulated depreciation, for the prior year ended June 30, 2005 in governmental activities was \$1,296,733 and in business-type

VILLAGE OF GILBERT
Gilbert, Louisiana
Management Discussion and Analysis
June 30, 2006

activities was \$1,599,022 which totaled \$2,895,755 for the Village. This investment in governmental activities assets includes land, buildings and systems, machinery and equipment. The investment in assets for business-type activities includes the water and sewer system and treatment plants. The Business-type portion of the Village's operations which includes water and sewer services showed increases in assets of \$121,475 which was for the completion of the laying of 14 miles of water pipes begun in the previous year. The finances required to fund this improvement project were received in the form of an LCDBG grant. The decrease in business-type assets was due the abandonment of water wells and the demolition of the Village's water treatment facility and a water storage tank. The amount of \$208,444 that was carried on the books showing these items as assets was removed from the books.

For the current fiscal year ended June 30, 2006, the Village's investment in capital assets net of accumulated depreciation in its governmental activities is \$1,250,623 and in business-type activities is \$1,043,606 which totals \$2,294,229. Additions to governmental activities assets within the current year ended June 30, 2006 included \$4,894. The Business-type portion of the Village's operations which includes water and sewer services shows increases in assets of \$2,275.

2. Long-Term Debt

At the end of the prior fiscal year ended June 30, 2005, the Village had a revenue bond indebtedness of \$106,289 in addition to a note payable of \$27,104. This represented a total indebtedness for the Village in the amount of \$133,393.

The current fiscal year ended June 30, 2006, closed with indebtedness in the form of a revenue bond for the amount of \$83,994.

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Diane Parker, Village Clerk, P. O. Box 600, Gilbert, LA 71366.

Basic Financial Statements

VILLAGE OF GILBERT
STATEMENT OF NET ASSETS
June 30, 2006

EXHIBIT A

	GOVERNMENTAL ACTIVITIES GENERAL FUND	BUSINESS TYPE ACTIVITIES	TOTAL
Assets:			
Cash and Cash Equivalents	\$ 29,342	\$ 1,127	\$ 30,469
Investments	6,000	30,000	36,000
Receivables, Net	5,546	22,732	28,278
Restricted Investments	-	41,005	41,005
Capital Assets	1,749,958	2,140,395	3,890,353
Accumulated Depreciation	(540,335)	(1,096,789)	(1,637,124)
Total Assets:	\$ 1,250,511	\$ 1,138,470	\$ 2,388,981
Liabilities:			
Accounts and Other Payables	\$ 14,586	\$ 6,171	\$ 20,757
Payable from Restricted Assets:			
Accrued Interest		334	334
Customer Deposits		16,033	16,033
Current portion of long-term obligations		22,295	22,295
Non Current Portion of Long-Term Obligations:			
Due within more than one year	-	61,699	61,699
Total Liabilities:	\$ 14,586	\$ 106,532	\$ 121,119
Net Assets:			
Invested in Capital Assets, net of related debt	\$ 1,209,623	\$ 959,612	\$ 2,169,235
Restricted	-	41,005	41,005
Unrestricted	26,302	31,321	57,622
Total Net Assets	\$ 1,235,925	\$ 1,031,938	\$ 2,267,862

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REPORT

VILLAGE OF GILBERT
Statement of Activities
For the Year ended June 30, 2006

EXHIBIT B

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues		
		Fines, Fees and Charges for Services	Capital Grants	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
General Government	\$ (146,597)	\$ 43,593	\$ 4,887	\$ (98,117)	\$ -	\$ (98,117)
Public Safety	(35,356)	57,385	-	22,029	-	22,029
Public Works	(25,137)	-	-	(25,137)	-	(25,137)
Total Governmental Activities	<u>\$ (207,090)</u>	<u>\$ 100,978</u>	<u>\$ 4,887</u>	<u>\$ (101,225)</u>	<u>\$ -</u>	<u>\$ (101,225)</u>
Business-Type Activities						
Water	\$ (115,968)	\$ 131,937	\$ -	\$ -	\$ 15,969	\$ 15,969
Depreciation	(53,619)	-	-	-	(53,619)	(53,619)
Total Business-Type Activities	<u>(169,587)</u>	<u>131,937</u>	<u>-</u>	<u>-</u>	<u>(37,650)</u>	<u>(37,650)</u>
Total Primary Government	<u>\$ (376,677)</u>	<u>\$ 232,915</u>	<u>\$ 4,887</u>	<u>\$ (101,225)</u>	<u>\$ (37,650)</u>	<u>\$ (138,875)</u>
Changes in net assets:						
Net (expense) revenue				<u>(101,225)</u>	<u>(37,650)</u>	<u>(138,875)</u>
General Revenues:						
Taxes						
Property Taxes				\$ 6,986	\$ -	\$ 6,986
Sales & Use Taxes				38,124	-	38,124
Investment Earning				473	363	836
Transfers in/out				(5,000)	5,000	-
Total General Revenues and Transfers				<u>\$ 40,583</u>	<u>\$ 5,363</u>	<u>\$ 45,946</u>
Change in Net Asset				(60,642)	(32,287)	(92,929)
Net assets beginning				1,296,565	1,064,229	2,360,794
Net assets—ending				<u>\$ 1,235,923</u>	<u>\$ 1,031,942</u>	<u>\$ 2,267,865</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REP

Fund Financial Statements

**VILLAGE OF GILBERT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006**

EXHIBIT C

	<u>GENERAL FUND</u>
Assets:	
Cash and Cash Equivalents	\$ 29,342
Investments	6,000
Receivables	5,546
Total Assets:	<u>\$ 40,888</u>
Liabilities:	
Accounts and Other Payables	\$ 14,586
Total Liabilities:	<u>14,586</u>
Fund balances:	
Unrestricted	<u>26,302</u>
Total Fund Balances	<u>26,302</u>
Total Liabilities and Fund Balance	<u>\$ 40,888</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REPORT

**Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Assets
June 30, 2006**

Total Fund Balance Total Governmental Funds		\$	26,302
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:			
Capital assets of \$1,749,958, net of accumulated depreciation of (\$540,335) are not financial resources, and, therefore, are not reported in the funds.	1,749,958 <u>(540,335)</u>		1,209,623
Net Assets of Governmental Activities		\$	<u>1,235,925</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REPORT

VILLAGE OF GILBERT, LOUISIANA
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2006

Exhibit D

	<u>General Fund</u>
Revenues:	
Sales Tax Collection	\$ 38,124
Property Taxes	6,986
License & Permits	25,864
Fines	57,385
Interest	473
Utility Rebates	10,842
Grants	4,887
Miscellaneous	6,888
Total Revenues	<u>\$ 151,449</u>
Expenditures:	
General Government	\$ 82,388
Public Safety	35,356
Public Works	25,137
Total Expenditures	<u>\$ 142,881</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>8,568</u>
Other Financing Sources (uses)	
Transfers to Enterprise Fund	<u>(5,000)</u>
Total Other Financing Sources/Uses	<u>(5,000)</u>
Net Change in Fund Balance	3,568
Fund Balance - Beginning	22,734
Fund Balance - Ending	<u>\$ 26,302</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REPORT

VILLAGE OF GILBERT, LOUISIANA
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2006

EXHIBIT D-1

Net Change in Fund Balances - Total Governmental Funds	\$ 3,568
--	----------

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 as depreciation expense.

This is the amount of capital assets recorded in the current period.	4,890
--	-------

Depreciation Expense on Capital Assets is reported in the government-wide
statement of activities and changes in net assets, but they do not require
the use of current financial resources. Therefore, depreciation is not reported
as expenditures in governmental funds. Depreciation expense for 2006

(69,100)

Change in Net Assets of Governmental Activities:

<u>\$ (60,642)</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REPORT

VILLAGE OF GILBERT, LOUISIANA
Statement of Net Assets
Proprietary Funds
June 30, 2006

EXHIBIT E

	<u>Business-Type Activities Enterprise Funds</u>
Assets:	
Current Assets:	
Cash and Cash Equivalents	\$ 1,127
Investments	30,000
Accounts Receivable, Net	<u>22,732</u>
Total Current Assets	<u>53,860</u>
Restricted Assets:	
Bond Debt Service	20,808
Revenue Bond Retirement	2,293
Revenue Bond Contingency	3,944
Customer Deposit Funds	<u>13,960</u>
Total Restricted Assets	<u>41,005</u>
Capital Assets:	
Property, Plant, and Equipment, at cost	2,140,395
Less Accumulated Depreciation	<u>(1,096,789)</u>
Total Capital Assets	<u>1,043,606</u>
Total Assets	<u>\$ 1,138,471</u>
Liabilities and Net Assets:	
Current Liabilities (Payable from Current Assets)	
Accounts Payable	\$ 6,171
Total Current Liabilities (Payable from Current Assets)	<u>6,171</u>
Current Liabilities (Payable from Restricted Assets)	
Accrued Interest	334
Customer Deposits	16,033
Bonds Payable	<u>22,295</u>
Total Current Liabilities Payable from Restricted Assets	<u>38,662</u>
Long-Term Liabilities	
Bonds Payable	<u>61,699</u>
Total Liabilities	<u>106,533</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	959,612
Restricted for Debt Service	41,005
Unrestricted	<u>31,321</u>
Total Net Assets	<u>\$ 1,031,938</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REPORT

VILLAGE OF GILBERT, LOUISIANA
Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2006

EXHIBIT F

	<u>Business-Type Activities Enterprise Funds</u>
Operating Revenues:	
Charges for Services	\$ 131,937
Total Operating Revenues	<u>131,937</u>
Operating Expenses:	
Personal Services	31,836
Materials and Supplies	66,019
Repairs and Maintenance	10,413
Telephone and Utilities	1,057
Dues	1,927
Depreciation	53,619
Total Operating Expense	<u>164,871</u>
Net Operating Income(Loss)	<u>(32,934)</u>
Non-Operating Revenues(Expenses)	
Interest Income	364
Interest Expense	(4,721)
Transfer in from General Fund	5,000
Total Non-Operating Revenues/Expenses	<u>643</u>
Change in Net Assets	(32,291)
Net Assets - Beginning of Year	1,064,229
Net Assets - End of Year	<u>\$ 1,031,938</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REPORT

VILLAGE OF GILBERT, LOUISIANA

EXHIBIT G

Statement of Cash Flows
Proprietary Fund Types
For the Year Ended June 30, 2006

	Business-Type Activities Enterprise Funds
Cash Flows from Operating Activities	
Receipts from Customers	\$ 131,515
Payments to Suppliers	(86,224)
Payments to Employees	(27,303)
Net Cash Provided by Operating Activities	<u>17,988</u>
Cash Flows from Noncapital Financing Activities	
Transfers from General Fund	5,000
Interfund transfers from Water/Sewer Acct to pay Bond	3,102
Net Cash Provided (used) by Operating Activities	<u>8,102</u>
Cash Flows from Capital and Related Financing Activities	
Interest Paid on Bonds from Restricted Funds	(4,721)
Principal Paid on Revenue Bonds	(22,294)
Net Cash used for Capital and Related Financing Activities	<u>(27,015)</u>
Cash Flows from Investing Activities	
Interest Income	<u>363</u>
Net Cash from Investing Activities	<u>363</u>
Net Increase (decrease) in Cash and Cash Equivalents	(562)
Cash at Beginning of Year	1,690
Cash at End of Year	<u>\$ 1,128</u>
Reconciliation of Operating Income (Loss) to Net Cash	
Provided (Used) by Operating Activities	
Operating Income (Loss)	(32,934)
Adjustments to Reconcile Net Income (Loss)	
To Net Cash Provided by Operating Activities	
Net Income	
Depreciation	53,619
Increase (Decrease) in Accounts Receivable	(54)
Increase (Decrease) in Accounts Payable	(2,280)
Interest Income	(363)
Net Cash Provided by Operating Activities	<u>\$ 17,988</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REPORT

Notes to Financial Statements

VILLAGE OF GILBERT
Gilbert, Louisiana
Notes to the Financial Statements
June 30, 2006

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I.A. INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of the Village of Gilbert are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures of the Village of Gilbert's financial activities for the fiscal year ended June 30, 2006.

I.B. FINANCIAL REPORTING ENTITY

The Village of Gilbert, Louisiana, was incorporated in 1912 under the provisions of the Lawrason Act and has a current population of 561. The Village operates under a Mayor – Board of Aldermen form of government with three council members.

The Village provides the following services to its residents: public safety (police), highways and streets, gas, water, sewer, and sanitation facilities through the utility fund, culture/recreation and general administrative services.

The accounting and reporting policies of the municipality conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Statutes 24:517 and to the industry audit guide, Audits of State and Local Governmental Units.

I.B.1. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the Village of Gilbert are prepared in accordance with generally accepted accounting principles (GAAP). The Village of Gilbert's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Village of Gilbert's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally include the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Village of Gilbert's departments. Reimbursements are reported as reductions to expenses. The proprietary fund financial statements of the Village of Gilbert also report using this same focus and basis of

VILLAGE OF GILBERT
Gilbert, Louisiana
Notes to the Financial Statements
June 30, 2006

accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements reports use the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Village of Gilbert considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the Village of Gilbert's policy to use restricted resources first, then unrestricted resources as needed

I.B.2. Reporting Entity

As the municipal governing authority, for reporting purposes, the Village of Gilbert, Louisiana is considered a separate financial entity. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Village of Gilbert, Louisiana for the financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial

VILLAGE OF GILBERT
Gilbert, Louisiana
Notes to the Financial Statements
June 30, 2006

accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the municipality to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent of the municipality.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

The Village of Gilbert has no component units.

As required by generally accepted accounting principles, these financial statements present the Village of Gilbert, Louisiana.

I.B.3. Government-Wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Village of Gilbert general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Village of Gilbert's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These

VILLAGE OF GILBERT
Gilbert, Louisiana
Notes to the Financial Statements
June 30, 2006

revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

I.B.4. Fund Types and Major Funds

Governmental Funds

The Village reports the following major funds:

General Fund – reports as the primary fund of the Village of Gilbert. This fund is used to account for all financial resources not reported in other funds. All general funds are major funds.

Proprietary Fund – The Village of Gilbert reports the following enterprise funds:

Water/Sewer Utilities – accounts for the operating activities of the Village of Gilbert's water utilities and sewer services. This is a major fund.

I.C.1. Fund Equity

Net Assets are reported as restricted or non-restricted. Restricted for capital projects and/or debt service.

I.D. REVENUES, EXPENDITURES, AND EXPENSES

I.D.1. Property Taxes and other revenues

Property Taxes

Property tax is levied each October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the Village. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the Board of Aldermen. Appraised values are established by the Appraisal Board of Review at 100% for estimated fair market value.

VILLAGE OF GILBERT
Gilbert, Louisiana
Notes to the Financial Statements
June 30, 2006

Taxes are due on October 1, the levy date, and are delinquent after the following January 31 each year. The tax lien is part of a lawsuit property that can be filed any time after the taxes become delinquent (February 1). The Village usually waits until after July 1 to file suits on real estate property. As of July 1, 15% collection costs may be added to all delinquent accounts. Current tax collections for the year ended June 30, 2006 were 99% of the tax levy.

Property taxes at the fund level are recorded as receivables and deferred revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected including those collected 60 days after year end. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with Generally Accepted Accounting Principles have been recognized as revenue.

The Village of Gilbert, Louisiana, does not provide for a debt limit, therefore no computation can be made.

The value of property with the appraisal district must be reviewed at least every three years. However, the Village, at its own expense, may require annual reviews of appraised values. The Village can challenge appraised values established by the appraisal district through various appeals, and, if necessary, legal action. Under this legislation the Village continues to set rates on the Village property.

The year ended June 30, 2006 taxes of 6.37 mills were levied on property with assessed valuations totaling \$1,050,205 and were deducted as follows:

General corporate purposes – 6.37 mills

Fines, Bond Forfeitures, and Fees

Fines, bond forfeiture, and fees are recognized when collected by the Village of Gilbert. Interest income is recorded when the Bank credits it to the accounts.

I.D.2. Expenditures

Salaries are recorded as expenditures when earned by employees. Purchases of various operating supplies, etc. are recorded as expenditures when the related fund liability is incurred. Principal and interest on general long-term debt and installment purchase payments are recognized when due.

During the fiscal year ended 6/30/06, expenditures were increased by an amount of \$14,110 which occurred partly due to misappropriation of funds by an employee. The amounts are as indicated below.

VILLAGE OF GILBERT
Gilbert, Louisiana
Notes to the Financial Statements
June 30, 2006

(A) Failure by employee to deposit public funds and retained for personal use – Sales Tax Account, General Fund	\$ 3,000.00
(B) Issuance by employee of duplicate payroll checks to herself	\$ 6,000.00
(C) Former mayor paid in excess of board-approved salary	\$ 5,110.00
TOTAL	\$14,110.00

There were other amounts which were charged to travel expenses (i.e. mileage, meals, and lodging) which were not validated by proper documentation. It was not determined whether any of these charges were erroneous.

See Note III.A.3. Receivables and Note IV.A.8. Subsequent Events for additional information concerning the misappropriation and the recovery of public funds.

1.D.3. Compensated Absences

Employees with one year of service receive 5 days of vacation and 10 days sick leave. Employees with two to twenty years of service receive 10 days vacation and 10 days sick leave per year. Employees with twenty-one to twenty-five years of service receive an additional day vacation leave for each year of service over twenty. The maximum leave is 15 days for a person who has completed twenty-five years of service. Employees with less than one year of service receive no paid days off. After one year of service, employees may carry over 5 days sick leave with maximum accumulation being 15 days. The amount to be accrued is immaterial to the financial statements, thus, this liability is not accrued.

NOTE II. BUDGETARY INFORMATION

II.A.1. Budget Policy and Practice

The Board of Aldermen follow these procedures in establishing the budgetary data reflected in the financial statements:

(1) Prior to June 30, the Village Clerk submits to the Board of Aldermen a proposed operating budget for the upcoming fiscal year commencing the upcoming July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year. The budget is submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level

VILLAGE OF GILBERT
Gilbert, Louisiana
Notes to the Financial Statements
June 30, 2006

- (2) Public hearings are conducted to obtain taxpayer comments.
- (3) In the regular June monthly meeting of the Board of Aldermen, the proposed budget was adopted for the upcoming year July 1, 2005 to June 30, 2006.
- (4) Budgets for the General and Special Revenue Funds are adopted on a basis of cash receipts and cash disbursements which is a variance with generally accepted accounting principles.
- (5) Appropriations lapse at the end of each fiscal year.
- (6) The Board of Aldermen may amend the budget during the year through passage of a motion. The amended budget was adopted June 25, 2006.

II.A.2. Basis of Budgeting

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, other services and charges, supplies, capital outlay, transfers, and debt service. Budget revisions at this level are subject to final review by the Board of Aldermen.

The budgets for the operating funds are prepared on the accrual basis. Revenues are budgeted in the year receipt is expected; and expenditures, the year that the applicable purchase orders are expected to be issued. Public hearings are held to obtain public taxpayer comments.

II.A.3. Encumbrance Accounting

Encumbrance accounting, under which purchase orders are recorded in order to reserve that portion of the applicable appropriation, is not employed. However, outstanding purchase orders are taken into consideration before expenditures are incurred in order to assure that applicable appropriations are not exceeded.

NOTE III. DETAILED NOTES ON FUNDS

III.A. ASSETS

III.A.1. Cash and Cash Equivalents

VILLAGE OF GILBERT
Gilbert, Louisiana
Notes to the Financial Statements
June 30, 2006

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less.

At June 30, 2006, the Village of Gilbert had cash (bank balance) totaling \$110,410 with a book value of \$107,474 as follows:

Demand Deposits (Book Value)	\$ 30,469
Restricted Cash and Investments Deposits	77,005
TOTAL	<u>\$ 107,474</u>

The difference between bank balance and book balance amounts was due to outstanding checks.

Under state law, the Village of Gilbert 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 cost.

Cash and investments are secured as follows:

Bank Balances	\$107,474
Federal Deposit Insurance	100,000
Pledge Securities (Book Value)	74,999
Pledge Securities have a Market Value of	<u>\$72,886</u>

III.A.2. Investments

Investments are stated at cost or amortized cost, which approximates market. The Village had investments at the close of the year ended June 30, 2006 in the form of a \$6,000.00 Certificate of Deposit held by the Village plus an additional CD in the amount of \$30,000 for a total of \$36,000.

III.A.3. Receivables

Receivables include amounts due from customers primarily for utility services. A summary of receivables as of June 30, 2006 is as follows:

General Fund	<u>\$5,546</u>
Enterprise Fund (Water/Sewerage)	
Due from General Fund	12,959
Trade Accounts	10,264
Allowance for Doubtful Accounts	<u>(490)</u>

VILLAGE OF GILBERT
Gilbert, Louisiana
Notes to the Financial Statements
June 30, 2006

Total Enterprise Fund	<u>22,732</u>
TOTAL ALL FUNDS	<u>\$ 28,278</u>

Allowance for Doubtful Accounts for the Proprietary Fund – Water/Sewer Receivable Accounts has been established at 5% of the outstanding water accounts at June 30, 2006.

The Accounts Receivable in the General Fund includes a \$3,000 Receivable from a former Village employee, who has pled guilty to malfeasance in office, and has been sentenced, (along with other sanctions) with a requirement to reimburse the Village the \$3,000 within a 12-month period, beginning October 2, 2006. For subsequent events, see Note IV.A.8.

III.A.4. Restricted Assets and Reserves

Restricted Assets

These assets consist of cash restricted for Waterworks and Sewer System Fund Debt.

Reserves

The Village records reserves to indicate that a portion of the fund balance is legally segregated for a specific future use. The following is a list of all reserves and a description of each:

(1) Reserved for Bond Debt Service – An account, titled Sinking Fund Balance, is used to segregate a portion of funds balance for debt service resources legally restricted to the payment of long-term debt principal and interest amounts maturing in future years. The balance in that account was \$20,808.

(2) Reserved for Revenue Bond Contingency – An account, titled Water/Sewer Sinking Fund, is used to segregate a portion of the fund balance for debt service resources restricted to the payment of long-term debt principal and interest amounts maturing in the future years when sufficient amounts are not reserved in the bond debt service retirement reserve accounts. The balance in this account @ 6-30-06 was \$4,166.

(3) Reserved for Customer Deposits , an account entitled Meter Deposits, had a balance @ 6-30-06 of \$16,033.

III.A.5. Capital Assets

Capital outlays are recorded as expenditures of the General Special Revenue and Capital Projects Funds and as assets in the government-wide financial statements to the extent the

VILLAGE OF GILBERT
Gilbert, Louisiana
Notes to the Financial Statements
June 30, 2006

Village's capitalization threshold is met. In accordance with GASB Statement No. 34, infrastructure has not been capitalized due to an existing exception for local governments with annual revenues of less than \$10 million.

Depreciation is recorded on general fixed assets on a government-wide basis. Capital outlays for Proprietary Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis and government-wide basis. All fixed assets are valued at historical or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and all proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund types operating statements present increases (revenues) and decreases (expenses) in total net assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Water Distribution System	40 Years
Sewer Collection System	40 Years
Machinery and Equipment	5 – 10 Years
Improvements	10 – 20 Years

THIS PORTION OF THE PAGE IS INTENTIONALLY LEFT BLANK

VILLAGE OF GILBERT
Gilbert, Louisiana
Notes to the Financial Statements
June 30, 2006

Any resulting gain or loss is included in the results of operations. The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2006.

GOVERNMENTAL ACTIVITIES

	Balance 06/30/05	Additions	Prior Depreciation	Current Depreciation	Accumulated Depreciation	Balance 06/30/06
Land, No Depreciation	\$ 50,390	\$ -	\$ -	\$ -	\$ -	\$ 50,390
Buildings	1,417,943	-	295,818	35,896	331,714	1,086,229
Furniture and Fixtures	44,146	4,894	29,293	13,624	42,917	6,123
Police and Street Equipment	232,583	-	143,124	19,580	165,704	66,881
Totals	1,694,674	4,894	471,235	69,100	540,335	1,159,233
Total Capital Assets	\$ 1,745,064	\$ 4,894	\$ 471,235	\$ 69,100	\$ 540,335	\$ 1,209,623

The depreciation of \$69,100 was allocated in the General Fund as follows:

General Administration	\$ 46,660
Public Works	5,583
Public Safety	16,857
Total Depreciation	\$ 69,100

Differences in totals are due to rounding up or rounding down of figures.)

BUSINESS-TYPE ACTIVITIES	Balance 6/30/2005	Increases	Decreases	Balance 6/30/2006
Assets Not Depreciated:				
Plant and Equipment	\$ 1,143,474	\$ -	\$ -	\$ 1,143,474
Water/Sewer Systems	558,445	2,275	-	560,720
Sewer Collection System	436,200	-	-	436,200
Totals	\$ 2,138,120	\$ 2,275	\$ -	\$ 2,140,394
Less Accumulated Depreciation:				
Plant and Equipment	\$ 791,470	\$ 28,338	\$ -	\$ 819,808
Water/Sewer System	99,263	13,921	-	113,184
Sewer Collection System	152,431	11,359	-	163,790

VILLAGE OF GILBERT
Gilbert, Louisiana
Notes to the Financial Statements
June 30, 2006

Total Accumulated Depreciation	1,043,164	53,618	0	1,096,782
Net Assets	<u>\$ 1,094,956</u>	<u>\$ 51,343</u>	<u>\$ -</u>	<u>\$ 1,043,611</u>

Business type depreciation of \$51,343 was charged to operating expenses.

(Differences in totals are due to rounding up or rounding down of figures.)

1.B. LIABILITIES

III.B.1. Long-Term Obligations

Long-term obligations expected to be financed from governmental funds are reported in the general long-term obligations account group. Expenditures for principal and interest payments for long-term obligations are recognized in the governmental funds when due. Long-term obligations expected to be financed from proprietary fund operations are accounted for in those funds.

The following is a summary of long-term debt transactions of the Village of Gilbert for the fiscal year ended June 30, 2006:

ENTERPRISE FUND DEBT	Payable at 7/01/05	Additions	Reductions	Balance 06/30/06
Revenue Bonds	<u>\$106,289</u>	<u>\$ -</u>	<u>\$22,295</u>	<u>\$83,994</u>
(See Note I.B.4.)				

Revenue Bonds Payable – Revenue bonds payable at June 30, 2006 are comprised of the following individual issues:

Revenue Bond

750,000 Series Water and Sewer System Revenue Bonds due in monthly installments of \$2,259 through September, 2009 with an interest rate of 5%. Revenue bonds payable at June 30 2006 were \$83,994.

VILLAGE OF GILBERT
Gilbert, Louisiana
Notes to the Financial Statements
June 30, 2006

The annual requirements to amortize all debt outstanding as of June 30, 2006 is as follows:

Annual Requirements to Amortize Long-Term Debt		
Year Ending		Revenue
June 30, 2006		
2007	-	27,104
2008	-	27,104
2009	-	27,104
Thereafter	-	2,682
Total		\$ 83,994

Interest expense for the year was \$4,809.

NOTE IV. OTHER

IV.A.1. Estimates

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

IV.A.2. One Percent Sales and Use Tax

The revenue derived from sales tax revenues is not dedicated to any specific purpose.

IV.A.3. Restrictions on Use of Utilities Revenues

Funds provided by utilities revenue is to be used in the following manner before they are available for other lawful purposes:

1. Operating expense of utility system.
2. Revenue bond service funds.
3. Revenue bonds reserve funds.
4. Revenue bond depreciation and contingencies fund

IV.A.4. Pension Plans

VILLAGE OF GILBERT
Gilbert, Louisiana
Notes to the Financial Statements
June 30, 2006

On June 25, 2002, the Mayor and Board of Aldermen in regular session voted to withdraw from all municipal retirement programs in which they had previously participated. They further voted to withdraw from participation in any health insurance programs. The Village of Gilbert withholds Social Security taxes from the wages and salaries of all employees and pays the matching employer portion on Social Security taxes.

IV.A.5. Accounts, Salaries, and Other Payables

Accounts, salaries, and other payables of \$36,781 are as follows:

	General Fund	Prop Fund	Total
Withholdings	\$ 1,090	\$ 1,279	2,369
Other Payables	13,496	21,016	34,412
Total	<u>\$ 14,586</u>	<u>\$ 22,295</u>	<u>36,781</u>

IV.A.6. Inter-fund Transactions

During the course of normal operations, the Village has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The governmental funds financial statements generally reflect such transactions as transfers.

FUND TRANSFERS	Transferred To	Transferred From
General Fund	\$ -	\$ 5,000.
Enterprise Fund	5,000	-
TOTAL	<u>\$ 5,000</u>	<u>\$ 5,000</u>

IV.A.7. Litigation and Contingencies

Litigation or Unasserted Claims

The Village of Gilbert is involved in litigation entitled Carol James vs. Tony LaCaze. The Case is pending in Fifth Judicial Court in Franklin Parish. It is the opinion of the Village's attorney that the Village has no liability in the case.

VILLAGE OF GILBERT
Gilbert, Louisiana
Notes to the Financial Statements
June 30, 2006

Contingencies

There are no other known contingencies pending against the Village of Gilbert at this time.

IV.A.8. Subsequent Events

A former employee of the Village of Gilbert, has admitted to the misappropriation of \$3000.00 in public funds and has been ordered by the court system to make reparations over the next 12 months beginning October 2, 2006, payments to be made through the court in order to repay the funds to the Village of Gilbert. At November 30, 2006, no payments had been made.

Additionally, there is a recent report of an audit of certain transactions performed by the Legislative Auditor and subsequently confirmed by the audit performed by Jimmie Self, CPA, APAC indicating that a former employee misappropriated several thousand more dollars. The Village has presented both of these claims to its bonding company and it is believed by management that all of the funds misappropriated by the employee will be recovered by the Village through court-ordered payments and/or bonding company payments. (See Note I.D.2. and III.A.3.)

Required Supplementary Information
(Part II)

**VILLAGE OF GILBERT
GILBERT, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, & CHANGES
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006**

SCHEDULE 1

	General Fund			Variance With Final Budget
	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
REVENUES				
Taxes:				
Sales Tax	\$ 41,300	\$ 33,345	\$ 38,124	\$ 4,779
Property Tax	6,619	6,986	6,986	0
Licenses and Permits	26,373	20,374	25,864	5,490
Fines	35,631	56,031	57,385	1,354
Interest	899	405	473	68
Utility Rebates		10,842	10,842	0
Grants	10,990	3,265	4,887	1,622
Miscellaneous	17,627	40,534	6,888	(33,646)
TOTAL REVENUES	\$139,439	\$171,782	\$ 151,449	(20,333)
EXPENDITURES				
General Government	\$101,029	\$ 96,594	\$ 82,388	\$ 14,206
Public Safety	46,953	35,587	35,356	231
Public Works	4,902	37,282	25,137	12,145
TOTAL EXPENDITURES	\$152,884	\$169,463	\$ 142,881	\$ 26,582
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(13,445)	2,319	8,568	(6,249)
OTHER FINANCING SOURCES OR USES				
Transfers	-	(1,500)	(5,000)	(6,500)
Total Non-Operating Expenditures/Revenues	(2,700)	(1,500)	(5,000)	(6,500)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(16,145)	819	3,568	(2,749)
FUND BALANCE BEGINNING	16,146	(819)	22,734	21,915
FUND BALANCE ENDING	\$ -	\$ -	\$ 26,302	\$ 19,166

SEE INDEPENDENT ACCOUNTANT'S REPORT

SCHEDULE 2

VILLAGE OF GILBERT
Gilbert, Louisiana
For the Year Ended June 30, 2006

SCHEDULE OF COMPENSATION PAID MAYOR AND BOARD OF ALDERMEN

<u>NAME</u>	<u>AMOUNT</u>
Mike Stephens-Mayor P. O. Box 600 Gilbert, LA 71336 318/435-6506	0
Lois Haralson – Alderman P. O. Box 479 Gilbert, LA 71336 318/435-7137	0
Leo Miller, Alderman P. O. Box 765 Gilbert, LA 71336 318/435-8685	0
Lovie Ezell – Alderman P. O. Box 642 Gilbert, LA 71336 318/435-9501	0

Other Independent Auditor's Reports
and
Findings

Jimmie Self, CPA
A Professional Accounting Corporation
2908 Cameron St, Suite C
Monroe, LA 71201
Phone (318)-323-4656 • Fax (318)388-0724

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

Mayor and Village Council
Village of Gilbert
Gilbert, Louisiana

I have audited the accompanying basic financial statements of the governmental activities, the business-type activities, and each major fund, of the Village of Gilbert, Louisiana as of and for the year ended June 30, 2006, which collectively comprise the Village of Gilbert, Louisiana's basic financial statements and have issued my report thereon dated December 29, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Village of Gilbert, Louisiana's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Village of Gilbert's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and responses as item number 2006-01 through 2006-06.

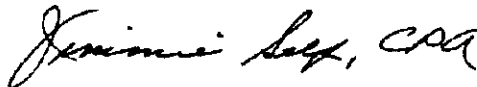
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely

period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all material matters in the internal control that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable weaknesses described above, I consider items #2006-02 through 2006-03 to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether Village of Gilbert, Louisiana's basic financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, and which are described in the accompanying Schedule of Findings and Responses items #1 through #6, of which item # 2 is considered to be material. These matters have been reported to the management of the Village of Gilbert, Louisiana in a separate letter dated December 29, 2006.

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



Jimmie Self, CPA
Monroe, Louisiana
December 29, 2006

VILLAGE OF GILBERT, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2006

Finding 2006-01 Condition – Under state law, Louisiana political subdivisions must follow generally accepted accounting principles in the area of accounting and reporting. The records had several problems – the beginning balances were incorrect. There was some incorrect coding and some of the transactions were incorrect or completely ignored.

Recommendation- The Village should prepare an accounting manual, which it does not and establish procedures to ensure the entries are correctly coded, entered, and complete.

Solution: The Mayor and Board have been advised of this inaccuracy, and agree to address this problem immediately.

Finding 2006-2 Condition – An Account Receivable of \$3,000.00 due from a former employee. In the general fund, a check in the tax escrow account was made to cash in the amount of \$3000, and charged to the general fund checking account. It cleared the tax escrow bank account, but never entered the general fund checking account. A member of the board discovered this, checked with the employee, and was told that she had used the money. This was reported to the Louisiana Legislative Auditor's office; an investigation was made which resulted in an arrest of the employee, who had been dismissed. The investigation led to an arrest and a sentence by the Court for the funds to be reimbursed within 12 months, payments to begin October 2, 2006. At November 30, no payments had been made.

Recommendation: Instruct the Bank to avoid cashing checks written from one account to the other. Instead make a transfer.

Solution: This has already been done.

Finding 2006-3 Condition - The accounts payable were not correctly entered.

Recommendation: As stated in finding 01, the Village should create an accounting manual and establish procedures to ensure all transactions are correctly entered.

Solution: The Village agrees this should be done, and are working to correct this problem.

Finding 2006-04 Condition – The invoices to Entergy were consistently paid late, resulting in penalties being assessed.

Recommendation: The payment of all invoices should be carefully monitored each month.

Solution – The Board and Mayor agree, and are working toward correcting this problem.

Finding 2006-05 Condition – Some of the invoices were not marked as of date received and date paid.

Recommendation: All invoices should be marked by date of receipt. and when paid by date of payment.

Solution: The Board and Mayor agree and are also working to correct this problem.

Finding 2006-06 Condition – The management of the Village of Gilbert have been advised that the amount of their surety bond is insufficient for the amount of cash held by the Village.

Recommendation: The amount of the surety bond should be increased from the current amount of \$30,000 to \$75,000.

Solution: The mayor and council have discussed this matter and have decided to maintain the amount of the surety bond at the current amount of \$30,000.

PRIOR YEAR FINDINGS FOR THE YEAR ENDED JUNE 30, 2006

There were no findings for the year.

Jimmie Self, CPA
A Professional Accounting Corporation
2908 Cameron Street, Suite C
Monroe, Louisiana 71201
Phone (318) 323-4656 Fax (318) 388-0724

SUMMARY OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006

I have audited the financial statements of Village of Gilbert as of and for the year ended June 30, 2006, and have issued my report dated December 29, 2006. I conducted my audit in accordance with generally accepted auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of June 30, 2006 resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses x yes no Reportable Conditions x yes no

Compliance

Compliance material to Financial Statements x yes no

JIMMIE SELF, CPA
A Professional Accounting Corporation
2908 Cameron Street, Suite C
Monroe, Louisiana 71201
Phone (318) 323-4656 Fax (318) 388-0724

COMMUNICATION OF REPORTABLE CONDITIONS TO MANAGEMENT

To the Mayor and Council Members
Village of Gilbert
Gilbert, Louisiana

During my audit, the following items came to my attention. The same items are listed in the Schedule of Findings and Responses. They are as follows, and my recommendations are included:

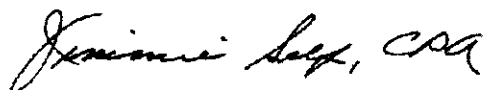
(1.) Under state law (LSA-RS 24:514), Louisiana political subdivisions must follow generally accepted accounting principles in the area of accounting and reporting. Specifically, your accounting system must include the following steps:

- A. It must comply with local, state, and federal provisions.
- B. The system should be an accurate reflection of the fiscal condition. Due to the fact some transactions are not being entered into the accounting records, the system might not reflect the actual fiscal condition of the system. Example:
 - a. The Fixed assets and Long-Term Debt accounts are not included in the Balance Sheet
 - b. The Accounts Payable transactions are not correctly charged and credited making it difficult to find correct balances.
 - c. Since many of the accounts are miscoded, I recommend an up-to-date list of account codes should be accessible when computer entries are being made. Such a list should be part of the accounting manual. Great attention should be given to preparing an accounting manual for the General Fund and another accounting manual for the Public Works Fund.

(2.) My overall recommendation is, personnel should be trained in properly coding checks, deposits, and invoices for accounting purposes. Invoices should be paid in a timely manner. Invoices should also be marked with the date received and the date paid. Fixed asset accounts should be set up for recording the value of fixed assets and long-term debt accounts should be set up to record the borrowing and payment of indebtedness. Personnel should also be trained in properly entering transactions to the fixed asset accounts and the long-term debt accounts.

(3.) The amount of the surety bond should be increased from \$30,000 to \$70,000, an amount which would more nearly cover the amount of cash reserves shown by the bank and assets accounts.

This report is intended solely for the information and use of management, and the Louisiana Legislative Auditor. However, this report is a matter of public record, and its distribution is not limited.

A handwritten signature in cursive script that reads "Jimmie Self, CPA".

Jimmie Self, CPA
Monroe, Louisiana
December 29, 2006

VILLAGE OF GILBERT
P. O. 600
Gilbert, LA 71336

December 27, 2006

Jimmie Self, CPA, APAC
2908 Cameron Street
Monroe, LA 71201

Re: Management's Corrective Action Plan

Dear Ms. Self,

Thank you for advising us of the items contained in the Schedule of Findings and Responses for the year ended June 30, 2006. These are our responses to these items.

Finding 2006 – 01 The need to follow generally accepted accounting principles in the area of accounting and reporting.

Response – We are working with our personnel to prepare an accounting manual and apply all proper accounting procedures.

Finding 2006 – 02 Account receivable due from a former Village employee, to repay funds misappropriated from public funds.

Response – The misappropriation of funds was discovered by Lois Haralson, council member and was reported to the mayor and subsequently to the Legislative auditor and the local District Attorney. Steps have been taken to change policies in banking and check-writing procedures at the recommendation of the Legislative Auditor and our auditor Ms. Jimmie Self to secure the proper disposition of public funds.

The former employee has been ordered by the court to make reparations in the amount of \$3000, payable under the supervision of the court on a monthly basis over the next 12 months. Also, a claim has been filed with the insurance company providing our surety bond to recover the misappropriated funds, both the \$3000 taken from the general fund sales tax account ordered by the court and an additional \$6000, which was taken by the employee in the form of duplicate payroll checks.

Finding 2006 – 03 Accounts payable were not entered correctly.

Response – The preparation of an accounting manual as mentioned in Finding 2006 – 01 should help to correct this problem.

Finding 2006 – 04 Invoices to Entergy were consistently paid late, resulting in penalties being assessed.

Response - The Mayor and Council are monitoring the payment of monthly bills to assure their timely payment.

Finding 2006 – 05 Some of the invoices were not marked with date received and date paid.

Response – The Mayor and Council are working to assure the proper handling of invoices and their payment as a matter of policy, included in the accounting manual.

Finding 2006 – 06 The management of the Village of Gilbert has been advised that the amount of their surety bond is insufficient for the amount of cash held by the Village. The amount of the current bond coverage is \$30,000 and it should be increased to \$75,000.

Response – The mayor and council have met and discussed this matter and have decided to maintain the amount of the surety bond at \$30,000.

Thank you for the opportunity to respond to the matters included in this letter.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Mike Stephens", with a stylized flourish at the end.

Mike Stephens
Mayor