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**TOWN OF DUSON, LOUISIANA**

**Financial Report**

**Year Ended December 31, 2003**

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

Release Date 6.2.04

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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, 2003, 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, 2003, 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 a report dated April 23, 2004 on our consideration of the Town of Duson's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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.

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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 58 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 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 23, 2004

**BASIC FINANCIAL STATEMENTS**

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

TOWN OF DUSON, LOUISIANA

Statement of Net Assets  
December 31, 2003

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and interest-bearing deposits	\$ 640,619	\$ 178,010	\$ 818,629
Investments	465,784	74,719	540,503
Receivables, net	79,326	36,537	115,863
Due from other governmental units	86,311	398,682	484,993
Prepaid items	<u>15,938</u>	<u>11,251</u>	<u>27,189</u>
Total current assets	<u>1,287,978</u>	<u>699,199</u>	<u>1,987,177</u>
Noncurrent assets:			
Restricted assets:			
Cash and interest-bearing deposits	-	14,948	14,948
Investments	-	18,195	18,195
Capital assets:			
Land and construction in progress	-	1,902,912	1,902,912
Capital assets, net	<u>1,211,262</u>	<u>2,687,547</u>	<u>3,898,809</u>
Total noncurrent assets	<u>1,211,262</u>	<u>4,623,602</u>	<u>5,834,864</u>
Total assets	<u>2,499,240</u>	<u>5,322,801</u>	<u>7,822,041</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts and other payables	24,290	424,485	448,775
Bond anticipation notes payable	-	1,266,000	1,266,000
Accrued interest	-	4,862	4,862
Total current liabilities	<u>24,290</u>	<u>1,695,347</u>	<u>1,714,775</u>
Noncurrent liabilities:			
Customer deposits payable	<u>-</u>	<u>33,143</u>	<u>33,143</u>
Total liabilities	<u>24,290</u>	<u>1,728,490</u>	<u>1,752,780</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,211,262	3,324,459	4,535,721
Unrestricted	<u>1,263,688</u>	<u>269,852</u>	<u>1,533,540</u>
Total net assets	<u>\$2,474,950</u>	<u>\$3,594,311</u>	<u>\$6,069,261</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, 2003

	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
		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	\$ 291,886	\$ 89,215	\$ -	\$ -	\$ (202,671)	\$ -	\$ (202,671)
Public safety:							
Police	226,533	78,666	-	-	(147,867)	-	(147,867)
Fire	23,847	-	-	-	(23,847)	-	(23,847)
Streets	253,967	-	9,982	11,399	(232,586)	-	(232,586)
Parks and recreation	688	-	-	-	(688)	-	(688)
<b>Total governmental activities</b>	<b>796,921</b>	<b>167,881</b>	<b>9,982</b>	<b>11,399</b>	<b>(607,659)</b>	<b>-</b>	<b>(607,659)</b>
<b>Business-type activities:</b>							
Water	257,411	92,294	-	26,750	-	(138,367)	(138,367)
Sewer	136,109	87,932	-	615,250	-	567,073	567,073
Sanitation	89,751	73,777	-	-	-	(15,974)	(15,974)
<b>Total business-type activities</b>	<b>483,271</b>	<b>254,003</b>	<b>-</b>	<b>642,000</b>	<b>-</b>	<b>412,732</b>	<b>412,732</b>
<b>Total</b>	<b>\$1,280,192</b>	<b>\$421,884</b>	<b>\$ 9,982</b>	<b>\$653,399</b>	<b>(607,659)</b>	<b>412,732</b>	<b>(194,927)</b>
<b>General revenues:</b>							
<b>Taxes -</b>							
Property taxes, levied for general purposes					27,934	-	27,934
Sales and use taxes, levied for general purposes					437,740	-	437,740
Franchise taxes					67,821	-	67,821
Grants and contributions not restricted to specific programs -							
State sources					450,513	-	450,513
Interest and investment earnings					4,592	1,659	6,251
Miscellaneous					147,660	535	148,195
Transfers					(173,392)	173,392	-
<b>Total general revenues and transfers</b>					<b>962,868</b>	<b>175,586</b>	<b>1,138,454</b>
Change in net assets					355,209	588,318	943,527
Net assets - January 1, 2003					2,119,741	3,005,993	5,125,734
Net assets - December 31, 2003					\$2,474,950	\$3,594,311	\$6,069,261

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, 2003

	<u>General</u>	<u>1969 Sales Tax Special Revenue</u>	<u>1983 Sales Tax Special Revenue</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and interest-bearing deposits	\$ 19,588	\$ 216,685	\$ 404,346	\$ 640,619
Investments	457,464	8,320	-	465,784
Receivables:				
Taxes	21,880	17,277	17,277	56,434
Other	22,892	-	-	22,892
Due from other governmental units	86,311	-	-	86,311
Prepaid items	15,938	-	-	15,938
Total assets	<u>\$ 624,073</u>	<u>\$ 242,282</u>	<u>\$ 421,623</u>	<u>\$ 1,287,978</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 14,435	\$ -	\$ -	\$ 14,435
Accrued liabilities	9,855	-	-	9,855
Total liabilities	<u>24,290</u>	<u>-</u>	<u>-</u>	<u>24,290</u>
Fund balances -				
Reserved for prepaid items	15,938	-	-	15,938
Unreserved, undesignated	583,845	242,282	421,623	1,247,750
Total fund balances	<u>599,783</u>	<u>242,282</u>	<u>421,623</u>	<u>1,263,688</u>
Total liabilities and fund balances	<u>\$ 624,073</u>	<u>\$ 242,282</u>	<u>\$ 421,623</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, 2003

Total fund balances for governmental funds at December 31, 2003		\$ 1,263,688
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 \$62,772 accumulated depreciation	395,047	
Infrastructure, net of \$281,053 accumulated depreciation	531,639	
Equipment and vehicles net of \$291,099 accumulated depreciation	<u>221,749</u>	<u>1,211,262</u>
Total net assets of governmental activities at December 31, 2003		<u>\$2,474,950</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  
For the Year Ended December 31, 2003

	<u>General</u>	<u>1969 Sales Tax Special Revenue</u>	<u>1983 Sales Tax Special Revenue</u>	<u>Total</u>
<b>Revenues:</b>				
Taxes	\$ 95,755	\$ 218,870	\$ 218,870	\$ 533,495
Licenses and permits	89,215	-	-	89,215
Intergovernmental	471,894	-	-	471,894
Fines and forfeits	78,666	-	-	78,666
Miscellaneous	<u>151,926</u>	<u>209</u>	<u>117</u>	<u>152,252</u>
<b>Total revenues</b>	<u>887,456</u>	<u>219,079</u>	<u>218,987</u>	<u>1,325,522</u>
<b>Expenditures:</b>				
Current -				
General government	263,827	4,355	3,605	271,787
Public safety:				
Police	206,488	-	-	206,488
Fire	21,038	-	-	21,038
Streets	213,844	-	-	213,844
Parks and recreation	202	-	-	202
Capital outlay	<u>130,868</u>	<u>-</u>	<u>-</u>	<u>130,868</u>
<b>Total expenditures</b>	<u>836,267</u>	<u>4,355</u>	<u>3,605</u>	<u>844,227</u>
Excess of revenues over expenditures	<u>51,189</u>	<u>214,724</u>	<u>215,382</u>	<u>481,295</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	-
Transfers out	<u>(6,000)</u>	<u>(80,972)</u>	<u>(86,420)</u>	<u>(173,392)</u>
<b>Total other financing sources (uses)</b>	<u>(6,000)</u>	<u>(80,972)</u>	<u>(86,420)</u>	<u>(173,392)</u>
<b>Net changes in fund balances</b>	45,189	133,752	128,962	307,903
Fund balances, beginning	<u>554,594</u>	<u>108,530</u>	<u>292,661</u>	<u>955,785</u>
Fund balances, ending	<u>\$ 599,783</u>	<u>\$ 242,282</u>	<u>\$ 421,623</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, 2003

Total net changes in fund balances at December 31, 2003 per Statement of Revenues, Expenditures and Changes in Fund Balances		\$ 307,903
The change in net assets reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay which is considered expenditures on Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 130,868	
Depreciation expense for the year ended December 31, 2003	<u>(83,562)</u>	<u>47,306</u>
Total changes in net assets at December 31, 2003 per Statement of Activities		<u>\$ 355,209</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, 2003 and 2002

	<u>Utility Enterprise Fund</u>	
	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and interest-bearing deposits	\$ 178,010	\$ 114,230
Investments	74,719	73,471
Receivables:		
Accounts	36,537	38,811
Due from other governmental units	398,682	-
Prepaid items	11,251	2,423
Total current assets	<u>699,199</u>	<u>228,935</u>
<b>Noncurrent assets:</b>		
Restricted assets -		
Cash and interest-bearing deposits	14,948	11,846
Investments	18,195	18,424
Capital assets:		
Land and construction in progress	1,902,912	-
Other capital assets, net of accumulated depreciation	2,687,547	2,791,824
Total noncurrent assets	<u>4,623,602</u>	<u>2,822,094</u>
Total assets	<u>5,322,801</u>	<u>3,051,029</u>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable	18,952	13,007
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	6,851	1,759
Payable from restricted assets -		
Customers' deposits	33,143	30,270
Total current liabilities	<u>1,728,490</u>	<u>45,036</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	3,324,459	2,791,824
Unrestricted	269,852	214,169
Total net assets	<u>\$3,594,311</u>	<u>\$3,005,993</u>

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



TOWN OF DUSON, LOUISIANA

Statement of Revenues, Expenses, and Changes in Fund Net Assets -  
 Proprietary Fund  
 For the Years Ended Ended December 31, 2003 and 2002

	Utility Enterprise Fund	
	2003	2002
Operating revenues:		
Charges for services -		
Water charges	\$ 92,294	\$ 129,510
Sewer service charges	87,932	107,335
Sanitation charges	73,777	73,376
Miscellaneous	535	615
Total operating revenues	<u>254,538</u>	<u>310,836</u>
Operating expenses:		
Salaries	91,038	78,260
Payroll taxes	7,981	7,118
Retirement	5,984	-
General insurance	4,515	6,226
Auto and truck expense	2,186	2,894
Utilities and telephone	24,807	28,471
Maintenance and repairs	33,493	45,236
Supplies and parts	33,019	24,672
Hurricane clean-up	-	8,253
Office expense	2,773	5,041
Garbage collection fees	76,348	66,403
Contract labor	-	3,599
Depreciation expense	156,101	154,409
Dues and fees	535	394
Professional fees	15,236	17,103
Computer service	6,062	5,028
Engineering fees	-	21,875
Group health insurance	22,012	18,864
Meals, lodging and travel	639	428
Miscellaneous	542	1,550
Total operating expenses	<u>483,271</u>	<u>495,824</u>
Operating loss	<u>(228,733)</u>	<u>(184,988)</u>

(continued)

TOWN OF DUSON, LOUISIANA

Statement of Revenues, Expenses, and Changes in Fund Net Assets (Continued) -  
 Proprietary Fund  
 For the Years Ended December 31, 2003 and 2002

	<u>Utility Enterprise Fund</u>	
	<u>2003</u>	<u>2002</u>
Nonoperating revenues (expenses):		
Interest income	1,659	2,541
Interest expense	-	<u>(2,839)</u>
Total nonoperating revenues (expenses)	<u>1,659</u>	<u>(298)</u>
Loss before contributions and transfers	<u>(227,074)</u>	<u>(185,286)</u>
Capital contributions	<u>642,000</u>	<u>-</u>
Transfers in:		
Transfer from 1969 Sales Tax Fund	80,972	97,784
Transfer from 1983 Sales Tax Fund	86,420	20,000
Transfer from General Fund	<u>6,000</u>	<u>7,044</u>
Total transfers in	<u>173,392</u>	<u>124,828</u>
Change in net assets	588,318	(60,458)
Net assets, beginning	<u>3,005,993</u>	<u>3,066,451</u>
Net assets, ending	<u>\$3,594,311</u>	<u>\$3,005,993</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, 2003 and 2002

	<u>Utility Enterprise Fund</u>	
	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Receipts from customers	\$ 256,277	\$ 288,648
Payments to suppliers	(225,942)	(261,149)
Payments to employees	(99,019)	(85,378)
Other receipts	535	615
Net cash used by operating activities	<u>(68,149)</u>	<u>(57,264)</u>
Cash flows from noncapital financing activities:		
Cash received from other funds	-	25,000
Operating transfers from other funds	173,392	124,828
Net cash provided by noncapital financing activities	<u>173,392</u>	<u>149,828</u>
Cash flows from capital and related financing activities:		
Principal paid on revenue bonds and notes payable	-	(125,726)
Interest and fiscal charges paid on revenue bonds and notes payable	-	(2,839)
Increase in customer deposits payable	2,873	12,808
Increase in accrued interest on bond anticipation note	4,862	-
Acquisition of property, plant and equipment	(1,954,736)	(18,967)
Proceeds from grants	642,000	19,894
Proceeds from bond anticipation notes	1,266,000	-
Net cash used by capital and related financing activities	<u>(39,001)</u>	<u>(114,830)</u>
Cash flows from investing activities:		
Purchase of investments	(1,019)	(1,650)
Interest on investments	1,659	2,541
Net cash provided by investing activities	<u>640</u>	<u>891</u>
Net increase (decrease) in cash and cash equivalents	66,882	(21,375)
Cash and cash equivalents, beginning of period	<u>126,076</u>	<u>147,451</u>
Cash and cash equivalents, end of period	<u>\$ 192,958</u>	<u>\$ 126,076</u>

(continued)

TOWN OF DUSON, LOUISIANA

Statement of Cash Flows  
 Proprietary Fund - (Continued)  
 For the Years Ended December 31, 2003 and 2002

	<u>Utility Enterprise Fund</u>	
	<u>2003</u>	<u>2002</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (228,733)	\$ (184,988)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	156,101	154,409
Changes in current assets and liabilities:		
(Increase) decrease in accounts receivable	2,274	(231)
Increase in due from other governmental units	(398,682)	-
Increase in prepaid items	(8,828)	(1,107)
Increase in accounts payable	5,945	2,325
Increase (decrease) in contracts payable	339,684	(26,985)
Increase in retainage payable	58,998	-
Increase (decrease) in accrued liabilities	5,092	(687)
Total adjustments	<u>160,584</u>	<u>127,724</u>
Net cash used by operating activities	<u>\$ (68,149)</u>	<u>\$ (57,264)</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	\$ 16,217	\$ 7,896
Interest-bearing deposits - unrestricted	98,013	17,126
Cash - restricted	11,846	7,341
Interest-bearing deposits - restricted	-	115,088
Total cash and cash equivalents	<u>126,076</u>	<u>147,451</u>
Cash and cash equivalents, end of period -		
Cash - unrestricted	40,396	16,217
Interest-bearing deposits - unrestricted	137,614	98,013
Cash - restricted	14,948	11,846
Total cash and cash equivalents	<u>192,958</u>	<u>126,076</u>
Net increase (decrease)	<u>\$ 66,882</u>	<u>\$ (21,375)</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, 2003, 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, 2003. 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, 2003.

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 primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Sales Tax	See Note 3

## TOWN OF DUSON, LOUISIANA

### Notes to Basic Financial Statements (Continued)

The Town uses unrestricted resources only when restricted resources are fully depleted.

#### 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, 2003, interest in the amount of \$4,862 on bond anticipation note was capitalized.

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, 2003, taxes of 7.73 mills were levied on property with assessed valuations totaling \$3,613,720 and were dedicated for general corporate purposes.

Total taxes levied were \$27,934. Taxes receivable at December 31, 2003, consisted of the following:

Taxes receivable - current roll	\$ 15,525
Taxes receivable - prior roll	<u>6,355</u>
	<u>\$ 21,880</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 (2003 collections \$218,870; 2002 collections \$182,038) 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 (2003 collections \$218,870; 2002 collections \$182,038) 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, 2003, the Town had cash and interest-bearing deposits (book balances) totaling \$833,577 as follows:

Demand deposits	\$689,834
Savings and money market accounts	<u>143,743</u>
Total	<u>\$833,577</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, 2003 were secured as follows:

Bank balances	<u>\$ 917,323</u>
Federal deposit insurance	\$ 200,000
Pledged securities (Category 3)	<u>541,250</u>
Total FDIC insurance and pledged securities	<u>741,250</u>
Deficiency of FDIC insurance and pledged securities over bank balances	<u>\$(176,073)</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 \$558,698 at December 31, 2003 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, 2003 of \$115,863 consist of the following:

	General	1969 Sales Tax	1983 Sales Tax	Utility	Total
Accounts	\$ -	\$ -	\$ -	\$36,537	\$ 36,537
Taxes:					
Ad valorem	21,880	-	-	-	21,880
Sales tax	-	17,277	17,277	-	34,554
Franchise tax	9,345	-	-	-	9,345
Oil royalties	13,547	-	-	-	13,547
Totals	\$44,772	\$17,277	\$17,277	\$36,537	\$115,863

(7) Due from Other Governmental Units

Amounts due from other governmental units at December 31, 2003 consisted of the following:

General Fund:

Amount due from State of Louisiana for grass cutting revenues earned during fiscal year ending December 31, 2003. \$ 2,486

Amount due from the State of Louisiana for video poker receipts for the months of November and December 31, 2003. 81,863

Amount due from the State of Louisiana for beer tax revenues earned during fiscal year ending December 31, 2003. 1,962

Proprietary Fund:

Amount due from United States Department of Agriculture for sewer system improvements. 398,682

\$484,993

(8) Restricted Assets - Proprietary Fund Type

Restricted assets of \$33,143 consisted of the following at December 31, 2003:

Customers' deposits:

Cash \$ 14,948

Investments 18,195

\$ 33,143



TOWN OF DUSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

(9) Capital Assets

Capital asset activity for the year ended December 31, 2003 was as follows:

	<u>Balance</u> <u>01/01/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/03</u>
<b>Governmental activities:</b>				
Land	\$ 62,827	\$ -	\$ -	\$ 62,827
Buildings and improvements	456,859	960	-	457,819
Infrastructure	803,076	9,616	-	812,692
Equipment and vehicles	<u>408,972</u>	<u>120,292</u>	<u>16,416</u>	<u>512,848</u>
<b>Totals</b>	<u>1,731,734</u>	<u>130,868</u>	<u>16,416</u>	<u>1,846,186</u>
<b>Less accumulated depreciation</b>				
Buildings and improvements	50,902	11,870	-	62,772
Infrastructure	257,811	23,242	-	281,053
Equipment and vehicles	<u>259,065</u>	<u>48,450</u>	<u>16,416</u>	<u>291,099</u>
<b>Total accumulated depreciation</b>	<u>567,778</u>	<u>83,562</u>	<u>16,416</u>	<u>634,924</u>
<b>Governmental activities, capital assets, net</b>	<u>\$ 1,163,956</u>	<u>\$ 47,306</u>	<u>\$ -</u>	<u>\$ 1,211,262</u>
<b>Business-type activities:</b>				
Land	\$ 40,030	\$ -	\$ -	\$ 40,030
Plant and equipment - water system	2,376,937	34,340	1,588	2,409,689
Plant and equipment - sewer system	2,064,610	-	-	2,064,610
Office equipment	<u>19,190</u>	<u>17,484</u>	<u>217</u>	<u>36,457</u>
<b>Totals</b>	<u>4,500,767</u>	<u>51,824</u>	<u>1,805</u>	<u>4,550,786</u>
<b>Less accumulated depreciation</b>				
Plant and equipment - water system	882,459	104,180	-	986,639
Plant and equipment - sewer system	813,445	49,758	1,588	861,615
Office equipment	<u>13,039</u>	<u>2,163</u>	<u>217</u>	<u>14,985</u>
<b>Total accumulated depreciation</b>	<u>1,708,943</u>	<u>156,101</u>	<u>1,805</u>	<u>1,863,239</u>
<b>Business-type activities, capital assets, net</b>	<u>\$ 2,791,824</u>	<u>\$(104,277)</u>	<u>\$ -</u>	<u>\$ 2,687,547</u>

TOWN OF DUSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

Depreciation expense was charged to governmental activities as follows:

General government	\$ 20,177
Police	20,045
Fire	2,809
Streets	40,044
Park and recreation	<u>487</u>
Total depreciation expense	<u>\$ 83,562</u>

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

Water	\$ 106,343
Sewerage	<u>49,758</u>
Total depreciation expense	<u>\$ 156,101</u>

(10) Accounts and Other Payables

The accounts and other payables consisted of the following at December 31, 2003:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts	\$ 14,435	\$ 18,952	\$ 33,387
Payroll withholdings	3,149	3,150	6,299
Contracts and retainage	-	398,682	398,682
Compensated absences	948	1,851	2,799
Other liabilities	<u>5,758</u>	<u>1,850</u>	<u>7,608</u>
Totals	<u>\$ 24,290</u>	<u>\$ 424,485</u>	<u>\$ 448,775</u>

(11) 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

TOWN OF DUSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

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, 2003 and 2002, 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, 2003 and 2002, amounted to \$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.

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.

## TOWN OF DUSON, LOUISIANA

### Notes to Basic Financial Statements (Continued)

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 7.75%. 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 year ending December 31, 2003 were \$16,992, equal to the required contributions for the 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:

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 15.25% of annual covered payroll. The contribution requirements of plan members and the City 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 year ending December 31, 2003 were \$14,080, equal to the required contributions for the year.

TOWN OF DUSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

(12) Segment Information for the Enterprise Fund

The Town of Duson maintains one enterprise fund with four departments which provide water, sewerage and sanitation services. Segment information for the year ended December 31, 2003, was as follows:

	<u>Water Department</u>	<u>Sewerage Department</u>	<u>Sanitation Department</u>	<u>Total Enterprise Fund</u>
Operating revenues	\$ 92,829	\$ 87,932	\$ 73,777	\$ 254,538
Operating expenses	<u>257,411</u>	<u>136,109</u>	<u>89,751</u>	<u>483,271</u>
Operating loss	<u>\$(164,582)</u>	<u>\$(48,177)</u>	<u>\$(15,974)</u>	<u>\$(228,733)</u>

(13) Compensation of Town Officials

A detail of compensation paid to the Mayor and Board of Aldermen for the year ended December 31, 2003 follows:

John Lagneaux, Mayor	\$31,822
Aldermen:	
Dwayne Bowers	7,963
Jimmy Champagne	8,759
Eugene Caharin	7,963
Alvin Felix	7,963
Gerald Alleman	<u>7,963</u>
	<u>\$72,432</u>

(14) Pending Litigation

At December 31, 2003, there were two lawsuits pending against the Town; however, management has been advised by legal counsel that there is no liability for the Town.

(15) 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.

TOWN OF DUSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

(16) Interfund Transactions

Transfers consisted of the following at December 31, 2003:

	Operating Transfers In	Operating Transfers Out
<b>Governmental Funds:</b>		
General Fund	\$ -	\$ 6,000
1969 Sales Tax Special Revenue Fund	-	80,972
1983 Sales Tax Special Revenue Fund	-	86,420
<b>Proprietary Fund:</b>		
Enterprise Fund	173,392	-
<b>Total</b>	<b>\$ 173,392</b>	<b>\$ 173,392</b>

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.

(17) Subsequent Event

On April 8, 2003 the Town authorized the issuance of \$1,266,000 of Sewer Revenue Bonds. The bonds will bear interest at 4.50% per annum and are anticipated to be issued on February 12, 2004.

**REQUIRED SUPPLEMENTARY INFORMATION**

TOWN OF DUSON, LOUISIANA  
General Fund

Budgetary Comparison Schedule  
For the Year Ended December 31, 2003  
With Actual Balances for the Year ended December 31, 2002

	2003			Variance with Final Budget Positive (Negative)	2002
	Budget		Actual		
	Original	Final			
<b>Revenues:</b>					
Taxes	\$ 92,800	\$ 88,400	\$ 95,755	\$ 7,355	\$ 85,091
Licenses and permits	85,000	84,000	89,215	5,215	86,935
Intergovernmental	464,973	446,573	471,894	25,321	483,033
Fines and forfeits	115,000	86,900	78,666	(8,234)	83,331
Miscellaneous	89,100	169,800	151,926	(17,874)	118,834
Total revenues	<u>846,873</u>	<u>875,673</u>	<u>887,456</u>	<u>11,783</u>	<u>857,224</u>
<b>Expenditures:</b>					
Current -					
General government	250,150	264,535	263,827	708	195,316
Public safety:					
Police	191,650	210,865	206,488	4,377	180,520
Fire	9,150	21,216	21,038	178	8,542
Streets	227,100	214,695	213,844	851	274,467
Parks and recreation	2,900	325	202	123	909
Capital outlay	190,000	131,292	130,868	424	158,146
Total expenditures	<u>870,950</u>	<u>842,928</u>	<u>836,267</u>	<u>6,661</u>	<u>817,900</u>
Excess (deficiency) of revenues over expenditures	<u>(24,077)</u>	<u>32,745</u>	<u>51,189</u>	<u>18,444</u>	<u>39,324</u>
<b>Other financing sources (uses):</b>					
Transfer from 1969 Sales Tax Fund	-	-	-	-	85,000
Transfer from 1983 Sales Tax Fund	-	-	-	-	64,000
Transfer to Utility Fund	-	-	(6,000)	(6,000)	(7,044)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(6,000)</u>	<u>(6,000)</u>	<u>141,956</u>
Net changes in fund balance	<u>(24,077)</u>	<u>32,745</u>	<u>45,189</u>	<u>12,444</u>	<u>181,280</u>
Fund balance, beginning	<u>554,594</u>	<u>554,594</u>	<u>554,594</u>	<u>-</u>	<u>373,314</u>
Fund balance, ending	<u>\$ 530,517</u>	<u>\$ 587,339</u>	<u>\$ 599,783</u>	<u>\$ 12,444</u>	<u>\$ 554,594</u>



TOWN OF DUSON, LOUISIANA  
General Fund

Budgetary Comparison Schedule - Revenues  
For the Year Ended December 31, 2003  
With Actual Amounts For the Year Ended December 31, 2002

	2003			Variance with Final Budget Positive (Negative)	2002
	Budget		Actual		
	Original	Final			
<b>Taxes:</b>					
Ad valorem	\$ 24,000	\$ 24,500	\$ 27,934	\$ 3,434	\$ 24,358
Franchise - electric	57,000	53,500	56,988	3,488	50,003
Franchise - gas	7,300	7,000	7,070	70	5,908
Franchise - cable tv	4,500	3,400	3,763	363	4,822
Total taxes	<u>92,800</u>	<u>88,400</u>	<u>95,755</u>	<u>7,355</u>	<u>85,091</u>
Occupational licenses	<u>85,000</u>	<u>84,000</u>	<u>89,215</u>	<u>5,215</u>	<u>86,935</u>
<b>Intergovernmental:</b>					
Federal Emergency Mgmt. Assistance	-	-	-	-	88,773
State of Louisiana - State grants	2,500	17,500	11,399	(6,101)	6,450
Beer taxes	7,500	4,100	7,226	3,126	5,593
Grass cutting	4,973	4,973	9,982	5,009	4,973
Video poker revenue	450,000	420,000	443,287	23,287	377,244
Total intergovernmental	<u>464,973</u>	<u>446,573</u>	<u>471,894</u>	<u>25,321</u>	<u>483,033</u>
Fines and forfeits	<u>115,000</u>	<u>86,900</u>	<u>78,666</u>	<u>(8,234)</u>	<u>83,331</u>
<b>Miscellaneous:</b>					
Oil royalties	75,000	160,200	138,808	(21,392)	107,665
Donation	6,500	-	-	-	-
Interest income	-	4,200	4,266	66	5,590
Rent income	3,600	3,600	5,725	2,125	3,775
Other sources	4,000	1,800	3,127	1,327	1,804
Total miscellaneous	<u>89,100</u>	<u>169,800</u>	<u>151,926</u>	<u>(17,874)</u>	<u>118,834</u>
<b>Total revenues</b>	<u>\$ 846,873</u>	<u>\$ 875,673</u>	<u>\$ 887,456</u>	<u>\$ 11,783</u>	<u>\$ 857,224</u>

TOWN OF DUSON, LOUISIANA  
General Fund

Budgetary Comparison Schedule - Expenditures  
For the Year Ended December 31, 2003  
With Actual Amounts for the Year Ended December 31, 2002

	2003			Variance with Final Budget Positive (Negative)	2002
	Budget		Actual		
	Original	Final			
<b>Current:</b>					
<b>General government -</b>					
Salaries	\$ 117,500	\$ 128,600	\$ 128,672	\$ (72)	\$ 69,949
Payroll taxes	11,750	9,835	12,500	(2,665)	7,479
Retirement	7,000	3,500	5,871	(2,371)	-
Group health insurance	15,000	16,500	16,552	(52)	11,953
General insurance	17,500	16,000	11,688	4,312	23,495
Utilities	9,500	8,000	8,781	(781)	8,728
Telephone	6,000	8,500	8,810	(310)	6,789
Meetings and conventions	1,500	1,500	1,545	(45)	1,684
Meals, lodging and travel	4,500	7,000	7,616	(616)	5,448
Advertising	7,000	7,000	6,181	819	5,350
Computer services	4,500	1,500	-	1,500	1,304
Repairs and maintenance	11,500	8,000	5,334	2,666	10,279
Auto expenditures	900	1,500	1,395	105	795
Professional fees	14,500	25,000	29,613	(4,613)	22,433
Training and education	500	700	854	(154)	465
Office expenditures	15,000	14,000	13,353	647	15,966
Uniforms	3,000	1,500	929	571	1,477
Janitorial services	500	400	250	150	5
Miscellaneous	2,500	5,500	3,883	1,617	1,717
Total general government	<u>250,150</u>	<u>264,535</u>	<u>263,827</u>	<u>708</u>	<u>195,316</u>
<b>Public safety -</b>					
<b>Police:</b>					
Salaries	100,000	108,000	112,715	(4,715)	97,795
Payroll taxes	10,000	8,265	9,521	(1,256)	7,956
Retirement	8,750	13,100	14,080	(980)	-
General insurance	9,500	9,500	7,139	2,361	8,741
Group health insurance	21,000	21,000	19,684	1,316	19,829
Repairs and maintenance	9,500	13,500	14,292	(792)	13,100
Professional fees	9,000	9,000	4,092	4,908	9,248
Supplies	500	1,000	1,115	(115)	1,735
Utilities	3,000	4,000	3,681	319	2,277
Telephone	6,500	7,500	6,327	1,173	7,165
Auto expenditures	8,000	8,000	7,989	11	7,346
Office supplies	1,900	4,000	3,445	555	1,901
Uniforms	2,000	1,000	277	723	1,564
Miscellaneous	2,000	3,000	2,131	869	1,863
Total police	<u>191,650</u>	<u>210,865</u>	<u>206,488</u>	<u>4,377</u>	<u>180,520</u>

(continued)

TOWN OF DUSON, LOUISIANA  
General Fund

Budgetary Comparison Schedule - Expenditures (Continued)  
For the Year Ended December 31, 2003  
With Actual Amounts for the Year Ended December 31, 2002

	2003			Variance with Final Budget Positive (Negative)	2002
	Budget		Actual		
	Original	Final			
<b>Fire:</b>					
General insurance	750	750	-	750	930
Utilities	4,350	5,300	6,155	(855)	4,001
Telephone	1,900	1,750	1,721	29	1,611
Supplies and materials	150	6,416	6,327	89	-
Volunteer fire department	2,000	7,000	6,835	165	2,000
<b>Total fire</b>	<u>9,150</u>	<u>21,216</u>	<u>21,038</u>	<u>178</u>	<u>8,542</u>
<b>Total public safety</b>	<u>200,800</u>	<u>232,081</u>	<u>227,526</u>	<u>4,555</u>	<u>189,062</u>
<b>Streets -</b>					
Salaries	110,000	87,700	82,674	5,026	94,062
Payroll taxes	11,000	6,710	6,294	416	7,146
Retirement	6,500	3,185	5,137	(1,952)	-
General insurance	4,500	6,500	3,357	3,143	1,357
Group health insurance	19,500	25,000	25,905	(905)	18,727
Professional services	3,500	3,500	2,368	1,132	2,904
Supplies, materials and repairs	50,000	56,700	60,339	(3,639)	54,054
Auto and truck expenditures	3,000	3,000	3,443	(443)	3,003
Utilities	17,500	18,900	18,727	173	16,923
Telephone	300	2,000	3,451	(1,451)	380
Office expenditures	300	1,000	924	76	269
Miscellaneous	1,000	500	665	(165)	1,072
Hurricane clean-up	-	-	560	(560)	74,570
<b>Total streets</b>	<u>227,100</u>	<u>214,695</u>	<u>213,844</u>	<u>851</u>	<u>274,467</u>
<b>Parks and recreation -</b>					
Utilities	700	300	202	98	538
Repairs and maintenance	2,200	25	-	25	371
<b>Total parks and recreation</b>	<u>2,900</u>	<u>325</u>	<u>202</u>	<u>123</u>	<u>909</u>
<b>Capital outlay:</b>					
<b>General government -</b>					
Equipment	15,000	15,602	11,254	4,348	17,706
Land	-	-	-	-	5,000
Building	-	-	-	-	95,184
Building improvement - City Hall	-	-	960	(960)	-

(continued)

TOWN OF DUSON, LOUISIANA  
General Fund

Budgetary Comparison Schedule - Expenditures (Continued)  
For the Year Ended December 31, 2003  
With Actual Amounts for the Year Ended December 31, 2002

	2003			Variance with Final Budget Positive (Negative)	2002
	Original Budget	Final Budget	Actual		
Capital outlay (continued):					
Public safety -					
Police:					
Equipment	10,000	9,068	8,773	295	9,684
Automobile	-	21,615	20,033	1,582	-
Parks and recreation -	15,000	-	-	-	-
Streets -					
Equipment	80,000	56,284	61,391	(5,107)	-
Automobile	20,000	19,675	18,841	834	-
Sidewalks	50,000	9,048	9,616	(568)	30,572
Total capital outlay	<u>190,000</u>	<u>131,292</u>	<u>130,868</u>	<u>424</u>	<u>158,146</u>
Total expenditures	<u>\$ 870,950</u>	<u>\$ 842,928</u>	<u>\$ 836,267</u>	<u>\$ 6,661</u>	<u>\$ 817,900</u>

TOWN OF DUSON, LOUISIANA  
1969 Sales Tax Special Revenue Fund

Budgetary Comparison Schedule  
For the Year Ended December 31, 2003  
With Actual Amounts for the Year Ended December 31, 2002

	2003			Variance with Final Budget Positive (Negative)	2002
	Budget		Actual		
	Original	Final			
<b>Revenues:</b>					
Sales taxes	\$ 180,000	\$ 210,000	\$ 218,870	\$ 8,870	\$ 182,038
Interest	500	250	209	(41)	291
Total revenues	<u>180,500</u>	<u>210,250</u>	<u>219,079</u>	<u>8,829</u>	<u>182,329</u>
<b>Expenditures:</b>					
General government -					
Collection fees	800	860	869	(9)	871
Professional fees	4,500	4,500	3,486	1,014	4,187
Total general government	<u>5,300</u>	<u>5,360</u>	<u>4,355</u>	<u>1,005</u>	<u>5,058</u>
Excess of revenues over expenditures	<u>175,200</u>	<u>204,890</u>	<u>214,724</u>	<u>9,834</u>	<u>177,271</u>
<b>Other financing uses:</b>					
Transfer to General Fund	-	-	-	-	(85,000)
Transfer to Utility Fund	(90,000)	(90,000)	(80,972)	9,028	(97,784)
Total other financing uses	<u>(90,000)</u>	<u>(90,000)</u>	<u>(80,972)</u>	<u>9,028</u>	<u>(182,784)</u>
Net changes in fund balance	85,200	114,890	133,752	18,862	(5,513)
Fund balance, beginning	<u>108,530</u>	<u>108,530</u>	<u>108,530</u>	-	<u>114,043</u>
Fund balance, ending	<u>\$ 193,730</u>	<u>\$ 223,420</u>	<u>\$ 242,282</u>	<u>\$ 18,862</u>	<u>\$ 108,530</u>

TOWN OF DUSON, LOUISIANA  
1983 Sales Tax Special Revenue Fund

Budgetary Comparison Schedule  
For the Year Ended December 31, 2003  
With Actual Amounts for the Year Ended December 31, 2002

	2003			Variance with Final Budget Positive (Negative)	2002
	Budget		Actual		
	Original	Final			
<b>Revenues:</b>					
Sales taxes	\$180,000	\$210,000	\$218,870	\$ 8,870	\$182,038
Interest	300	125	117	(8)	143
<b>Total revenues</b>	<u>180,300</u>	<u>210,125</u>	<u>218,987</u>	<u>8,862</u>	<u>182,181</u>
<b>Expenditures:</b>					
<b>General government -</b>					
Collection fees	800	860	869	(9)	871
Professional fees	1,500	2,500	2,736	(236)	513
<b>Total general government</b>	<u>2,300</u>	<u>3,360</u>	<u>3,605</u>	<u>(245)</u>	<u>1,384</u>
<b>Excess of revenues     over expenditures</b>	<u>178,000</u>	<u>206,765</u>	<u>215,382</u>	<u>8,617</u>	<u>180,797</u>
<b>Other financing uses:</b>					
Transfer to General Fund	-	-	-	-	(64,000)
Transfer to Utility Fund	(40,000)	(140,000)	(86,420)	53,580	(20,000)
<b>Total other financing uses</b>	<u>(40,000)</u>	<u>(140,000)</u>	<u>(86,420)</u>	<u>53,580</u>	<u>(84,000)</u>
<b>Net changes in fund balance</b>	138,000	66,765	128,962	62,197	96,797
Fund balance, beginning	<u>292,661</u>	<u>292,661</u>	<u>292,661</u>	-	<u>195,864</u>
Fund balance, ending	<u>\$430,661</u>	<u>\$359,426</u>	<u>\$421,623</u>	<u>\$ 62,197</u>	<u>\$292,661</u>

**OTHER SUPPLEMENTARY INFORMATION**

**COMPLIANCE  
AND  
INTERNAL CONTROL**



# KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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CERTIFIED PUBLIC ACCOUNTANTS  
  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

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

\* A Professional Accounting Corporation

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, 2003, which collectively comprise the Town's basic financial statements and have issued our report thereon dated April 23, 2004. 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.

### Compliance

As part of obtaining reasonable assurance about whether the Town's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of 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 instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs as items 03-1(C), 03-2(C), 03-3(C), and 03-4(C).

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance 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 03-1(IC).

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A material weakness is a 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 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.

We also noted other matters involving the internal control over financial reporting that we have reported to management of the Town in a separate letter dated April 23, 2004.

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 23, 2004

# 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, 2003. 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, 2003.

### 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 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 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 23, 2004

TOWN OF DUSON, LOUISIANA

Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2003

<u>Federal Grantor/Pass-Through Grantor/Program Name</u>	<u>CFDA Number</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>
Department of Agriculture- Rural Utilities Service: Water and Waste Disposal Systems for Rural Communities	10.760	\$1,281,250	\$1,281,250
Department of Housing and Urban Development- Community Planning and Development: Community Development Block Grants/ State's Program	14.228	<u>609,750</u>	<u>609,750</u>
Total		<u>\$1,891,000</u>	<u>\$1,891,000</u>

TOWN OF DUSON, LOUISIANA

Notes to Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2003

(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, 2003. 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, 2003.

(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, 2003.

TOWN OF DUSON, LOUISIANA

Schedule of Findings and Questioned Costs  
Year Ended December 31, 2003

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. Four 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-

See compliance findings 03-1(C), 03-2(C), 03-3(C), and 03-4(C), on Summary Schedule of Current and Prior Year Audit Findings and Corrective Action Plan.

B. Internal Control Findings -

See internal control finding 03-1(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, 2003

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 (12/31/03) --</u>						
<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, 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, 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, Town Clerk	12/31/2004
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 law by advertising for purchases exceeding \$20,000 to comply with RS 38:1221.1.	Harriet O'Brien, 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, Town Clerk	Long-term

(continued)



TOWN OF DUSON, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings  
and Corrective Action Plan (Continued)  
For the Year Ended December 31, 2003

Ref. No.	Fiscal Year Finding Initially Occurred	Description of finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
02-1(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 is implementing 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) Assessing the cost of adding additional surety bond coverage for additional personnel. 4) The Town's elected officials are actively involved in monitoring daily operations of the accounting staff.	Harriet O'Brien, Town Clerk	Long-term

TOWN OF DUSON, LOUISIANA  
Enterprise Fund  
Utility Fund

Schedule of Number of Utility Customers  
(Unaudited)  
December 31, 2003 and 2002

Records maintained by the Town indicated the following number of customers were being serviced during the months of December, 2003 and 2002:

<u>Department</u>	<u>2003</u>	<u>2002</u>
Water (metered)	618	602
Sewer	561	544
Sanitation	517	512

TOWN OF DUSON, LOUISIANA

Schedule of Insurance in Force  
(Unaudited)  
December 31, 2003

<u>Description of Coverage</u>	<u>Coverage Amounts</u>
Workmen's Compensation - Employer's liability	\$ 100,000
Buildings and contents: 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 - Fire and light, extended coverage, vandalism 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 Changes in Fund Net Assets -  
For the Year Ended December 31, 2003  
With Actual Balance for the Year Ended December 31, 2002

	Total	
	2003	2002
Operating revenues:		
Customer service charges	\$ 254,003	\$ 310,221
Miscellaneous	535	615
Total operating revenues	<u>254,538</u>	<u>310,836</u>
Operating expenses:		
Salaries	91,038	78,260
Payroll taxes	7,981	7,118
Retirement	5,984	-
Maintenance and repairs	33,493	45,236
Professional fees	15,236	17,103
Utilities and telephone	24,807	28,471
General insurance	4,515	6,226
Group health insurance	22,012	18,864
Office expense	2,773	5,041
Supplies and parts	33,019	24,672
Hurricane clean-up	-	8,253
Garbage collection fees	76,348	66,403
Auto and truck expense	2,186	2,894
Contract labor	-	3,599
Depreciation expense	156,101	154,409
Dues and fees	535	394
Engineering fees	-	21,875
Computer service	6,062	5,028
Meals, lodging and travel	639	428
Miscellaneous	542	1,550
Allocation of general and administrative expenses	-	-
Total operating expenses	<u>483,271</u>	<u>495,824</u>
Operating income (loss)	<u>(228,733)</u>	<u>(184,988)</u>
Nonoperating revenues (expenses):		
Interest income	1,659	2,541
Interest expense	-	(2,839)
Total nonoperating revenues (expenses)	<u>1,659</u>	<u>(298)</u>
Loss before contributions and operating transfers	<u>(227,074)</u>	<u>(185,286)</u>
Capital contributions	<u>642,000</u>	<u>-</u>
Transfers in:		
Transfer from 1969 Sales Tax Fund	80,972	97,784
Transfer from 1983 Sales Tax Fund	86,420	20,000
Transfer from General Fund	6,000	7,044
Total transfers in	<u>173,392</u>	<u>124,828</u>
Change in net assets	588,318	(60,458)
Net assets, beginning	<u>3,005,993</u>	<u>3,066,451</u>
Net assets, ending	<u>\$3,594,311</u>	<u>\$3,005,993</u>

Water		Sewerage		Sanitation		General Administration	
2003	2002	2003	2002	2003	2002	2003	2002
\$ 92,294	\$ 129,510	\$ 87,932	\$ 107,335	\$ 73,777	\$ 73,376	\$ -	\$ -
535	615	-	-	-	-	-	-
<u>92,829</u>	<u>130,125</u>	<u>87,932</u>	<u>107,335</u>	<u>73,777</u>	<u>73,376</u>	<u>-</u>	<u>-</u>
49,113	20,724	9,203	15,286	-	-	32,722	42,250
4,829	2,681	697	1,162	-	-	2,455	3,275
3,704	-	-	-	-	-	2,280	-
20,040	36,363	13,453	8,873	-	-	-	-
2,702	1,807	5,176	6,877	-	-	7,358	8,419
11,897	8,680	12,910	19,791	-	-	-	-
2,111	5,219	2,404	1,007	-	-	-	-
5,879	4,285	9,143	4,860	-	-	6,990	9,719
1,430	1,627	1,176	2,627	-	-	167	787
21,911	15,468	11,108	9,204	-	-	-	-
-	-	-	-	-	-	-	8,253
-	-	-	-	76,348	66,403	-	-
1,093	1,093	1,093	1,801	-	-	-	-
-	-	-	3,599	-	-	-	-
106,343	105,543	49,758	48,866	-	-	-	-
360	150	175	244	-	-	-	-
-	-	-	21,875	-	-	-	-
-	-	-	-	-	-	6,062	5,028
639	428	-	-	-	-	-	-
303	879	-	-	-	-	239	671
<u>25,057</u>	<u>32,929</u>	<u>19,813</u>	<u>26,657</u>	<u>13,403</u>	<u>18,816</u>	<u>(58,273)</u>	<u>(78,402)</u>
<u>257,411</u>	<u>237,876</u>	<u>136,109</u>	<u>172,729</u>	<u>89,751</u>	<u>85,219</u>	<u>-</u>	<u>-</u>
<u>\$ (164,582)</u>	<u>\$ (107,751)</u>	<u>\$ (48,177)</u>	<u>\$ (65,394)</u>	<u>\$ (15,974)</u>	<u>\$ (11,843)</u>	<u>\$ -</u>	<u>\$ -</u>

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## MANAGEMENT LETTER

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

We have completed our audit of the basic financial statements of the Town of Duson for the year ended December 31, 2003 and submit the following suggestions for your information and consideration in improving the efficiency and effectiveness of the operations of the Town of Duson's office.

1. The Town should review its policies with regard to the collection of fines and the time it allows violators to pay fines. These policies should be reviewed with input from the Town magistrate to ensure effectiveness of the policies.
2. The Town should review its policies with regard to reimbursement of auto expenses to the mayor. The council should implement an ordinance that outlines the method and amount of expenses that will be reimbursed.
3. The Town should review its policies regarding expenditure of drug forfeiture revenues. This should be done with input from the police chief so as to ensure proper disposition of these funds for law enforcement.

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

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

Lafayette, Louisiana  
April 23, 2004

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