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**TOWN OF DUSON, LOUISIANA**

**Financial Report**

**Year Ended December 31, 2004**

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

Release Date 6-29-05

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## INDEPENDENT AUDITORS' REPORT

\* A Professional Accounting Corporation

The Honorable John Lagneaux, Mayor  
and Members of the Board of Aldermen  
Town of Duson, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Duson, Louisiana, as of and for the year ended December 31, 2004, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the basic 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 of the Town of Duson, Louisiana, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated April 1, 2005 on our consideration of the Town of Duson, Louisiana'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 and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information on pages 38 through 44 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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The Town of Duson has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Town of Duson's basic financial statements. The other supplementary information on pages 46 through 49 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Town of Duson, Louisiana. The accompanying schedule of expenditures of federal awards on page 55 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements of the Town of Duson, Louisiana. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The financial information for the preceding year, which is included for comparative purposes, was taken from the financial report for that year in which we expressed unqualified opinions on the basic financial statements of the Town of Duson, Louisiana.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Lafayette, Louisiana  
April 1, 2005

**BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS (GWFS)**

TOWN OF DUSON, LOUISIANA

Statement of Net Assets  
December 31, 2004

| ASSETS  | Governmental<br>Activities | Business-Type<br>Activities | Total               |
|---|----------------------------|-----------------------------|---------------------|
| <b>Current assets:</b>                          |                            |                             |                     |
| Cash and interest-bearing deposits              | \$ 607,146                 | \$ 120,063                  | \$ 727,209          |
| Investments                                     | 626,270                    | 76,678                      | 702,948             |
| Receivables, net                                | 78,435                     | 39,748                      | 118,183             |
| Due from other governmental units               | 71,890                     | 8,861                       | 80,751              |
| Prepaid items                                   | 16,844                     | 11,705                      | 28,549              |
| Total current assets                            | <u>1,400,585</u>           | <u>257,055</u>              | <u>1,657,640</u>    |
| <b>Noncurrent assets:</b>                       |                            |                             |                     |
| <b>Restricted assets:</b>                       |                            |                             |                     |
| Cash and interest-bearing deposits              | -                          | 198,884                     | 198,884             |
| Investments                                     | -                          | 23,924                      | 23,924              |
| <b>Capital assets:</b>                          |                            |                             |                     |
| Land and construction in progress               | 62,827                     | 88,727                      | 151,554             |
| Capital assets, net                             | <u>1,087,195</u>           | <u>5,176,110</u>            | <u>6,263,305</u>    |
| Total noncurrent assets                         | <u>1,150,022</u>           | <u>5,487,645</u>            | <u>6,637,667</u>    |
| Total assets                                    | <u>2,550,607</u>           | <u>5,744,700</u>            | <u>8,295,307</u>    |
| <b>LIABILITIES</b>                              |                            |                             |                     |
| <b>Current liabilities:</b>                     |                            |                             |                     |
| Accounts and other payables                     | 24,928                     | 16,908                      | 41,836              |
| Revenue bonds payable                           | -                          | 11,168                      | 11,168              |
| Accrued interest                                | -                          | 55,181                      | 55,181              |
| Total current liabilities                       | <u>24,928</u>              | <u>83,257</u>               | <u>108,185</u>      |
| <b>Noncurrent liabilities:</b>                  |                            |                             |                     |
| Customer deposits payable                       | -                          | 35,563                      | 35,563              |
| Revenue bonds payable                           | -                          | 1,378,832                   | 1,378,832           |
| Total noncurrent liabilities                    | <u>-</u>                   | <u>1,414,395</u>            | <u>1,414,395</u>    |
| Total liabilities                               | <u>24,928</u>              | <u>1,497,652</u>            | <u>1,522,580</u>    |
| <b>NET ASSETS</b>                               |                            |                             |                     |
| Invested in capital assets, net of related debt | 1,150,022                  | 3,886,005                   | 5,036,027           |
| Restricted for debt service                     | -                          | 120,896                     | 120,896             |
| Unrestricted                                    | <u>1,375,657</u>           | <u>240,147</u>              | <u>1,615,804</u>    |
| Total net assets                                | <u>\$2,525,679</u>         | <u>\$4,247,048</u>          | <u>\$ 6,772,727</u> |

The accompanying notes are an integral part of the basic financial statements.

TOWN OF DUSON, LOUISIANA

Statement of Activities  
For the Year Ended December 31, 2004

| Activities   | Program Revenues    |                                       |                                    | Net (Expense) Revenues and Changes in Net Assets |                         |                          |                     |
|--|---------------------|---------------------------------------|------------------------------------|--|-------------------------|--------------------------|---------------------|
|  | Expenses            | Fees, Fines, and Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions                 | Governmental Activities | Business-Type Activities | Total               |
| <b>Governmental activities:</b>                                |                     |                                       |                                    |  |                         |                          |                     |
| General government   | \$ 303,636          | \$ 90,729                             | \$ -                               | \$ -   | \$ (212,907)            | \$ -                     | \$ (212,907)        |
| Public safety:   |                     |                                       |                                    |  |                         |                          |                     |
| Police   | 245,151             | 56,544                                | -                                  | 3,497  | (185,110)               | -                        | (185,110)           |
| Fire   | 13,904              | -                                     | -                                  | -  | (13,904)                | -                        | (13,904)            |
| Streets  | 228,886             | -                                     | 2,487                              | 10,000   | (216,399)               | -                        | (216,399)           |
| Parks and recreation   | 1,044               | -                                     | -                                  | -  | (1,044)                 | -                        | (1,044)             |
| Total governmental activities                                  | 792,621             | 147,273                               | 2,487                              | 13,497   | (629,364)               | -                        | (629,364)           |
| <b>Business-type activities:</b>                               |                     |                                       |                                    |  |                         |                          |                     |
| Water  | 284,193             | 97,481                                | -                                  | -  | -                       | (186,712)                | (186,712)           |
| Sewer  | 285,392             | 100,548                               | -                                  | 744,750  | -                       | 559,906                  | 559,906             |
| Sanitation   | 90,718              | 74,667                                | -                                  | -  | -                       | (16,051)                 | (16,051)            |
| Total business-type activities                                 | 660,303             | 272,696                               | -                                  | 744,750  | -                       | 357,143                  | 357,143             |
| <b>Total</b>   | <b>\$ 1,452,924</b> | <b>\$ 419,969</b>                     | <b>\$ 2,487</b>                    | <b>\$ 758,247</b>                                | <b>(629,364)</b>        | <b>357,143</b>           | <b>(272,221)</b>    |
| <b>General revenues:</b>                                       |                     |                                       |                                    |  |                         |                          |                     |
| <b>Taxes -</b>   |                     |                                       |                                    |  |                         |                          |                     |
| Property taxes, levied for general purposes                    |                     |                                       |                                    |  | 29,023                  | -                        | 29,023              |
| Sales and use taxes, levied for general purposes               |                     |                                       |                                    |  | 364,600                 | -                        | 364,600             |
| Franchise taxes  |                     |                                       |                                    |  | 68,166                  | -                        | 68,166              |
| Grants and contributions not restricted to specific programs - |                     |                                       |                                    |  |                         |                          |                     |
| State sources  |                     |                                       |                                    |  | 408,202                 | -                        | 408,202             |
| Interest and investment earnings                               |                     |                                       |                                    |  | 7,582                   | 1,928                    | 9,510               |
| Miscellaneous  |                     |                                       |                                    |  | 95,427                  | 759                      | 96,186              |
| Transfers  |                     |                                       |                                    |  | (292,907)               | 292,907                  | -                   |
| Total general revenues and transfers                           |                     |                                       |                                    |  | 680,093                 | 295,594                  | 975,687             |
| Change in net assets   |                     |                                       |                                    |  | 50,729                  | 652,737                  | 703,466             |
| Net assets - January 1, 2004                                   |                     |                                       |                                    |  | 2,474,950               | 3,594,311                | 6,069,261           |
| Net assets - December 31, 2004                                 |                     |                                       |                                    |  | <u>\$ 2,525,679</u>     | <u>\$ 4,247,048</u>      | <u>\$ 6,772,727</u> |

The accompanying notes are an integral part of the basic financial statements.

**FUND FINANCIAL STATEMENTS (FFS)**

## **FUND DESCRIPTIONS**

### **General Fund**

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

### **Special Revenue Funds**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

#### **1969 Sales Tax Fund -**

To account for the receipt and use of proceeds of the Town's 1% sales and use tax. These taxes are dedicated for the purpose of constructing, acquiring, extending, improving and maintaining sewers, sewerage disposal works, waterworks facilities, drainage facilities, public streets and roads and bridges, including the purchase of equipment.

#### **1983 Sales Tax Fund -**

To account for the receipt and use of proceeds of the Town's 1% sales and use tax. These taxes are dedicated for the purpose of constructing and acquiring extensions and improvements to the waterworks plant and distribution system of the Town and providing for the maintenance thereof; constructing, improving and maintaining public streets and drainage facilities for the Town; constructing, acquiring, extending, improving and maintaining the sewerage collection and disposal facilities of the Town; and maintaining and operating any other works of public improvement for the Town, and purchasing and acquiring the necessary land and equipment therefor; and shall the Town be further authorized to fund the proceeds of the tax into bonds for the purpose of constructing, acquiring, extending, and/or improving capital improvements of the Town to the extent and in the manner permitted by the laws of Louisiana.

### **Enterprise Fund**

#### **Utility Fund -**

To account for the provision of water, sewerage and sanitation (garbage) services to residents of the Town. 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 collection.

TOWN OF DUSON, LOUISIANA

Balance Sheet - Governmental Funds  
 December 31, 2004  
 With Comparative Totals for December 31, 2003

|                                      | <u>General</u>    | <u>1969<br/>Sales Tax<br/>Special<br/>Revenue</u> | <u>1983<br/>Sales Tax<br/>Special<br/>Revenue</u> | <u>Totals</u>       |                     |
|--------------------------------------|-------------------|---|---|---------------------|---------------------|
|                                      |                   |   |   | <u>2004</u>         | <u>2003</u>         |
| <b>ASSETS</b>                        |                   |   |   |                     |                     |
| Cash and interest-bearing deposits   | \$ 8,706          | \$ 307,559  | \$ 290,881  | \$ 607,146          | \$ 640,619          |
| Investments                          | 617,847           | 8,423   | -   | 626,270             | 465,784             |
| Receivables:                         |                   |   |   |                     |                     |
| Taxes                                | 34,314            | 11,743  | 11,743  | 57,800              | 56,434              |
| Other                                | 20,635            | -   | -   | 20,635              | 22,892              |
| Due from other governmental units    | 71,890            | -   | -   | 71,890              | 86,311              |
| Prepaid items                        | 16,844            | -   | -   | 16,844              | 15,938              |
| Total assets                         | <u>\$ 770,236</u> | <u>\$ 327,725</u>                                 | <u>\$ 302,624</u>                                 | <u>\$ 1,400,585</u> | <u>\$ 1,287,978</u> |
| <b>LIABILITIES AND FUND BALANCES</b> |                   |   |   |                     |                     |
| Liabilities:                         |                   |   |   |                     |                     |
| Accounts payable                     | \$ 14,920         | \$ -  | \$ -  | \$ 14,920           | \$ 14,435           |
| Accrued liabilities                  | 10,008            | -   | -   | 10,008              | 9,855               |
| Total liabilities                    | <u>24,928</u>     | <u>-</u>  | <u>-</u>  | <u>24,928</u>       | <u>24,290</u>       |
| Fund balances -                      |                   |   |   |                     |                     |
| Reserved for prepaid items           | 16,844            | -   | -   | 16,844              | 15,938              |
| Unreserved, undesignated             | 728,464           | 327,725   | 302,624   | 1,358,813           | 1,247,750           |
| Total fund balances                  | <u>745,308</u>    | <u>327,725</u>                                    | <u>302,624</u>                                    | <u>1,375,657</u>    | <u>1,263,688</u>    |
| Total liabilities and fund balances  | <u>\$ 770,236</u> | <u>\$ 327,725</u>                                 | <u>\$ 302,624</u>                                 | <u>\$ 1,400,585</u> | <u>\$ 1,287,978</u> |

The accompanying notes are an integral part of the basic financial statements.

TOWN OF DUSON, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Assets  
December 31, 2004

|  |                |                    |
|--|----------------|--------------------|
| Total fund balances for governmental funds at December 31, 2004  |                | \$1,375,657        |
| Total net assets reported for governmental activities in the statement of net assets is different because:   |                |                    |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of: |                |                    |
| Land   | \$ 62,827      |                    |
| Buildings and improvements, net of \$74,732 accumulated depreciation   | 385,434        |                    |
| Infrastructure, net of \$302,017 accumulated depreciation  | 525,235        |                    |
| Equipment and vehicles net of \$347,147 accumulated depreciation   | <u>176,526</u> | <u>1,150,022</u>   |
| Total net assets of governmental activities at December 31, 2004   |                | <u>\$2,525,679</u> |

The accompanying notes are an integral part of the basic financial statements.

TOWN OF DUSON, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds

Year Ended December 31, 2004

With Comparative Totals for the Year Ended December 31, 2003

|   | General           | 1969                            | 1983                            | Totals              |                     |
|---|-------------------|---------------------------------|---------------------------------|---------------------|---------------------|
|   |                   | Sales Tax<br>Special<br>Revenue | Sales Tax<br>Special<br>Revenue | 2004                | 2003                |
| <b>Revenues:</b>                        |                   |                                 |                                 |                     |                     |
| Taxes                                   | \$ 97,189         | \$ 182,300                      | \$ 182,300                      | \$ 461,789          | \$ 533,495          |
| Licenses and permits                    | 90,729            | -                               | -                               | 90,729              | 89,215              |
| Intergovernmental                       | 424,186           | -                               | -                               | 424,186             | 471,894             |
| Fines and forfeits                      | 56,544            | -                               | -                               | 56,544              | 78,666              |
| Miscellaneous                           | 102,557           | 324                             | 128                             | 103,009             | 152,252             |
| Total revenues                          | <u>771,205</u>    | <u>182,624</u>                  | <u>182,428</u>                  | <u>1,136,257</u>    | <u>1,325,522</u>    |
| <b>Expenditures:</b>                    |                   |                                 |                                 |                     |                     |
| Current -                               |                   |                                 |                                 |                     |                     |
| General government                      | 278,390           | 3,354                           | 2,327                           | 284,071             | 271,787             |
| Public safety:                          |                   |                                 |                                 |                     |                     |
| Police                                  | 223,278           | -                               | -                               | 223,278             | 206,488             |
| Fire                                    | 11,095            | -                               | -                               | 11,095              | 21,038              |
| Streets                                 | 184,647           | -                               | -                               | 184,647             | 213,844             |
| Parks and recreation                    | 558               | -                               | -                               | 558                 | 202                 |
| Capital outlay                          | 27,732            | -                               | -                               | 27,732              | 130,868             |
| Total expenditures                      | <u>725,700</u>    | <u>3,354</u>                    | <u>2,327</u>                    | <u>731,381</u>      | <u>844,227</u>      |
| Excess of revenues<br>over expenditures | <u>45,505</u>     | <u>179,270</u>                  | <u>180,101</u>                  | <u>404,876</u>      | <u>481,295</u>      |
| <b>Other financing sources (uses):</b>  |                   |                                 |                                 |                     |                     |
| Transfers in                            | 155,100           | -                               | -                               | 155,100             | -                   |
| Transfers out                           | (55,080)          | (93,827)                        | (299,100)                       | (448,007)           | (173,392)           |
| Total other financing sources (uses)    | <u>100,020</u>    | <u>(93,827)</u>                 | <u>(299,100)</u>                | <u>(292,907)</u>    | <u>(173,392)</u>    |
| Net changes in fund balances            | 145,525           | 85,443                          | (118,999)                       | 111,969             | 307,903             |
| Fund balances, beginning                | <u>599,783</u>    | <u>242,282</u>                  | <u>421,623</u>                  | <u>1,263,688</u>    | <u>955,785</u>      |
| Fund balances, ending                   | <u>\$ 745,308</u> | <u>\$ 327,725</u>               | <u>\$ 302,624</u>               | <u>\$ 1,375,657</u> | <u>\$ 1,263,688</u> |

The accompanying notes are an integral part of the basic financial statements.

TOWN OF DUSON, 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 December 31, 2004

|   |                                 |
|---|---------------------------------|
| Total net changes in fund balances at December 31, 2004 per<br>Statement of Revenues, Expenditures and Changes in Fund Balances   | \$ 111,969                      |
| The change in net assets reported for governmental activities in the<br>statement of activities is different because:   |                                 |
| Governmental funds report capital outlays as expenditures. However,<br>in the statement of activities, the cost of those assets is allocated over<br>their estimated useful lives and reported as depreciation expense. |                                 |
| Capital outlay which is considered expenditures on Statement<br>of Revenues, Expenditures and Changes in Fund Balances  | \$ 27,732                       |
| Depreciation expense for the year ended December 31, 2004   | <u>(88,972)</u> <u>(61,240)</u> |
| Total changes in net assets at December 31, 2004 per Statement of Activities  | <u>\$ 50,729</u>                |

The accompanying notes are an integral part of the basic financial statements.

TOWN OF DUSON, LOUISIANA

Statement of Net Assets  
 Proprietary Fund  
 December 31, 2004 and 2003

|   | <u>Utility Enterprise Fund</u> |                    |
|---|--------------------------------|--------------------|
|   | <u>2004</u>                    | <u>2003</u>        |
| <b>ASSETS</b>   |                                |                    |
| Current assets:                                       |                                |                    |
| Cash and interest-bearing deposits                    | \$ 120,063                     | \$ 178,010         |
| Investments   | 76,678                         | 74,719             |
| Receivables:  |                                |                    |
| Accounts  | 39,748                         | 36,537             |
| Due from other governmental units                     | 8,861                          | 398,682            |
| Prepaid items   | <u>11,705</u>                  | <u>11,251</u>      |
| Total current assets                                  | <u>257,055</u>                 | <u>699,199</u>     |
| Noncurrent assets:                                    |                                |                    |
| Restricted assets -                                   |                                |                    |
| Cash and interest-bearing deposits                    | 198,884                        | 14,948             |
| Investments   | 23,924                         | 18,195             |
| Capital assets:                                       |                                |                    |
| Land and construction in progress                     | 88,727                         | 1,942,942          |
| Other capital assets, net of accumulated depreciation | <u>5,176,110</u>               | <u>2,647,517</u>   |
| Total noncurrent assets                               | <u>5,487,645</u>               | <u>4,623,602</u>   |
| Total assets  | <u>5,744,700</u>               | <u>5,322,801</u>   |
| <b>LIABILITIES</b>                                    |                                |                    |
| Current liabilities:                                  |                                |                    |
| Accounts payable                                      | 10,192                         | 18,952             |
| Contracts payable                                     | -                              | 339,684            |
| Retainage payable                                     | -                              | 58,998             |
| Bond anticipation notes payable                       | -                              | 1,266,000          |
| Accrued interest on bond anticipation note            | -                              | 4,862              |
| Accrued liabilities                                   | 6,716                          | 6,851              |
| Payable from restricted assets -                      |                                |                    |
| Revenue bonds payable                                 | 11,168                         | -                  |
| Interest payable                                      | <u>55,181</u>                  | <u>-</u>           |
| Total current liabilities                             | <u>83,257</u>                  | <u>1,695,347</u>   |
| Noncurrent liabilities:                               |                                |                    |
| Customers' deposits                                   | 35,563                         | 33,143             |
| Revenue bonds payable                                 | <u>1,378,832</u>               | <u>-</u>           |
| Total noncurrent liabilities                          | <u>1,414,395</u>               | <u>33,143</u>      |
| Total liabilities                                     | <u>1,497,652</u>               | <u>1,728,490</u>   |
| <b>NET ASSETS</b>                                     |                                |                    |
| Invested in capital assets, net of related debt       | 3,886,005                      | 3,324,459          |
| Restricted for debt service                           | 120,896                        | -                  |
| Unrestricted  | <u>240,147</u>                 | <u>269,852</u>     |
| Total net assets                                      | <u>\$4,247,048</u>             | <u>\$3,594,311</u> |

The accompanying notes are an integral part of the basic financial statements.

TOWN OF DUSON, LOUISIANA

Statement of Revenues, Expenses, and Change in Fund Net Assets -  
 Proprietary Fund  
 For the Years Ended Ended December 31, 2004 and 2003

|                           | <u>Utility Enterprise Fund</u> |                  |
|---------------------------|--------------------------------|------------------|
|                           | <u>2004</u>                    | <u>2003</u>      |
| Operating revenues:       |                                |                  |
| Charges for services -    |                                |                  |
| Water charges             | \$ 97,481                      | \$ 92,294        |
| Sewer service charges     | 100,548                        | 87,932           |
| Sanitation charges        | 74,667                         | 73,777           |
| Miscellaneous             | <u>759</u>                     | <u>535</u>       |
| Total operating revenues  | <u>273,455</u>                 | <u>254,538</u>   |
| <br>Operating expenses:   |                                |                  |
| Salaries                  | 118,192                        | 91,038           |
| Payroll taxes             | 9,413                          | 7,981            |
| Retirement                | 8,309                          | 5,984            |
| General insurance         | 17,303                         | 4,515            |
| Auto and truck expense    | 3,148                          | 2,186            |
| Utilities and telephone   | 29,681                         | 24,807           |
| Maintenance and repairs   | 54,898                         | 33,493           |
| Supplies and parts        | 44,934                         | 33,019           |
| Office expense            | 4,985                          | 2,773            |
| Garbage collection fees   | 73,685                         | 76,348           |
| Depreciation expense      | 178,990                        | 156,101          |
| Dues and fees             | 1,679                          | 535              |
| Professional fees         | 15,717                         | 15,236           |
| Computer service          | 5,042                          | 6,062            |
| Engineering fees          | 6,635                          | -                |
| Group health insurance    | 31,815                         | 22,012           |
| Meals, lodging and travel | 449                            | 639              |
| Miscellaneous             | <u>247</u>                     | <u>542</u>       |
| Total operating expenses  | <u>605,122</u>                 | <u>483,271</u>   |
| <br>Operating loss        | <u>(331,667)</u>               | <u>(228,733)</u> |

(continued)

TOWN OF DUSON, LOUISIANA

Statement of Revenues, Expenses, and Change in Fund Net Assets (Continued) -  
 Proprietary Fund  
 For the Years Ended December 31, 2004 and 2003

|   | <u>Utility Enterprise Fund</u> |                    |
|---|--------------------------------|--------------------|
|   | <u>2004</u>                    | <u>2003</u>        |
| Nonoperating revenues (expenses):       |                                |                    |
| Interest income                         | 1,928                          | 1,659              |
| Interest expense                        | <u>(55,181)</u>                | <u>-</u>           |
| Total nonoperating revenues (expenses)  | <u>(53,253)</u>                | <u>1,659</u>       |
| <br>                                    |                                |                    |
| Loss before contributions and transfers | <u>(384,920)</u>               | <u>(227,074)</u>   |
| <br>                                    |                                |                    |
| Capital contributions                   | <u>744,750</u>                 | <u>642,000</u>     |
| <br>                                    |                                |                    |
| Transfers in:                           |                                |                    |
| Transfer from 1969 Sales Tax Fund       | 93,827                         | 80,972             |
| Transfer from 1983 Sales Tax Fund       | 144,000                        | 86,420             |
| Transfer from General Fund              | <u>55,080</u>                  | <u>6,000</u>       |
| Total transfers in                      | <u>292,907</u>                 | <u>173,392</u>     |
| <br>                                    |                                |                    |
| Change in net assets                    | 652,737                        | 588,318            |
| <br>                                    |                                |                    |
| Net assets, beginning                   | <u>3,594,311</u>               | <u>3,005,993</u>   |
| <br>                                    |                                |                    |
| Net assets, ending                      | <u>\$4,247,048</u>             | <u>\$3,594,311</u> |

The accompanying notes are an integral part of the basic financial statements.

TOWN OF DUSON, LOUISIANA

Statement of Cash Flows  
 Proprietary Fund  
 For the Years Ended December 31, 2004 and 2003

|  | <u>Utility Enterprise Fund</u> |                   |
|--|--------------------------------|-------------------|
|  | <u>2004</u>                    | <u>2003</u>       |
| Cash flows from operating activities:                                |                                |                   |
| Receipts from customers  | \$ 269,485                     | \$ 256,277        |
| Payments to suppliers  | (307,876)                      | (225,942)         |
| Payments to employees  | (127,605)                      | (99,019)          |
| Other receipts   | <u>759</u>                     | <u>535</u>        |
| Net cash used by operating activities                                | <u>(165,237)</u>               | <u>(68,149)</u>   |
| Cash flows from noncapital financing activities:                     |                                |                   |
| Operating transfers from other funds                                 | <u>292,907</u>                 | <u>173,392</u>    |
| Cash flows from capital and related financing activities:            |                                |                   |
| Proceeds from revenue bonds payable                                  | 1,390,000                      | -                 |
| Proceeds from bond anticipation notes                                | 398,682                        | 867,318           |
| Principal paid on notes payable                                      | (1,266,000)                    | -                 |
| Increase in customer deposits payable                                | 2,420                          | 2,873             |
| Acquisition of property, plant and equipment                         | (1,256,912)                    | (1,551,192)       |
| Proceeds from grants   | <u>735,889</u>                 | <u>642,000</u>    |
| Net cash provided (used) by capital and related financing activities | <u>4,079</u>                   | <u>(39,001)</u>   |
| Cash flows from investing activities:                                |                                |                   |
| Purchase of investments  | (7,688)                        | (1,019)           |
| Interest on investments  | <u>1,928</u>                   | <u>1,659</u>      |
| Net cash provided (used) by investing activities                     | <u>(5,760)</u>                 | <u>640</u>        |
| Net increase in cash and cash equivalents                            | 125,989                        | 66,882            |
| Cash and cash equivalents, beginning of period                       | <u>192,958</u>                 | <u>126,076</u>    |
| Cash and cash equivalents, end of period                             | <u>\$ 318,947</u>              | <u>\$ 192,958</u> |

(continued)

TOWN OF DUSON, LOUISIANA

Statement of Cash Flows  
 Proprietary Fund - (Continued)  
 For the Years Ended December 31, 2004 and 2003

|   | <u>Utility Enterprise Fund</u> |                     |
|---|--------------------------------|---------------------|
|   | <u>2004</u>                    | <u>2003</u>         |
| Reconciliation of operating loss to net cash used by operating activities:                    |                                |                     |
| Operating loss  | <u>\$ (331,667)</u>            | <u>\$ (228,733)</u> |
| Adjustments to reconcile operating loss to net cash used by operating activities:             |                                |                     |
| Depreciation  | 178,990                        | 156,101             |
| Changes in current assets and liabilities:  |                                |                     |
| (Increase) decrease in accounts receivable  | (3,211)                        | 2,274               |
| Increase in prepaid items   | (454)                          | (8,828)             |
| Increase (decrease) in accounts payable   | (8,760)                        | 5,945               |
| Increase (decrease) in accrued liabilities  | <u>(135)</u>                   | <u>5,092</u>        |
| Total adjustments   | <u>166,430</u>                 | <u>160,584</u>      |
| Net cash used by operating activities   | <u>\$ (165,237)</u>            | <u>\$ (68,149)</u>  |
| Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet: |                                |                     |
| Cash and cash equivalents, beginning of period -  |                                |                     |
| Cash - unrestricted   | \$ 40,396                      | \$ 16,217           |
| Interest-bearing deposits - unrestricted  | 137,614                        | 98,013              |
| Cash - restricted   | <u>14,948</u>                  | <u>11,846</u>       |
| Total cash and cash equivalents   | <u>192,958</u>                 | <u>126,076</u>      |
| Cash and cash equivalents, end of period -  |                                |                     |
| Cash - unrestricted   | 102,866                        | 40,396              |
| Interest-bearing deposits - unrestricted  | 17,197                         | 137,614             |
| Cash - restricted   | 11,639                         | 14,948              |
| Interest-bearing deposits - restricted  | <u>187,245</u>                 | <u>-</u>            |
| Total cash and cash equivalents   | <u>318,947</u>                 | <u>192,958</u>      |
| Net increase  | <u>\$ 125,989</u>              | <u>\$ 66,882</u>    |

The accompanying notes are an integral part of the basic financial statements.

## TOWN OF DUSON, LOUISIANA

### Notes to Basic Financial Statements

#### (1) Summary of Significant Accounting Policies

The accompanying financial statements of the Town of Duson (Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

##### A Financial Reporting Entity

The Town of Duson was incorporated under the provisions of the Lawrason Act. The Town operates under the Mayor-Board of Aldermen form of government.

This report includes all funds that are controlled by or dependent on the Town executive and legislative branches (the Mayor and Board of Aldermen). Control by or dependence on the Town was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

Based on the foregoing criteria, one governmental organization is not part of the Town and is thus excluded from the accompanying financial statements. This organization is the Duson Volunteer Fire Department. Although the Town does provide facilities and some of their financing, no control is exercised over their operations.

##### B. Basis of Presentation

###### Government-Wide Financial Statements (GWFS)

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

## TOWN OF DUSON, LOUISIANA

### Notes to Basic Financial Statements (Continued)

#### Fund Financial Statements

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The various funds of the Town are classified into two categories: governmental and proprietary. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

All funds of the Town are considered to be major funds and are described below:

#### Governmental Funds -

##### General Fund

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

##### Special Revenue Funds

##### 1969 Sales Tax Fund -

The 1969 Sales Tax Fund is used to account for the proceeds of a one percent sales and use tax that is legally restricted to expenditures for specific purposes.

##### 1983 Sales Tax Fund ~

The 1983 Sales Tax Fund is used to account for the proceeds of a one percent sales and use tax that is legally restricted to expenditures for specific purposes.

TOWN OF DUSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

Proprietary Fund -

Enterprise Fund

Enterprise funds are 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 that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town of Duson's enterprise fund is the Utility Fund.

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net assets and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

TOWN OF DUSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

Basis of Accounting

In the government-wide statement of net assets and statement of activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

D. Assets, Liabilities and Equity

Cash, interest-bearing deposits, and investments

For purposes of the statement of net assets, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposits of the Town. For the purpose of the proprietary fund statement of cash flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

At December 31, 2004, all of the Town's investments are in the Louisiana Asset Management Pool (LAMP), which are stated at amortized cost.

Interfund receivables and payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets.

TOWN OF DUSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include ad valorem taxes, sales and use taxes, franchise taxes, and oil royalties. Business-type activities report customer's utility service receivables as their major receivables. Uncollectible amounts due for ad valorem taxes and customer's utility service receivables are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. Although the specific charge-off method is not in conformity with generally accepted accounting principles (GAAP), no allowance for uncollectible receivables is recorded due to immateriality at December 31, 2004. Unbilled utility service receivables resulting from utility services rendered between the date of meter reading and billing and the end of the month, are not recorded due to immateriality at December 31, 2004.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide or fund financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Town maintains a threshold level of \$500 or more for capitalizing capital assets.

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.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

|                                 |             |
|---------------------------------|-------------|
| Buildings and improvements      | 40 years    |
| Equipment and vehicles          | 3-10 years  |
| Utility system and improvements | 10-50 years |
| Infrastructure                  | 40 years    |

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

## TOWN OF DUSON, LOUISIANA

### Notes to Basic Financial Statements (Continued)

#### Restricted Assets

Restricted assets include cash, interest-bearing deposits, and investments of the proprietary fund that are legally restricted as to their use. The restricted assets are related to the revenue bond accounts and utility meter deposits.

#### Long-term debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of utility meter deposits payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

#### Compensated Absences

Vacation and sick leave are recorded as expenditures of the period in which paid. Vacation is normally taken in the year accrued but can be carried over. Sick leave is accumulated by employees at a rate dependent upon number of years of employment. Although sick leave is available for employees when needed, it does not vest nor is it payable at termination of employment. Due to immateriality, the liability for these compensated absences is recorded as a current liability in both the government-wide and fund financial statements.

#### Equity Classifications

In the government-wide statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

TOWN OF DUSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

E. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

- Governmental Funds - By Character
- Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

F. Revenue Restrictions

The Town has various restrictions placed over certain revenue sources from state or local requirements. The Town uses unrestricted resources only when restricted resources are fully depleted. The primary restricted revenue sources include:

| <u>Revenue Source</u> | <u>Legal Restrictions of Use</u>    |
|-----------------------|-------------------------------------|
| Sales tax             | See Note 3                          |
| Utility Fund revenues | Debt service and utility operations |

TOWN OF DUSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

G. Budget and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to December 15, the Town Clerk submits to the Mayor and Board of Aldermen a proposed operating budget for the period commencing the following January 1.
2. 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.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of a resolution prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as amended by the Board of Aldermen.

H. Capitalization of Interest Expense

It is the policy of the Town of Duson to capitalize material amounts of interest resulting from borrowings in the course of the construction of capital assets. At December 31, 2004, interest in the amount of \$7,642 on the bond anticipation note was capitalized on the sewer upgrade project.

TOWN OF DUSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(2) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October and are actually billed to taxpayers in November or December. Billed taxes become delinquent on January 1 of the following year. The Town bills and collects its own property taxes using the assessed values determined by the Tax Assessors of Lafayette and Acadia Parishes. Town property tax revenues are budgeted in the year billed.

For the year ended December 31, 2004, taxes of 7.73 mills were levied on property with assessed valuations totaling \$3,754,550 and were dedicated for general corporate purposes.

Total taxes levied were \$29,023. Taxes receivable at December 31, 2004, consisted of the following:

|                                 |                  |
|---------------------------------|------------------|
| Taxes receivable - current roll | \$ 29,023        |
| Taxes receivable - prior roll   | <u>5,291</u>     |
|                                 | <u>\$ 34,314</u> |

(3) Sales and Use Tax

Proceeds of a 1 percent sales and use tax (accounted for in the 1969 Sales Tax Fund - a special revenue fund) levied by the Town of Duson (2004 collections \$182,300; 2003 collections \$218,870) are dedicated to the following purposes:

Constructing, acquiring, extending, improving and maintaining sewers, sewerage disposal works, waterworks facilities, drainage facilities, public streets and roads and bridges, including the purchase of equipment.

TOWN OF DUSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

Proceeds of a 1 percent sales and use tax (accounted for in the 1983 Sales Tax Fund - a special revenue fund) levied by the Town of Duson (2004 collections \$182,300; 2003 collections \$218,870) are dedicated to the following purposes:

Constructing and acquiring extensions and improvements to the waterworks plant and distribution system of the Town and providing for the maintenance thereof; constructing, improving and maintaining public streets and drainage facilities for the Town; constructing, acquiring, extending, improving and maintaining the sewerage collection and disposal facilities of the Town; and maintaining and operating any other works of public improvement for the Town, and purchasing and acquiring the necessary land and equipment therefore; and shall the Town be further authorized to fund the proceeds of the tax into bonds for the purpose of constructing, acquiring, extending, and/or improving capital improvements of the Town to the extent and in the manner permitted by the laws of Louisiana.

(4) Cash and Interest-Bearing Deposits

Under state law, the Town may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Town may invest in certificates and time deposits of the state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 2004, the Town had cash and interest-bearing deposits (book balances) totaling \$926,093 as follows:

|                                   |                  |
|-----------------------------------|------------------|
| Demand deposits                   | \$713,980        |
| Savings and money market accounts | <u>212,113</u>   |
| Total                             | <u>\$926,093</u> |

These deposits are stated at cost, which approximates market. Under state law, these deposits, (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent 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.

Deposit balances (bank balances) at December 31, 2004 were secured as follows:

|   |                   |
|---|-------------------|
| Bank balances                               | <u>\$ 952,552</u> |
| Federal deposit insurance                   | \$ 200,000        |
| Pledged securities (Category 3)             | <u>752,552</u>    |
| Total FDIC insurance and pledged securities | <u>\$ 952,552</u> |

## TOWN OF DUSON, LOUISIANA

### Notes to Basic Financial Statements (Continued)

Pledged securities in Category 3 include uninsured or unregistered investments, for which securities are held by the broker or dealer, or by its trust department or agent, but not in the Town's name. Even though the pledged securities are considered uncollateralized (Category 3), Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon demand.

#### (5) Investments

Investments in the amount of \$726,872 at December 31, 2004 are in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB Codification Section I50.165, the investment in LAMP is not categorized in the three risk categories provided by GASB Codification Section I50.164 because the investment is in the pool of funds and thereby not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana, and is governed by a board of directors comprised of representatives from various local governments and state wide professional organizations. Only local governments 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 the Securities and Exchange Commission's (SEC's) Rule 2-a7, 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. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. government, or one of its agencies, enterprises or instrumentalities, as well as repurchase agreements collateralized by those securities. 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. The fair market value of investments is determined on a weekly basis to monitor any variances between amortized cost and market value. The fair market value of the Town's investment in LAMP is the same as the value of the pool shares. Normally, investments are required to be reported at fair value. For purposes of determining participants' shares, investments are valued at amortized cost. Investments in an external investment pool can be reported at amortized cost of the external investment pool. LAMP is an external investment pool that operates in a manner consistent with SEC Rule 2a7. The fair value of the investment is not materially different from the reported amount. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

TOWN OF DUSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

(6) Receivables

Receivables at December 31, 2004 of \$118,183 consist of the following:

|               | General  | 1969<br>Sales Tax | 1983<br>Sales Tax | Utility  | Total     |
|---------------|----------|-------------------|-------------------|----------|-----------|
| Accounts      | \$ -     | \$ -              | \$ -              | \$39,748 | \$ 39,748 |
| Taxes:        |          |                   |                   |          |           |
| Ad valorem    | 34,314   | -                 | -                 | -        | 34,314    |
| Sales tax     | -        | 11,743            | 11,743            | -        | 23,486    |
| Franchise tax | 7,972    | -                 | -                 | -        | 7,972     |
| Oil royalties | 12,663   | -                 | -                 | -        | 12,663    |
| Totals        | \$54,949 | \$11,743          | \$11,743          | \$39,748 | \$118,183 |

(7) Due from Other Governmental Units

Amounts due from other governmental units at December 31, 2004 consisted of the following:

General Fund:

Amount due from the State of Louisiana for video poker receipts for the months of November and December 31, 2004. 69,866

Amount due from the State of Louisiana for beer tax revenues earned during fiscal year ending December 31, 2004. 2,024

Proprietary Fund:

Amount due from United States Department of Agriculture for sewer system improvements. 8,861

\$ 80,751

(8) Restricted Assets - Proprietary Fund Type

Restricted assets of \$222,808 consisted of the following at December 31, 2004:

|                       |                  |
|-----------------------|------------------|
| Bond sinking fund     | \$157,578        |
| Bond reserve fund     | 12,163           |
| Bond contingency fund | 17,504           |
| Customers' deposits:  |                  |
| Cash                  | 11,639           |
| Investments           | 23,924           |
|                       | <u>\$222,808</u> |

TOWN OF DUSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

(9) Capital Assets

Capital asset activity for the year ended December 31, 2004 was as follows:

|  | <u>Balance</u><br>01/01/04 | <u>Additions</u>   | <u>Deletions</u>   | <u>Balance</u><br>12/31/04 |
|--|----------------------------|--------------------|--------------------|----------------------------|
| Governmental activities:                         |                            |                    |                    |                            |
| Capital assets not being depreciated:            |                            |                    |                    |                            |
| Land   | \$ 62,827                  | \$ -               | \$ -               | \$ 62,827                  |
| Other capital assets:                            |                            |                    |                    |                            |
| Buildings and improvements                       | 457,819                    | 2,347              | -                  | 460,166                    |
| Infrastructure                                   | 812,692                    | 14,560             | -                  | 827,252                    |
| Equipment and vehicles                           | 512,848                    | 10,825             | -                  | 523,673                    |
| Totals   | <u>1,846,186</u>           | <u>27,732</u>      | <u>-</u>           | <u>1,873,918</u>           |
| Less accumulated depreciation                    |                            |                    |                    |                            |
| Buildings and improvements                       | 62,772                     | 11,960             | -                  | 74,732                     |
| Infrastructure                                   | 281,053                    | 20,964             | -                  | 302,017                    |
| Equipment and vehicles                           | 291,099                    | 56,048             | -                  | 347,147                    |
| Total accumulated depreciation                   | <u>634,924</u>             | <u>88,972</u>      | <u>-</u>           | <u>723,896</u>             |
| Governmental activities,<br>capital assets, net  | <u>\$1,211,262</u>         | <u>\$ (61,240)</u> | <u>\$ -</u>        | <u>\$1,150,022</u>         |
| Business-type activities:                        |                            |                    |                    |                            |
| Capital assets not being depreciated:            |                            |                    |                    |                            |
| Land   | \$ 40,030                  | \$ 23,100          | \$ -               | \$ 63,130                  |
| Construction in progress                         | 1,902,912                  | 824,541            | 2,701,856          | 25,597                     |
| Other capital assets:                            |                            |                    |                    |                            |
| Plant and equipment - water system               | 2,409,691                  | -                  | -                  | 2,409,691                  |
| Plant and equipment - sewer system               | 2,082,092                  | 2,707,583          | -                  | 4,789,675                  |
| Office equipment                                 | 18,975                     | -                  | -                  | 18,975                     |
| Totals   | <u>6,453,700</u>           | <u>3,555,224</u>   | <u>2,701,856</u>   | <u>7,307,068</u>           |
| Less accumulated depreciation                    |                            |                    |                    |                            |
| Plant and equipment - water system               | 985,052                    | 104,561            | -                  | 1,089,613                  |
| Plant and equipment - sewer system               | 863,204                    | 73,373             | -                  | 936,577                    |
| Office equipment                                 | 14,985                     | 1,056              | -                  | 16,041                     |
| Total accumulated depreciation                   | <u>1,863,241</u>           | <u>178,990</u>     | <u>-</u>           | <u>2,042,231</u>           |
| Business-type activities,<br>capital assets, net | <u>\$4,590,459</u>         | <u>\$3,376,234</u> | <u>\$2,701,856</u> | <u>\$5,264,837</u>         |

TOWN OF DUSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

Depreciation expense was charged to governmental activities as follows:

|                            |                  |
|----------------------------|------------------|
| General government         | \$ 19,565        |
| Police                     | 21,873           |
| Fire                       | 2,809            |
| Streets                    | 44,239           |
| Park and recreation        | <u>486</u>       |
| Total depreciation expense | <u>\$ 88,972</u> |

Depreciation expense was charged to business-type activities as follows:

|                            |                  |
|----------------------------|------------------|
| Water                      | \$105,617        |
| Sewerage                   | <u>73,373</u>    |
| Total depreciation expense | <u>\$178,990</u> |

(10) Accounts and Other Payables

The accounts and other payables consisted of the following at December 31, 2004:

|                      | Governmental<br>Activities | Business-Type<br>Activities | Total            |
|----------------------|----------------------------|-----------------------------|------------------|
| Accounts             | \$ 14,920                  | \$ 10,192                   | \$ 25,112        |
| Payroll withholdings | 2,470                      | 2,470                       | 4,940            |
| Compensated absences | 1,387                      | 2,039                       | 3,426            |
| Other liabilities    | <u>6,151</u>               | <u>2,207</u>                | <u>8,358</u>     |
| Totals               | <u>\$24,928</u>            | <u>\$ 16,908</u>            | <u>\$ 41,836</u> |

(11) Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the Town for the year ended December 31, 2004:

|   |                             |
|---|-----------------------------|
|   | Business-type<br>Activities |
| Long-term debt payable, January 1, 2004   | \$ -                        |
| Long-term debt issued                     | 1,390,000                   |
| Long-term debt retired                    | <u>-</u>                    |
| Long-term debt payable, December 31, 2004 | <u>\$1,390,000</u>          |

TOWN OF DUSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

Revenue Bonds:

\$1,390,000 Sewer Revenue Bonds dated February 12, 2004, due in monthly installments of \$6,311 including interest at 4.50% from March 12, 2005 through January 12, 2044; payable from Utility Fund revenues \$1,390,000

The bonds are due as follows:

| Year ending<br>June 30, | Business-type Activities |                      |
|-------------------------|--------------------------|----------------------|
|                         | Principal<br>payments    | Interest<br>payments |
| 2005                    | \$ 11,168                | \$ 115,794           |
| 2006                    | 13,965                   | 61,762               |
| 2007                    | 14,607                   | 61,120               |
| 2008                    | 15,278                   | 60,449               |
| 2009                    | 15,980                   | 59,747               |
| 2010-2014               | 91,610                   | 287,026              |
| 2015-2019               | 114,677                  | 263,959              |
| 2020-2024               | 143,552                  | 235,084              |
| 2025-2029               | 179,697                  | 198,939              |
| 2030-2034               | 224,945                  | 153,691              |
| 2035-2039               | 281,585                  | 97,051               |
| 2040-2044               | 282,936                  | 27,418               |
| Total                   | <u>\$1,390,000</u>       | <u>\$1,622,040</u>   |

(12) Flow of Funds; Restrictions on Use - Utilities Revenues

Sewer Revenue Bonds

Under the terms of the Sewer Revenue bond indenture dated February 12, 2004, all income and revenues (hereinafter referred to as revenue) of every nature, earned or derived from operation of the Sewer utility system, are pledged and dedicated to the retirement of said bonds, and are to be set aside into the following special funds:

Each month, there will be set aside into a fund called the "Bond and Interest Sinking Fund" the amount of \$6,311 through January, 2044. Such transfers shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due and may be used only for such payments.

There shall also be set aside into a "Sewer Utility Bond Reserve Fund" the amount of \$316 each month until there shall have been accumulated in the reserve account an amount equal to \$75,727. Such amount may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Bond and Interest Sinking Fund and as to which there would otherwise be default.

TOWN OF DUSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

Funds will also be set aside into a "Sewer Utility Depreciation and Contingency Fund" at the rate of \$316 each month until there is accumulated a balance of \$75,727 in the Reserve Fund, at which time the monthly deposit will increase to \$632. Money in this fund may be used for the making of extraordinary repairs or replacements to the system which are necessary to keep the system in operating condition and for which money is not available as a maintenance and operation expense. Money in this fund may also be used to pay principal or interest on the bonds falling due at any time there is not sufficient money for payment in the other bond funds.

All of the revenues received in any fiscal year and not required to be paid in such fiscal year into any of the above noted funds shall be regarded as surplus and may be used for any lawful corporate purpose.

The Town of Duson was in compliance with all significant limitations and restrictions in the bond indenture at December 31, 2004.

(13) Employee Retirement

All employees are members of one of the following retirement systems:

Federal Social Security System  
Municipal Employees' Retirement System of Louisiana  
Municipal Police Employees' Retirement System of Louisiana

Pertinent information relative to each plan follows:

A) Federal Social Security System

All employees of the Town of Duson participate in the Social Security System. For the years ended December 31, 2004 and 2003, the Town and its employees contributed a percentage of each employee's salary to the System (7.65% contributed by the Town, 7.65% by the employee). The Town's contribution during the years ended December 31, 2004, 2003, and 2002, amounted to \$31,994, \$31,755, and \$26,603 respectively.

B) Municipal Employees' Retirement System of Louisiana System

Eligible employees of the Town participate in the Municipal Employees' Retirement System, which is a cost-sharing, multiple-employer defined benefit public employee retirement system. The plan is controlled and administered by a separate board of trustees. Pertinent information relative to the plan follows:

Plan Description - The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan B.

## TOWN OF DUSON, LOUISIANA

### Notes to Basic Financial Statements (Continued)

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2% of their final-average monthly salary in excess of \$100 for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3% for each year retirement precedes age 62, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100% of final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The system issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809.

Funding policy – Under Plan B, members are required by the state to contribute 5.0% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 9.5%. Contributions to the System also include one-fourth of 1% (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the System under Plan B for the years ending December 31, 2004 and 2003 were \$20,974 and \$16,992, respectively, equal to the required contributions for each year.

#### C) Municipal Police Employees' Retirement System of Louisiana (System)

Eligible employees of the Town participate in the Municipal Police Employees' Retirement System, which is a cost-sharing, multiple-employer defined benefit public employee retirement system. The plan is controlled and administered by a separate board of trustees. Pertinent information relative to the plan follows:

TOWN OF DUSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

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

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees' Retirement System, 8401 United Plaza Boulevard, Room 270, Baton Rouge, Louisiana 70809-7017.

Funding Policy - Plan members are required by state statute to contribute 7.5% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 21.5% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The contributions to the System for the years ending December 31, 2004 and 2003 were \$21,258 and \$14,080, respectively, equal to the required contributions for each year.

(14) Segment Information for the Enterprise Fund

The Town of Duson maintains one enterprise fund with three departments which provide water, sewerage and sanitation services. Segment information for the year ended December 31, 2004, was as follows:

|                          | <u>Water<br/>Department</u> | <u>Sewerage<br/>Department</u> | <u>Sanitation<br/>Department</u> | <u>Total<br/>Enterprise<br/>Fund</u> |
|--------------------------|-----------------------------|--------------------------------|----------------------------------|--------------------------------------|
| Operating revenues       | \$ 98,240                   | \$ 100,548                     | \$ 74,667                        | \$ 273,455                           |
| Operating expenses:      |                             |                                |                                  |                                      |
| Depreciation             | \$ 105,617                  | \$ 73,373                      | \$ -                             | 178,990                              |
| Other                    | 178,576                     | 156,838                        | 90,718                           | 426,132                              |
| Total operating expenses | <u>284,193</u>              | <u>230,211</u>                 | <u>90,718</u>                    | <u>605,122</u>                       |
| Operating loss           | <u>\$(185,953)</u>          | <u>\$(129,663)</u>             | <u>\$(16,051)</u>                | <u>\$(331,667)</u>                   |

TOWN OF DUSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

(15) Compensation of Town Officials

A detail of compensation paid to the Mayor and Board of Aldermen for the year ended December 31, 2004 follows:

|                      |                 |
|----------------------|-----------------|
| John Lagneaux, Mayor | \$38,594        |
| Aldermen:            |                 |
| Dwayne Bowers        | 7,963           |
| Jimmy Champagne      | 8,759           |
| Eugene Cahanin       | 7,963           |
| Alvin Felix          | 7,963           |
| Gerald Alleman       | <u>7,963</u>    |
|                      | <u>\$79,205</u> |

(16) Pending Litigation

At December 31, 2004, there was one lawsuit pending against the Town; however, management has been advised by legal counsel that there is no monetary liability for the Town.

(17) Risk Management

The Town is exposed to risks of loss in the areas of health care, general and auto liability, property hazards and workers' compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance coverage during the year.

(18) Interfund Transactions

Transfers consisted of the following at December 31, 2004:

|                                     | <u>Transfers In</u> | <u>Transfers Out</u> |
|-------------------------------------|---------------------|----------------------|
| Governmental Funds:                 |                     |                      |
| General Fund                        | \$ 155,100          | \$ 55,080            |
| 1969 Sales Tax Special Revenue Fund | -                   | 93,827               |
| 1983 Sales Tax Special Revenue Fund | -                   | 299,100              |
| Proprietary Fund:                   |                     |                      |
| Enterprise Fund                     | <u>292,907</u>      | <u>-</u>             |
| Total                               | <u>\$ 448,007</u>   | <u>\$ 448,007</u>    |

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

**REQUIRED SUPPLEMENTARY INFORMATION**

TOWN OF DUSON, LOUISIANA  
General Fund

Budgetary Comparison Schedule  
For the Year Ended December 31, 2004  
With Actual Balances for the Year ended December 31, 2003

|   | 2004             |                  |                  | Variance with<br>Final Budget<br>Positive<br>(Negative) | 2003             |
|---|------------------|------------------|------------------|---|------------------|
|   | Budget           |                  | Actual           |   |                  |
|   | Original         | Final            |                  |   |                  |
| <b>Revenues:</b>                        |                  |                  |                  |   |                  |
| Taxes                                   | \$ 91,000        | \$103,000        | \$ 97,189        | \$ (5,811)  | \$ 95,755        |
| Licenses and permits                    | 86,000           | 100,000          | 90,729           | (9,271)   | 89,215           |
| Intergovernmental                       | 431,973          | 438,787          | 424,186          | (14,601)  | 471,894          |
| Fines and forfeits                      | 80,000           | 60,000           | 56,544           | (3,456)   | 78,666           |
| Miscellaneous                           | 108,100          | 102,200          | 102,557          | 357   | 151,926          |
| Total revenues                          | <u>797,073</u>   | <u>803,987</u>   | <u>771,205</u>   | <u>(32,782)</u>   | <u>887,456</u>   |
| <b>Expenditures:</b>                    |                  |                  |                  |   |                  |
| Current -                               |                  |                  |                  |   |                  |
| General government                      | 281,575          | 281,009          | 278,390          | 2,619   | 263,827          |
| Public safety:                          |                  |                  |                  |   |                  |
| Police                                  | 172,890          | 230,000          | 223,278          | 6,722   | 206,488          |
| Fire                                    | 12,150           | 13,200           | 11,095           | 2,105   | 21,038           |
| Streets                                 | 217,515          | 186,500          | 184,647          | 1,853   | 213,844          |
| Parks and recreation                    | 325              | 675              | 558              | 117   | 202              |
| Capital outlay                          | 70,900           | 27,732           | 27,732           | -   | 130,868          |
| Total expenditures                      | <u>755,355</u>   | <u>739,116</u>   | <u>725,700</u>   | <u>13,416</u>   | <u>836,267</u>   |
| Excess of revenues<br>over expenditures | <u>41,718</u>    | <u>64,871</u>    | <u>45,505</u>    | <u>(19,366)</u>   | <u>51,189</u>    |
| <b>Other financing sources (uses):</b>  |                  |                  |                  |   |                  |
| Transfer from 1983 Sales Tax Fund       | -                | 120,000          | 155,100          | 35,100  | -                |
| Transfer to Utility Fund                | -                | (6,000)          | (55,080)         | (49,080)  | (6,000)          |
| Total other financing<br>sources (uses) | <u>-</u>         | <u>114,000</u>   | <u>100,020</u>   | <u>(13,980)</u>   | <u>(6,000)</u>   |
| Net change in fund balance              | 41,718           | 178,871          | 145,525          | (33,346)  | 45,189           |
| Fund balance, beginning                 | <u>599,783</u>   | <u>599,783</u>   | <u>599,783</u>   | <u>-</u>  | <u>554,594</u>   |
| Fund balance, ending                    | <u>\$641,501</u> | <u>\$778,654</u> | <u>\$745,308</u> | <u>\$(33,346)</u>                                       | <u>\$599,783</u> |

TOWN OF DUSON, LOUISIANA  
General Fund

Budgetary Comparison Schedule - Revenues  
For the Year Ended December 31, 2004  
With Actual Amounts For the Year Ended December 31, 2003

|                           | 2004              |                   |                   | Variance with<br>Final Budget<br>Positive<br>(Negative) | 2003              |
|---------------------------|-------------------|-------------------|-------------------|---|-------------------|
|                           | Budget            |                   | Actual            |   |                   |
|                           | Original          | Final             |                   |   |                   |
| <b>Taxes:</b>             |                   |                   |                   |   |                   |
| Ad valorem                | \$ 25,000         | \$ 28,000         | \$ 29,023         | \$ 1,023  | \$ 27,934         |
| Franchise - electric      | 55,000            | 63,000            | 56,677            | (6,323)   | 56,988            |
| Franchise - gas           | 7,500             | 7,000             | 6,881             | (119)   | 7,070             |
| Franchise - cable TV      | 3,500             | 5,000             | 4,608             | (392)   | 3,763             |
| Total taxes               | <u>91,000</u>     | <u>103,000</u>    | <u>97,189</u>     | <u>(5,811)</u>  | <u>95,755</u>     |
| Occupational licenses     | <u>86,000</u>     | <u>100,000</u>    | <u>90,729</u>     | <u>(9,271)</u>  | <u>89,215</u>     |
| <b>Intergovernmental:</b> |                   |                   |                   |   |                   |
| Federal -                 |                   |                   |                   |   |                   |
| Department of Justice     | -                 | -                 | 3,497             | 3,497   | -                 |
| State of Louisiana -      |                   |                   |                   |   |                   |
| State grants              | 2,500             | 10,000            | 10,000            | -   | 11,399            |
| Beer taxes                | 4,500             | 6,300             | 6,994             | 694   | 7,226             |
| Grass cutting             | 4,973             | 2,487             | 2,487             | -   | 9,982             |
| Video poker revenue       | 420,000           | 420,000           | 401,208           | (18,792)  | 443,287           |
| Total intergovernmental   | <u>431,973</u>    | <u>438,787</u>    | <u>424,186</u>    | <u>(14,601)</u>   | <u>471,894</u>    |
| Fines and forfeits        | <u>80,000</u>     | <u>60,000</u>     | <u>56,544</u>     | <u>(3,456)</u>  | <u>78,666</u>     |
| <b>Miscellaneous:</b>     |                   |                   |                   |   |                   |
| Oil royalties             | 96,000            | 87,000            | 87,965            | 965   | 138,808           |
| Interest income           | 4,500             | 6,300             | 7,130             | 830   | 4,266             |
| Rent income               | 3,600             | 5,400             | 4,350             | (1,050)   | 5,725             |
| Other sources             | 4,000             | 3,500             | 3,112             | (388)   | 3,127             |
| Total miscellaneous       | <u>108,100</u>    | <u>102,200</u>    | <u>102,557</u>    | <u>357</u>  | <u>151,926</u>    |
| <b>Total revenues</b>     | <u>\$ 797,073</u> | <u>\$ 803,987</u> | <u>\$ 771,205</u> | <u>\$(32,782)</u>                                       | <u>\$ 887,456</u> |

TOWN OF DUSON, LOUISIANA  
General Fund

Budgetary Comparison Schedule - Expenditures  
For the Year Ended December 31, 2004  
With Actual Amounts for the Year Ended December 31, 2003

|                             | 2004           |                |                | Variance with<br>Final Budget<br>Positive<br>(Negative) | 2003           |
|-----------------------------|----------------|----------------|----------------|---|----------------|
|                             | Budget         |                | Actual         |   |                |
|                             | Original       | Final          |                |   |                |
| <b>Current:</b>             |                |                |                |   |                |
| <b>General government -</b> |                |                |                |   |                |
| Salaries                    | \$ 133,000     | \$ 133,500     | \$ 133,150     | \$ 350  | \$ 128,672     |
| Payroll taxes               | 10,175         | 10,300         | 12,026         | (1,726)   | 12,500         |
| Retirement                  | 4,000          | 8,500          | 7,720          | 780   | 5,871          |
| Group health insurance      | 20,000         | 42,400         | 41,062         | 1,338   | 16,552         |
| General insurance           | 18,000         | 12,700         | 12,100         | 600   | 11,688         |
| Utilities                   | 9,000          | 8,600          | 8,803          | (203)   | 8,781          |
| Telephone                   | 9,000          | 8,500          | 8,067          | 433   | 8,810          |
| Meetings and conventions    | 1,500          | 1,300          | 1,693          | (393)   | 1,545          |
| Meals, lodging and travel   | 8,000          | 7,700          | 7,820          | (120)   | 7,616          |
| Advertising                 | 7,000          | 5,000          | 4,953          | 47  | 6,181          |
| Computer services           | 1,500          | 500            | 347            | 153   | -              |
| Repairs and maintenance     | 8,000          | 2,309          | 1,366          | 943   | 5,334          |
| Auto expenditures           | 1,500          | 1,400          | 1,230          | 170   | 1,395          |
| Professional fees           | 30,000         | 20,000         | 18,733         | 1,267   | 29,613         |
| Training and education      | 1,500          | 700            | 535            | 165   | 854            |
| Office expenditures         | 15,000         | 15,000         | 16,730         | (1,730)   | 13,353         |
| Uniforms                    | 1,500          | 900            | 615            | 285   | 929            |
| Janitorial services         | 400            | 100            | 7              | 93  | 250            |
| Miscellaneous               | 2,500          | 1,600          | 1,433          | 167   | 3,883          |
| Total general government    | <u>281,575</u> | <u>281,009</u> | <u>278,390</u> | <u>2,619</u>  | <u>263,827</u> |
| <b>Public safety -</b>      |                |                |                |   |                |
| <b>Police:</b>              |                |                |                |   |                |
| Salaries                    | 77,000         | 115,000        | 112,770        | 2,230   | 112,715        |
| Payroll taxes               | 5,890          | 8,800          | 9,750          | (950)   | 9,521          |
| Retirement                  | 13,500         | 20,500         | 21,258         | (758)   | 14,080         |
| General insurance           | 9,500          | 8,150          | 6,713          | 1,437   | 7,139          |
| Group health insurance      | 20,000         | 30,000         | 29,103         | 897   | 19,684         |
| Repairs and maintenance     | 9,500          | 13,500         | 11,433         | 2,067   | 14,292         |
| Professional fees           | 9,000          | 5,000          | 8,250          | (3,250)   | 4,092          |
| Supplies                    | 1,000          | 1,250          | 756            | 494   | 1,115          |
| Utilities                   | 4,000          | 4,500          | 4,428          | 72  | 3,681          |
| Telephone                   | 7,500          | 7,800          | 6,540          | 1,260   | 6,327          |
| Auto expenditures           | 10,000         | 10,000         | 9,610          | 390   | 7,989          |
| Office supplies             | 3,000          | 4,000          | 1,738          | 2,262   | 3,445          |
| Uniforms                    | 1,000          | 1,000          | 688            | 312   | 277            |
| Miscellaneous               | 2,000          | 500            | 241            | 259   | 2,131          |
| Total police                | <u>172,890</u> | <u>230,000</u> | <u>223,278</u> | <u>6,722</u>  | <u>206,488</u> |

(continued)

TOWN OF DUSON, LOUISIANA  
General Fund

Budgetary Comparison Schedule - Expenditures (Continued)  
For the Year Ended December 31, 2004  
With Actual Amounts for the Year Ended December 31, 2003

|                                 | 2004           |                |                | Variance with<br>Final Budget<br>Positive<br>(Negative) | 2003           |
|---------------------------------|----------------|----------------|----------------|---|----------------|
|                                 | Budget         |                | Actual         |   |                |
|                                 | Original       | Final          |                |   |                |
| <b>Fire:</b>                    |                |                |                |   |                |
| General insurance               | 750            | -              | 550            | (550)   | -              |
| Utilities                       | 5,500          | 7,600          | 6,850          | 750   | 6,155          |
| Telephone                       | 1,900          | 1,600          | 1,695          | (95)  | 1,721          |
| Supplies and materials          | 2,000          | 2,000          | -              | 2,000   | 6,327          |
| Volunteer fire department       | 2,000          | 2,000          | 2,000          | -   | 6,835          |
| Total fire                      | <u>12,150</u>  | <u>13,200</u>  | <u>11,095</u>  | <u>2,105</u>  | <u>21,038</u>  |
| Total public safety             | <u>185,040</u> | <u>243,200</u> | <u>234,373</u> | <u>8,827</u>  | <u>227,526</u> |
| <b>Streets -</b>                |                |                |                |   |                |
| Salaries                        | 90,400         | 53,000         | 51,159         | 1,841   | 82,674         |
| Payroll taxes                   | 6,915          | 4,100          | 3,884          | 216   | 6,294          |
| Retirement                      | 3,300          | 4,500          | 4,945          | (445)   | 5,137          |
| General insurance               | 6,500          | 4,200          | 5,745          | (1,545)   | 3,357          |
| Group health insurance          | 30,000         | 23,000         | 22,002         | 998   | 25,905         |
| Professional services           | 3,500          | 3,500          | 7,143          | (3,643)   | 2,368          |
| Supplies, materials and repairs | 50,000         | 63,000         | 61,208         | 1,792   | 60,339         |
| Auto and truck expenditures     | 3,000          | 4,700          | 5,067          | (367)   | 3,443          |
| Utilities                       | 18,900         | 18,900         | 18,724         | 176   | 18,727         |
| Telephone                       | 2,000          | 3,800          | 3,585          | 215   | 3,451          |
| Office expenditures             | 500            | 2,200          | 1,185          | 1,015   | 924            |
| Miscellaneous                   | 2,500          | 1,600          | -              | 1,600   | 665            |
| Hurricane clean-up              | -              | -              | -              | -   | 560            |
| Total streets                   | <u>217,515</u> | <u>186,500</u> | <u>184,647</u> | <u>1,853</u>  | <u>213,844</u> |
| <b>Parks and recreation -</b>   |                |                |                |   |                |
| Utilities                       | 300            | 200            | 189            | 11  | 202            |
| Repairs and maintenance         | 25             | 475            | 369            | 106   | -              |
| Total parks and recreation      | <u>325</u>     | <u>675</u>     | <u>558</u>     | <u>117</u>  | <u>202</u>     |

(continued)

TOWN OF DUSON, LOUISIANA  
General Fund

Budgetary Comparison Schedule - Expenditures (Continued)  
For the Year Ended December 31, 2004  
With Actual Amounts for the Year Ended December 31, 2003

|                                  | 2004                 |                      |                      | Variance with<br>Final Budget<br>Positive<br>(Negative) | 2003                 |
|----------------------------------|----------------------|----------------------|----------------------|---|----------------------|
|                                  | Original<br>Budget   | Final<br>Budget      | Actual               |   |                      |
| Capital outlay:                  |                      |                      |                      |   |                      |
| General government -             |                      |                      |                      |   |                      |
| Equipment                        | -                    | -                    | -                    | -   | 11,254               |
| Building improvement - City Hall | 10,900               | 2,347                | 2,347                | -   | 960                  |
| Public safety -                  |                      |                      |                      |   |                      |
| Police:                          |                      |                      |                      |   |                      |
| Equipment                        | -                    | 3,300                | 3,300                | -   | 8,773                |
| Automobile                       | -                    | -                    | -                    | -   | 20,033               |
| Parks and recreation             | 30,000               | -                    | -                    | -   | -                    |
| Streets -                        |                      |                      |                      |   |                      |
| Equipment                        | -                    | 7,525                | 7,525                | -   | 61,391               |
| Automobile                       | 20,000               | -                    | -                    | -   | 18,841               |
| Sidewalks/street resurfacing     | 10,000               | 14,560               | 14,560               | -   | 9,616                |
| Total capital outlay             | <u>70,900</u>        | <u>27,732</u>        | <u>27,732</u>        | <u>-</u>  | <u>130,868</u>       |
| <br>Total expenditures           | <br><u>\$755,355</u> | <br><u>\$739,116</u> | <br><u>\$725,700</u> | <br><u>\$ 13,416</u>                                    | <br><u>\$836,267</u> |

TOWN OF DUSON, LOUISIANA  
1969 Sales Tax Special Revenue Fund

Budgetary Comparison Schedule  
For the Year Ended December 31, 2004  
With Actual Amounts for the Year Ended December 31, 2003

|   | 2004              |                   |                   | Variance with<br>Final Budget<br>Positive<br>(Negative) | 2003              |
|---|-------------------|-------------------|-------------------|---|-------------------|
|   | Budget            |                   | Actual            |   |                   |
|   | Original          | Final             |                   |   |                   |
| <b>Revenues:</b>                        |                   |                   |                   |   |                   |
| Sales taxes                             | \$ 210,000        | \$ 184,000        | \$ 182,300        | \$ (1,700)  | \$ 218,870        |
| Interest                                | 250               | 225               | 324               | 99  | 209               |
| <b>Total revenues</b>                   | <u>210,250</u>    | <u>184,225</u>    | <u>182,624</u>    | <u>(1,601)</u>  | <u>219,079</u>    |
| <b>Expenditures:</b>                    |                   |                   |                   |   |                   |
| General government -                    |                   |                   |                   |   |                   |
| Collection fees                         | 900               | 800               | 795               | 5   | 869               |
| Professional fees                       | 4,500             | 4,100             | 2,559             | 1,541   | 3,486             |
| <b>Total general government</b>         | <u>5,400</u>      | <u>4,900</u>      | <u>3,354</u>      | <u>1,546</u>  | <u>4,355</u>      |
| Excess of revenues<br>over expenditures | 204,850           | 179,325           | 179,270           | (55)  | 214,724           |
| <b>Other financing use:</b>             |                   |                   |                   |   |                   |
| Transfer to Utility Fund                | <u>(130,000)</u>  | <u>(130,000)</u>  | <u>(93,827)</u>   | <u>36,173</u>   | <u>(80,972)</u>   |
| <b>Net change in fund balance</b>       | 74,850            | 49,325            | 85,443            | 36,118  | 133,752           |
| Fund balance, beginning                 | <u>242,282</u>    | <u>242,282</u>    | <u>242,282</u>    | -   | <u>108,530</u>    |
| Fund balance, ending                    | <u>\$ 317,132</u> | <u>\$ 291,607</u> | <u>\$ 327,725</u> | <u>\$ 36,118</u>  | <u>\$ 242,282</u> |

TOWN OF DUSON, LOUISIANA  
1983 Sales Tax Special Revenue Fund

Budgetary Comparison Schedule  
For the Year Ended December 31, 2004  
With Actual Amounts for the Year Ended December 31, 2003

|   | 2004              |                   |                   | Variance with<br>Final Budget<br>Positive<br>(Negative) | 2003              |
|---|-------------------|-------------------|-------------------|---|-------------------|
|   | Budget            |                   | Actual            |   |                   |
|   | Original          | Final             |                   |   |                   |
| <b>Revenues:</b>                        |                   |                   |                   |   |                   |
| Sales taxes                             | \$ 210,000        | \$ 184,000        | \$ 182,300        | \$ (1,700)  | \$ 218,870        |
| Interest                                | 125               | 120               | 128               | 8   | 117               |
| Total revenues                          | <u>210,125</u>    | <u>184,120</u>    | <u>182,428</u>    | <u>(1,692)</u>  | <u>218,987</u>    |
| <b>Expenditures:</b>                    |                   |                   |                   |   |                   |
| General government -                    |                   |                   |                   |   |                   |
| Collection fees                         | 900               | 800               | 795               | 5   | 869               |
| Professional fees                       | <u>2,500</u>      | <u>2,500</u>      | <u>1,532</u>      | <u>968</u>  | <u>2,736</u>      |
| Total general government                | <u>3,400</u>      | <u>3,300</u>      | <u>2,327</u>      | <u>973</u>  | <u>3,605</u>      |
| Excess of revenues<br>over expenditures | <u>206,725</u>    | <u>180,820</u>    | <u>180,101</u>    | <u>(719)</u>  | <u>215,382</u>    |
| <b>Other financing uses:</b>            |                   |                   |                   |   |                   |
| Transfer to General Fund                | -                 | (120,000)         | (155,100)         | (35,100)  | -                 |
| Transfer to Utility Fund                | <u>(130,000)</u>  | <u>(120,000)</u>  | <u>(144,000)</u>  | <u>(24,000)</u>   | <u>(86,420)</u>   |
| Total other financing uses              | <u>(130,000)</u>  | <u>(240,000)</u>  | <u>(299,100)</u>  | <u>(59,100)</u>   | <u>(86,420)</u>   |
| Net change in fund balance              | 76,725            | (59,180)          | (118,999)         | (59,819)  | 128,962           |
| Fund balance, beginning                 | <u>421,623</u>    | <u>421,623</u>    | <u>421,623</u>    | -   | <u>292,661</u>    |
| Fund balance, ending                    | <u>\$ 498,348</u> | <u>\$ 362,443</u> | <u>\$ 302,624</u> | <u>\$(59,819)</u>                                       | <u>\$ 421,623</u> |

**OTHER SUPPLEMENTARY INFORMATION**

TOWN OF DUSON, LOUISIANA  
Enterprise Fund  
Utility Fund

Schedule of Number of Utility Customers  
(Unaudited)  
December 31, 2004 and 2003

Records maintained by the Town indicated the following number of customers were being serviced during the months of December, 2004 and 2003:

| <u>Department</u> | <u>2004</u> | <u>2003</u> |
|-------------------|-------------|-------------|
| Water (metered)   | 610         | 618         |
| Sewer             | 569         | 561         |
| Sanitation        | 518         | 517         |

TOWN OF DUSON, LOUISIANA

Schedule of Insurance in Force  
(Unaudited)  
December 31, 2004

| <u>Description of Coverage</u>  | <u>Coverage<br/>Amounts</u> |
|---|-----------------------------|
| Workmen's Compensation -<br>Employer's liability  | \$ 100,000                  |
| Buildings and contents:<br>Basic property coverage  | 2,005,666                   |
| Automobile coverage:  |                             |
| General liability, aggregate  | 500,000                     |
| Auto liability, aggregate   | 500,000                     |
| Physical damage coverage  | 117,444                     |
| Property coverage -<br>Fire and light, extended coverage, vandalism<br>and malicious mischief | 18,735                      |
| Law enforcement and public officials liability (all coverage)                                 | 500,000                     |
| Surety bonds:   |                             |
| Town Clerk  | 50,000                      |
| Assistants  | 20,000                      |
| Position Bond   | 25,000                      |
| Equipment   | 106,239                     |

TOWN OF DUSON, LOUISIANA  
Enterprise Fund  
Utility Fund  
Statement of Revenues, Expenses, and Change in Fund Net Assets -  
For the Year Ended December 31, 2004  
With Actual Balance for the Year Ended December 31, 2003

|   | Total              |                    |
|---|--------------------|--------------------|
|   | 2004               | 2003               |
| Operating revenues:                               |                    |                    |
| Customer service charges                          | \$ 272,696         | \$ 254,003         |
| Miscellaneous                                     | 759                | 535                |
| Total operating revenues                          | <u>273,455</u>     | <u>254,538</u>     |
| Operating expenses:                               |                    |                    |
| Salaries  | 118,192            | 91,038             |
| Payroll taxes                                     | 9,413              | 7,981              |
| Retirement  | 8,309              | 5,984              |
| Maintenance and repairs                           | 54,898             | 33,493             |
| Professional fees                                 | 15,717             | 15,236             |
| Utilities and telephone                           | 29,681             | 24,807             |
| General insurance                                 | 17,303             | 4,515              |
| Group health insurance                            | 31,815             | 22,012             |
| Office expense                                    | 4,985              | 2,773              |
| Supplies and parts                                | 44,934             | 33,019             |
| Garbage collection fees                           | 73,685             | 76,348             |
| Auto and truck expense                            | 3,148              | 2,186              |
| Depreciation expense                              | 178,990            | 156,101            |
| Dues and fees                                     | 1,679              | 535                |
| Engineering fees                                  | 6,635              | -                  |
| Computer service                                  | 5,042              | 6,062              |
| Meals, lodging and travel                         | 449                | 639                |
| Miscellaneous                                     | 247                | 542                |
| Allocation of general and administrative expenses | -                  | -                  |
| Total operating expenses                          | <u>605,122</u>     | <u>483,271</u>     |
| Operating loss                                    | <u>(331,667)</u>   | <u>(228,733)</u>   |
| Nonoperating revenues (expenses):                 |                    |                    |
| Interest income                                   | 1,928              | 1,659              |
| Interest expense                                  | (55,181)           | -                  |
| Total nonoperating revenues (expenses)            | <u>(53,253)</u>    | <u>1,659</u>       |
| Loss before contributions and operating transfers | <u>(384,920)</u>   | <u>(227,074)</u>   |
| Capital contributions                             | <u>744,750</u>     | <u>642,000</u>     |
| Transfers in:                                     |                    |                    |
| Transfer from 1969 Sales Tax Fund                 | 93,827             | 80,972             |
| Transfer from 1983 Sales Tax Fund                 | 144,000            | 86,420             |
| Transfer from General Fund                        | 55,080             | 6,000              |
| Total transfers in                                | <u>292,907</u>     | <u>173,392</u>     |
| Change in net assets                              | 652,737            | 588,318            |
| Net assets, beginning                             | <u>3,594,311</u>   | <u>3,005,993</u>   |
| Net assets, ending                                | <u>\$4,247,048</u> | <u>\$3,594,311</u> |

| Water               |                     | Sewerage            |                    | Sanitation         |                    | General Administration |                 |
|---------------------|---------------------|---------------------|--------------------|--------------------|--------------------|------------------------|-----------------|
| 2004                | 2003                | 2004                | 2003               | 2004               | 2003               | 2004                   | 2003            |
| \$ 97,481           | \$ 92,294           | \$ 100,548          | \$ 87,932          | \$ 74,667          | \$ 73,777          | \$ -                   | \$ -            |
| 759                 | 535                 | -                   | -                  | -                  | -                  | -                      | -               |
| <u>98,240</u>       | <u>92,829</u>       | <u>100,548</u>      | <u>87,932</u>      | <u>74,667</u>      | <u>73,777</u>      | -                      | -               |
| 27,299              | 49,113              | 55,704              | 9,203              | -                  | -                  | 35,189                 | 32,722          |
| 2,870               | 4,829               | 4,184               | 697                | -                  | -                  | 2,359                  | 2,455           |
| 5,665               | 3,704               | 728                 | -                  | -                  | -                  | 1,916                  | 2,280           |
| 34,129              | 20,040              | 20,769              | 13,453             | -                  | -                  | -                      | -               |
| 2,413               | 2,702               | 3,540               | 5,176              | -                  | -                  | 9,764                  | 7,358           |
| 13,738              | 11,897              | 15,482              | 12,910             | -                  | -                  | 461                    | -               |
| 14,984              | 2,111               | 2,319               | 2,404              | -                  | -                  | -                      | -               |
| 5,637               | 5,879               | 19,822              | 9,143              | -                  | -                  | 6,356                  | 6,990           |
| 2,729               | 1,430               | 353                 | 1,176              | -                  | -                  | 1,903                  | 167             |
| 37,224              | 21,911              | 7,710               | 11,108             | -                  | -                  | -                      | -               |
| -                   | -                   | -                   | -                  | 73,685             | 76,348             | -                      | -               |
| 1,574               | 1,093               | 1,574               | 1,093              | -                  | -                  | -                      | -               |
| 105,617             | 106,343             | 73,373              | 49,758             | -                  | -                  | -                      | -               |
| 1,124               | 360                 | 555                 | 175                | -                  | -                  | -                      | -               |
| 6,101               | -                   | 534                 | -                  | -                  | -                  | -                      | -               |
| -                   | -                   | -                   | -                  | -                  | -                  | 5,042                  | 6,062           |
| 228                 | 639                 | 221                 | -                  | -                  | -                  | -                      | -               |
| 149                 | 303                 | -                   | -                  | -                  | -                  | 98                     | 239             |
| <u>22,712</u>       | <u>25,057</u>       | <u>23,343</u>       | <u>19,813</u>      | <u>17,033</u>      | <u>13,403</u>      | <u>(63,088)</u>        | <u>(58,273)</u> |
| <u>284,193</u>      | <u>257,411</u>      | <u>230,211</u>      | <u>136,109</u>     | <u>90,718</u>      | <u>89,751</u>      | -                      | -               |
| <u>\$ (185,953)</u> | <u>\$ (164,582)</u> | <u>\$ (129,663)</u> | <u>\$ (48,177)</u> | <u>\$ (16,051)</u> | <u>\$ (15,974)</u> | <u>\$ -</u>            | <u>\$ -</u>     |

**INTERNAL CONTROL  
AND  
COMPLIANCE**

**KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA\*  
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Victor R. Slaven, CPA\*  
Conrad O. Chapman, CPA\*  
P. Troy Courville, CPA\*  
Gerald A. Thibodeaux, Jr., CPA\*

Robert S. Carter, CPA  
Allen J. LaBry, CPA  
Harry J. Clostio, CPA  
Al Leger, CPA  
Penny Angelle Scruggins, CPA  
Christine L. Cousin, CPA  
Mary T. Thibodeaux, CPA  
Kelly M. Doucet, CPA  
Kenneth J. Rachal, CPA  
Cheryl L. Bartley, CPA, CVA  
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AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

**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 John Lagneaux, Mayor  
and members of the Board of Aldermen  
Town of Duson, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Duson, Louisiana as of and for the year ended December 31, 2004, which collectively comprise the Town's basic financial statements and have issued our report thereon dated April 1, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town of Duson's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying summary schedule of current and prior year audit findings and corrective action plan as item 04-1(IC).

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. Our consideration of the internal control over financial reporting would not necessarily disclose all 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, we believe the reportable condition described above is a material weakness.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Duson's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards

However, we noted a certain matter that we reported to the management of the Town of Duson, Louisiana in a separate letter dated April 1, 2005.

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

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Lafayette, Louisiana  
April 1, 2005

**KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC**  
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable John Lagneaux, Mayor  
And Members of the Board of Aldermen  
Town of Duson, Louisiana

Compliance

We have audited the compliance of the Town of Duson, Louisiana (the Town) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2004. The Town's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

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

In our opinion, the Town complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2004.

Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties. However, this report is a matter of public record and its distribution is not limited.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Lafayette, Louisiana  
April 1, 2005

TOWN OF DUSON, LOUISIANA

Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2004

| <u>Federal Grantor/Pass-Through<br/>Grantor/Program Name</u>  | <u>CFDA<br/>Number</u> | <u>Revenue<br/>Recognized</u> | <u>Expenditures</u> |
|---|------------------------|-------------------------------|---------------------|
| Department of Agriculture-<br>Rural Utilities Service:<br>Water and Waste Disposal Systems for<br>Rural Communities | 10.760                 | \$ 868,750                    | \$ 868,750          |
| Department of Justice-<br>Law Enforcement Block Grants Program  | 16.592                 | <u>3,497</u>                  | <u>3,497</u>        |
| Total   |                        | <u>\$ 872,247</u>             | <u>\$ 872,247</u>   |

TOWN OF DUSON, LOUISIANA

Notes to Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2004

(1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Town of Duson (the Town). The Town's reporting entity is defined in Note 1 to the basic financial statements for the fiscal year ended December 31, 2004. All federal financial assistance received directly from federal agencies is included on the schedule as well as federal financial assistance passed through other government agencies. The United States Department of Agriculture, Rural Utilities Service Water and Waste Disposal Systems for Rural Communities Program was considered a major federal program of the Town for the fiscal year ended December 31, 2004.

(2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Town's financial statements for the year ended December 31, 2004.

TOWN OF DUSON, LOUISIANA

Schedule of Findings and Questioned Costs  
Year Ended December 31, 2004

Part I. Summary of Auditors' Results:

1. An unqualified opinion was issued on the financial statements.
2. One reportable condition in internal control was disclosed by the audit of the financial statements. This reportable condition was considered to be a material weakness.
3. No reportable conditions in internal control over the major program were disclosed by the audit of the financial statements.
4. No instances of noncompliance were disclosed by the audit of the financial statements.
5. An unqualified opinion was issued on compliance for the major program.
6. The audit disclosed no audit findings required to be reported under Section 510(a) of Circular A-133.
7. The major program was the U.S. Department of Agriculture Rural Utilities Service Water and Waste Disposal Systems for Rural Communities Program.
8. The dollar threshold used to distinguish between Type A and Type B programs, as described in Section 520(b) of Circular A-133 was \$300,000.
9. The auditee did not qualify as a low-risk auditee under Section 530 of Circular A-133.

Part II. Findings which are required to be reported in accordance with generally accepted Governmental Auditing Standards:

A. Compliance Findings-

There were no compliance findings for the fiscal year ended December 31, 2004.

B. Internal Control Findings --

See internal control finding 04-1(IC) on Summary Schedule of Current and Prior Year Audit Findings and Corrective Action Plan.

Part III. Findings and questioned costs for Federal awards which include audit findings as defined in Section 510(a) of Circular A-133:

There are no findings required to be reported under the above guidance.

TOWN OF DUSON, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings  
and Corrective Action Plan  
For the Year Ended December 31, 2004

| Ref. No.                          | Fiscal Year Finding Initially Occurred | Description of finding   | Corrective Action Taken | Corrective Action Planned  | Name of Contact Person         | Anticipated Completion Date |
|-----------------------------------|--|--|-------------------------|--|--------------------------------|-----------------------------|
| <u>CURRENT YEAR (12/31/04) --</u> |  |  |                         |  |                                |                             |
| <u>Internal Control:</u>          |  |  |                         |  |                                |                             |
| 04-1(IC)                          | N/A                                    | Due to the small number of employees, the Town did not have adequate segregation of functions within the accounting system.  | Yes                     | The Town performs the following procedures: 1) Separating cash receipts and deposit functions from recording functions. 2) Reviewing current personnel and implementing thorough background checks on the hiring of all personnel. 3) The Town's elected officials are actively involved in monitoring daily operations of the accounting staff. | Harriet O'Brien,<br>Town Clerk | Long-term                   |
| 04-1(ML)                          | 2004                                   | The Utility Fund water, sewerage, and sanitation departments experienced operating losses. The Town should consider increasing these utility rates and/or decreasing expenses in order for the departments to operate on a profitable basis. | Partial                 | Town officials will closely monitor operations in the utility departments to ascertain where expenses can be reduced and will evaluate the rate fees.  | Harriet O'Brien,<br>Town Clerk | 12/31/2005                  |
| <u>Compliance:</u>                |  |  |                         |  |                                |                             |
| 03-1(C)                           | 2003                                   | The local depositing institution did not have adequate securities pledged at December 31, 2003 to cover the portion of the Town's bank balances not insured by FDIC.   | Yes                     | Subsequent to December 31, 2003, additional securities were pledged to secure the Town's deposits. The Town intends to monitor the amount of securities pledged on a monthly basis to insure that it remains adequate.   | Harriet O'Brien,<br>Town Clerk | 12/31/2004                  |
| 03-2(C)                           | 2003                                   | The Town is charging an amount in excess of the limit allowed by RS 26:274(3) for alcohol permits.   | Yes                     | Subsequent to December 31, 2003, the Town began charging the allowed amount to those purchasing alcohol permits.   | Harriet O'Brien,<br>Town Clerk | 12/31/2004                  |
| 03-3(C)                           | 2003                                   | Court costs in excess of the maximum allowed by RS 33:441(A) are being charged.  | Yes                     | Subsequent to December 31, 2003, the Town began charging the allowed amount for court costs.   | Harriet O'Brien,<br>Town Clerk | 12/31/2004                  |

(continued)

TOWN OF DUSON, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings (continued)  
and Corrective Action Plan  
For the Year Ended December 31, 2004

| <u>Ref. No.</u>          | <u>Fiscal Year Finding Initially Occurred</u> | <u>Description of finding</u>  | <u>Corrective Action Taken</u> | <u>Corrective Action Planned</u>   | <u>Name of Contact Person</u>  | <u>Anticipated Completion Date</u> |
|--------------------------|---|--|--------------------------------|--|--------------------------------|------------------------------------|
| 03-4(C)                  | 2003  | The Town violated RS 38:2212.1 of the public bid law by failing to advertise for bids on purchases of a police car and tractor/backhoe that exceeded \$20,000. | Yes                            | The Town concurs with this finding and will comply with the public bid law by advertising for purchases exceeding \$20,000 to comply with RS 38:1221.1.  | Harriet O'Brien,<br>Town Clerk | 12/31/2004                         |
| <u>Internal Control:</u> |   |  |                                |  |                                |                                    |
| 03-1(IC)                 | N/A   | Due to the small number of employees, the Town did not have adequate segregation of functions within the accounting system.                                    | Yes                            | The Town performs the following procedures: 1) Separating cash receipts and deposit functions from recording functions. 2) Reviewing current personnel and implementing thorough background checks on the hiring of all personnel. 3) The Town's elected officials are actively involved in monitoring daily operations of the accounting staff. | Harriet O'Brien,<br>Town Clerk | Long-term                          |

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## MANAGEMENT LETTER

The Honorable John Lagneaux, Mayor  
and Members of the Board of Aldermen  
Town of Duson, Louisiana

During our audit of the basic financial statements of the Town of Duson for the year ended December 31, 2004, we noted an area in which the efficiency and effectiveness of the operations of the Town could be improved.

The Utility Fund water, sewerage, and sanitation departments experienced operating losses. The Town should consider increasing these utility rates and/or decreasing expenses in order for the departments to operate on a profitable basis.

We would like to express our appreciation to you and your staff, particularly your office staff, for the courtesies and assistance rendered to us in the performance of our audit. Should you have any questions or need assistance, please feel free to contact us.

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Lafayette, Louisiana  
April 1, 2005

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