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TOWN OF BRUSLY, LOUISIANA  
ANNUAL FINANCIAL REPORT  
AS OF JUNE 30, 2004 AND FOR THE YEAR THEN ENDED

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 11-17-04

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*Certified Public Accountant*



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**INDEPENDENT AUDITOR'S REPORT**

August 5, 2004

To the Honorable Mayor and Members of the Board of Aldermen  
Town of Brusly, Louisiana

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Brusly as of and for the year ended June 30, 2004, which collectively comprises the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express an opinion of these basic financial statements based on my audit.

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

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Brusly as of June 30, 2004, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Town of Brusly has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis-For State and Local Governments, as of June 30, 2004.

The budgetary comparison information on pages 38 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

The Town of Brusly, Louisiana has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with Government Auditing Standards, I have also issued a report dated August 5, 2004, on our consideration of Tonw of Brusly's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

A handwritten signature in cursive script, appearing to read 'R. D. P. Willis', written in dark ink on a white background.

**TOWN OF BRUSLY, LOUISIANA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2004**

	<u>PRIMARY GOVERNMENT</u>		
	<u>GOVERNMENTAL</u>	<u>BUSINESS-TYPE</u>	<u>TOTAL</u>
	<u>ACTIVITIES</u>	<u>ACTIVITIES</u>	
<b><u>ASSETS</u></b>			
Cash	\$400,612	\$139,608	\$540,220
Investments	864,098	-0-	864,098
Net Receivables	120,469	15,394	135,863
Internal Balances	246,583	(246,583)	-0-
Prepaid Expenses	71	-0-	71
Net Capital Assets	956,657	2,283,621	3,240,278
	<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>2,588,490</b>	<b>2,192,040</b>	<b>4,780,530</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b><u>LIABILITIES:</u></b>			
Notes Payable	\$-0-	\$639,307	\$639,307
Accounts Payable	14,538	-0-	14,538
Accrued Wages	14,543	-0-	14,543
Compensated Absences	17,711	-0-	17,711
Deferred Revenue	16,540	-0-	16,540
	<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<b>63,332</b>	<b>639,307</b>	<b>702,639</b>
	<hr/>	<hr/>	<hr/>
<b><u>NET ASSETS</u></b>			
Invested in Capital Assets, net of related debt	956,657	1,644,314	2,600,971
Reserved For:			
Debt Service	-0-	128,586	128,586
Unreserved-	1,568,501	(220,167)	1,348,334
	<hr/>	<hr/>	<hr/>
<b>TOTAL NET ASSETS</b>	<b>2,525,158</b>	<b>1,552,733</b>	<b>4,077,891</b>
	<hr/>	<hr/>	<hr/>
<b><u>TOTAL LIABILITIES AND</u></b>			
<b><u>NET ASSETS</u></b>	<b>2,588,490</b>	<b>2,192,040</b>	<b>4,780,530</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

**BRULSY, LOUISIANA**  
**Statement of Activities**  
**For the Year Ended June 30, 2004**

	Program Revenues			Net (Expenses) Revenues and Changes of Primary Government		
	Operating			Governmental Activities	Business-type Activities	Total
	Charges for Services	Grants and Contributions	Capital Grants & Contributions			
<b>Governmental Activities</b>						
General government	\$479,430	\$82,074	\$3,750	\$393,606	\$0	\$393,606
Public safety	351,668	180,889	31,431	139,348	0	139,348
Maintenance	240,246	0	0	240,246	0	240,246
Highway and street	122,774	0	0	102,774	0	102,774
Total Governmental Activities	1,194,118	262,963	35,181	875,974	0	875,974
<b>Business-type Activities</b>						
Sewer	242,650	189,153	0	0	53,497	53,497
Total Business-type Activities	242,650	189,153	0	0	53,497	53,497
Total Primary Government	1,436,768	452,116	35,181	875,974	53,497	929,471

<b>General Revenues:</b>		
Property taxes	16,854	0
Sales taxes	623,155	0
Franchise taxes	93,769	0
Other taxes	5,598	0
Gaming revenues	3,071	0
Grants and contributions not restricted	0	0
Investment earnings	23,728	942
Other general revenues	553	0
Special-Sale of Fixed Assets	8,150	0
Total general revenues and transfers	774,878	942

<b>Change in Net Assets</b>	<b>(101,096)</b>	<b>(52,555)</b>	<b>(153,651)</b>
Net assets-beginning	2,626,254	1,605,288	4,231,542
Net assets-ending	2,525,158	1,552,733	4,077,891

The accompanying notes are an integral part of this statement.

TOWN OF BRUSLY, LOUISIANA  
BALANCE SHEET  
GOVERNMENTAL FUNDS-GENERAL FUND  
JUNE 30, 2004

ASSETS

Cash	\$400,612
Investments	864,098
Net Receivables	120,469
Internal Balances	246,583
Prepaid Expenses	71
	<hr/>
TOTAL ASSETS	1,631,833
	<hr/> <hr/>

LIABILITIES:

Accounts Payable	\$14,538
Accrued Wages	14,543
Deferred Revenue	16,540
	<hr/>
TOTAL LIABILITIES	45,621
	<hr/>

NET ASSETS

Unreserved	1,586,212
	<hr/>
TOTAL NET ASSETS	1,586,212
	<hr/>

TOTAL LIABILITIES AND  
NET ASSETS

1,631,833

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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.



TOWN OF BRUSLY, LOUISIANA  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE  
TO THE GOVERNMENT-WIDE FINANCIAL STATEMENT OF NET ASSETS  
JUNE 30, 2004

Amounts reported for governmental activities in the  
Statement of Net Assets are different because:

Total Governmental Fund Balance	\$1,586,212
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funs.	956,657
Some expense reported in the statement of activities such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in government funds.	<u>(17,711)</u>
Net Assets of Governmental Activities	<u><u>2,525,158</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

**TOWN OF BRUSLY, LOUISIANA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS-GENERAL FUND**  
**YEAR ENDED JUNE 30, 2004**

**REVENUES:**

Taxes	\$739,376
Intergovernmental	28,416
Licenses & Permits	82,074
Fines	180,889
Grants	3,750
Investment Income	23,728
Other	553
Sale of Fixed Assets	8,150
Other	26,086
	1,093,022
Total Revenues	1,093,022

**EXPENDITURES**

General Government	456,861
Public Safety	307,348
Maintenance	225,067
Highway And Streets	122,774
Capital Outlay	78,349
	1,190,399
Total Expenditures/Expenses	1,190,399
Excess of General Revenues Over Expenditures	(97,377)

**CHANGES IN NET ASSETS**

**FUND BALANCES/NET ASSETS**

BEGINNING OF YEAR	1,683,589
	1,683,589
END OF YEAR	1,586,212
	1,586,212

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF BRUSLY, LOUISIANA  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2004

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances-Total Governmental Funds	\$(97,377)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
	13,992
Some expense reported in the statement of activities such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
	(17,711)
Changes in Net Assets of Governmental Activities	(101,096)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF BRUSLY, LOUISIANA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2004

	<u>BUSINESS-TYPE ACTIVITY</u> <u>SEWER</u>
<b><u>ASSETS</u></b>	
Cash	\$139,608
Accounts Receivable	15,394
Net Capital Assets	2,283,621
<b>TOTAL ASSETS</b>	<u>2,438,623</u>
 <b><u>LIABILITIES:</u></b>	
Bonds Payable	\$639,307
Internal Balances	246,583
<b>TOTAL LIABILITIES</b>	<u>885,890</u>
 <b><u>NET ASSETS</u></b>	
Invested in Capital Assets, net of related debt	1,644,314
Reserved For:	
Utility Assistance	139,608
Unreserved-	(231,189)
<b>TOTAL NET ASSETS</b>	<u>1,552,733</u>
<b><u>TOTAL LIABILITIES AND</u></b> <b><u>NET ASSETS</u></b>	<u>2,438,623</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

**TOWN OF BRUSLY, LOUISIANA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	<b>BUSINESS-TYPE ACTIVITY SEWER</b>
<b>OPERATING REVENUES</b>	
Sewer User Fees	\$189,153
	<hr/>
<b>OPERATING EXPENSES</b>	
Personal Services	44,073
Repairs and Maintenance	40,937
Utilities	14,659
Contractual	1,838
Depreciation	107,059
	<hr/>
TOTAL OPERATING EXPENSES	208,566
	<hr/>
OPERATING INCOME (LOSS)	(19,413)
	<hr/>
<b>NON-OPERATING REVENUE (EXPENSES)</b>	
Interest on Investment	942
Interest Expense	(34,084)
	<hr/>
TOTAL NON-OPERATING REVENUE (EXPENSES)	(33,142)
	<hr/>
<b>NET INCOME (LOSS)</b>	(52,555)
<b>RETAINED EARNINGS (DEFICIT), July 1</b>	1,605,289
	<hr/>
<b>RETAINED EARNINGS (DEFICIT), June 30</b>	1,552,734
	<hr/> <hr/>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF BRUSLY, LOUISIANA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2004

BUSINESS-TYPE ACTIVITY  
SEWER

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash From Customers	\$187,885
Cash Paid To Employees	(44,073)
Cash Paid To Vendors	(95,383)

NET CASH PROVIDED BY OPERATING ACTIVITIES	48,429
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CASH FLOWS FROM CAPITAL AND INVESTING ACTIVITIES:

Purchase of Equipment	(-0-)
Principal Paid on Capital Debt	(14,434)
Interest Paid on Capital Debt	(33,581)

Net Cash used of Investing Activities	(48,015)
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NET INCREASE (DECREASE IN CASH)	414
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CASH AND CASH EQUIVALENTS, Beginning of Year	139,194
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CASH AND CASH EQUIVALENTS, End of Year	139,608
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RECONCILIATION OF NET INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Increase (Decrease) In Net Assets	\$(52,555)
Adjustments To Reconcile Increase In Net Assets To Net Cash Provided By Operating Activities:	
Depreciation	107,059
(Increase) Decrease In Operating Assets:	
Accounts Receivables	(1,269)
Increase (Decrease) In Operating Liabilities:	
Accounts Payable	-0-
Lease Payable	(4,806)

NET CASH PROVIDED BY OPERATING ACTIVITIES	48,429
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

**TOWN OF BRUSLY, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Purpose of the Town:**

The Town of Brusly, Louisiana, was incorporated in 1901 under the provisions of the "Lawrason Act" (Louisiana Revised Statutes (LRS) 33:321-481 of the Constitution of the State of Louisiana). The Town operates under the Board of Aldermen-Mayor form of government and provides the following services as permitted by the Constitution: police protection, streets and sidewalks, health and sanitation, public improvements, recreation, sponsorship of federal programs, and sewer utilities.

The area of the Town of Brusly, Louisiana, is approximately 2 square miles and the Town maintains 6 miles of streets. The population of the Town of Brusly, Louisiana is 2,020 based on the 2000 census and the Town employs approximately 20 persons serving approximately 760 sewer customers.

**b. Reporting Entity:**

As the governing authority of the town, for reporting purposes, the Town of Brusly is the reporting entity for the Town. Statement 14, The Reporting Entity, of Governmental Accounting and Financial Reporting Standards (GASB ) established criteria for determining which component units should be considered part of the Town of Brusly for financial reporting purposes. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency.

Other factors of the ability to exercise oversight responsibility include, but are not limited to, the selection of or appointment of governing boards, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Town and/or its residents or whether the activity is conducted within the geographic boundaries of the Town and is generally available to the citizens of the Town.

TOWN OF BRUSLY, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003

**b. PRINCIPLES DETERMINING SCOPE OF REPORTING ENTITY (Continued)**

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. The following criteria as explained previously were used to determine which components are part of the reporting entity:

1. Oversight responsibility
  - a. Appointment of governing boards
  - b. Designation of management
  - c. Ability to significantly influence operations
  - d. Accountability for fiscal matters
2. Scope of public service
3. Special financing relationships

Considerate in the determination of component units of the reporting entity were the West Baton Rouge Police Jury, West Baton Parish Sheriff, Clerk of Court, Tax Assessor and School Board; the District Attorney of the Eighteenth Judicial District and the various municipalities in the Parish. It was determined that these governmental entities are not component units of the Town of Brusly reporting entity.

With the exception of municipalities, all entities meet the scope of public service criteria. However, all are governed by independently elected officials. The Town oversight unit neither appoints governing boards nor designates management. Furthermore, the Town has no ability to significantly influence operations, nor does it have any accountability for fiscal matters of the entities. They are considered by the Town to be separate, autonomous governments and issue financial statements separate from those of the Town reporting entity.



TOWN OF BRUSLY, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Presentation of Statements:

The Town's statements are prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standard Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

The Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds; however, the Town has chosen not to do so because it does not have any business-type activities or enterprise funds. The more significant accounting policies established in GAAP and used by the Town are discussed below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. Certain of the significant changes in the statement include the following:

For the first time the financial statements include:

A Management Discussion and Analysis (MD&A) section providing an analysis of the Town's overall financial position and results of operations.

Governmental-Wide Financial statements prepared using full accrual accounting for all of the Town's activities.

A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Town has elected to implement the general provisions of the GASB Statement 34 in the current year.

TOWN OF BRUSLY, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Basic Financial Statements - Government-Wide Statements

The Town's basic financial statements include both Government-Wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the Government-Wide and Fund Financial Statements categorize primary activities as either governmental or business type. The Town's functions and programs have been classified as governmental activities. The Town does not have any business-type activities, fiduciary funds, or any component units that are fiduciary in nature. Accordingly, the Government-Wide financial statements do not include any of these activities or funds.

In the Government-Wide Statement of Net Assets, the governmental type activities column (a) is presented on a consolidated basis by column, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. 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 capital assets. Restricted net assets consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or reevaluations of other governments; or (2) law through constitutional provisions or enabling legislation. Unrestricted net assets include all other net assets that do not meet the definition of "restricted" of "invested in capital assets, net of related debt."

The Government-Wide Statement of Activities reports both the gross net cost of each of the Town's functions and significant programs. Many functions and programs are supported by general government revenues like intergovernmental revenues, and unrestricted investment income, particularly if the function or program has a net cost. The Statement of Activities begins by presenting gross direct and indirect expenses that include depreciation, and then reduces the expenses by related program revenues, such as operating and capital grants and contributions, to derive the net cost of each function or program. Program revenues must be directly associated with the function or program to be used directly offset its cost.

TOWN OF BRUSLY, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Basic Financial Statements - Government-Wide Statements

Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants. The Town did not receive any capital-specific grants this year.

The Government-Wide Statements focus upon the Town's ability to sustain operations and the change in its net assets resulting from the current year's activities.

e. Basic Financial Statements - Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the Fund Financial Statements. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are reported by generic classification within the financial statements.

The Town uses governmental fund types. The focus of the governmental funds' measurement (in the fund statements) is on determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than on net income. An additional emphasis is placed on major funds within the governmental fund types. A fund is considered major if it is the primary operating fund of the Town or if its total assets, liabilities, revenues or expenditures are at least 10% of the corresponding total for all funds of that category or type.

Governmental fund equity is called the fund balance. Fund balance is further classified as reserved and unreserved, with unreserved being further split into designated and undesignated. Reserved means that the fund balance is not available for expenditure because resources have already been expended (but not consumed), or a legally restriction has been placed on certain assets that makes them only available to meet future obligations. Designated fund balances result when management tentatively sets aside or earmarks certain resources to expend in a designated manner. In contrast to reserved fund balances, designated amounts can be changed at the discretion of management.

TOWN OF BRUSLY, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Basic Financial Statements - Government-Wide Statements

The following is a description of the governmental funds of the Town:

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 are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Proprietary Funds:

Proprietary Funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. Proprietary funds include:

Enterprise funds - are used to account for operations (a) that are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is 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.

f. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

TOWN OF BRUSLY, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Measurement Focus and Basis of Accounting

1. Accrual Basis - Government-Wide Financial Statements (GWFS)

The Statement of Net Assets and the Statement of Activities display information about the Town as a whole. Both of these statements have been prepared using the economic measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange takes place.

2. Modified Accrual Basis - Fund Financial Statements (FFS)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental funds types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers all revenues "available" if they are collected within 60 days after year end. Expenditures are generally recorded under modified accrual basis of accounting when the related liability is incurred. The exceptions to this general rule are that (1) unmatured principal and interest on long-term debt, if any, are recorded when due, and (2) claims and judgements and compensated absences are recorded as expenditures when paid expendable available financial resources.

g. Interfund Activities

Interfund activity is reported as either loans or transfers. Loans between funds are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. All other interfund transactions are treated as transfers. Transfers represent a permanent relocation of resources between funds. Transfers between funds are netted against one another as part of the reconciliation of the change in fund balances in the fund financial statements to the change in net assets in the Government-wide Financial Statements.

**TOWN OF BRUSLY, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**h. Cash and Cash Equivalents**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and petty cash. Cash equivalent include amounts in time deposits and those investments with original maturities of 90 days or less. Cash and cash equivalents are reported at their carrying amounts that equal their fair values.

**i. Prepaid Expenses/Expenditures**

Prepaid expenses include amounts paid for services in advance. These are shown as assets on the Government-Wide Statement of Net Assets. In the Fund Financial Statements, the Town has elected not to include amounts paid for future services as expenditures until those services are consumed to comply with the cost reimbursement terms of grant agreements. As a result, the prepaid expenditures are shown as an asset on the balance sheet of the Fund Financial Statements until they are consumed. In addition, a corresponding amount of the fund balance of the General Fund has been reserved to reflect the amount of fund balance not currently available for expenditure.

**j. Capital Assets**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets that have been purchased or acquired with an original cost of at least \$1000 and that have an estimated useful life of greater than one year. When purchased or acquired, these assets are recorded as capital assets in the Government-Wide Statement of Net Assets. In contrast, in the Fund Financial Statements, capital assets are recorded as expenditures of the fund that provide the resources to acquire the assets. If the asset purchased, it is recorded in the books at its cost. If the asset was donated, when it is recorded at its estimated fair market value at the date of donation.

For capital assets recorded in the Government-Wide Financial Statements, depreciation is computed and recorded using the straight-line method for the asset's estimated useful life. The estimated useful lives of the various classes of depreciable capital assets are as follows:

TOWN OF BRUSLY, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Capital Assets

Buildings	40 Years
Equipment	5-10 Years
Vehicles	5 Years
Computers	3 Years
Infrastructure	20-50 Years

Salvage values have not been established by management when calculating how much of an asset's cost needs to be depreciated.

Depreciation is not computed or recorded on capital assets for purposes of the Fund Financial Statements.

k. Unpaid Compensated Absences:

The Town's policies for vacation time permit employees to accumulate earned but unused vacation leave. Accordingly, a liability for the unpaid vacation leave has been recorded in the Government-Wide Statements. Management has estimated the current and long-term portions of this liability based on historical trends. The amount accrued as the compensated absence liability was determined using the number of vested vacation hours for each employee multiplied by the employee's wage rate in effect at the end of the year. An amount is added to this total for social security and medicare taxes. In contrast, the governmental funds in the Fund Financial Statements report only compensated absence liabilities that are payable from expendable available financial resources to the extent that the liabilities mature (or come due for payment). Vacation leave does not come due for payment until an employee makes a request to use it or terminates employment with the Town. Accordingly, no amounts have been accrued as fund liabilities as the year-end in the Fund Financial Statements. The differences in the methods of accruing compensated absences creates a reconciling item between the Fund and Government-Wide Financial Statement presentations.

The Town's sick leave policy does not provide for the vesting of sick leave thereby requiring the employee to be paid for any unused leave upon termination of employment. Accordingly, no amounts have been accrued as unpaid compensated absence in the Government-Wide Financial Statements relative to sick leave.

TOWN OF BRUSLY, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l. MANAGEMENT'S USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

m. Elimination and Reclassifications:

In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

n. Deferred Revenue:

The Town reports deferred revenues on its Statement of Net Assets and on the balance sheet of the Fund Financial Statements. Deferred Revenues arise when the Town receives resources before it has a legal claim to them, as when grant monies are received before the occurrence of qualifying expenditures. In subsequent periods, when the Town has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized.

**NOTE 2 - REVENUE RECOGNITION**

Revenues are recorded in the Government-Wide Statements when they are earned under the accrual basis of accounting.

Revenues are recorded in the Fund Financial Statements governmental using the modified accrual basis of accounting. In applying the susceptible to accrual concept using this basis of accounting, intergovernmental grant revenues, program service fees, and interest income are usually both measurable and available. However, the timing and amounts of the receipts of public support and miscellaneous revenues are often difficult to measure; therefore they are recorded as revenue in the period received.



TOWN OF BRUSLY, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

**NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Net Asset Deficit**

The proprietary fund has a unreserved net assets deficit as of **June 30, 2004**, in the amount of **\$(220,167)**; however, the investment in capital assets in the amount of **\$1,644,314** is more than enough to offset the deficit. Should it becomes necessary to extinguish the deficit, the General Fund has available a unreserved fund balance of **\$1,568,501** that could be transferred to the proprietary fund.

**NOTE 4 - LEVIED TAXES**

The following is a summary of authorized and levied ad valorem taxes for the year:

<u>FUND</u>	<u>LEVIED MILLS</u>	<u>EXPIRATION DATE</u>	<u>PROPERTY ASSESSED VALUATIONS</u>	<u>TAXES ASSESSED FOR GENERAL PURPOSE</u>
General Fund	2.16	Annual	\$7,816,200	\$17,103

A list of the principal taxpayers of the Town is not available, because a review of the tax roll revealed that most tax levies do not exceed \$30.

**NOTE 5 - CASH**

At year end, the carrying amount of the Town's cash balances on the books, which includes **\$750** of petty cash, was **\$540,220**, whereas the related bank cash balances totalled **\$573,618**. The difference in the book and bank balances for cash related primarily to deposits made and checks written which did not clear the bank accounts by year-end. **\$503,557** of the bank balances were covered by federal depository insurance or pledged securities, leaving **\$70,061** at risk. Accordingly, all bank deposits are classified as a "Category 1" credit risk in accordance with GASB Statement 3.

GASB Statement 3 categorizes deposits into three categories of credit risk:

1. Insured by FDIC or collateralized with securities held by the Town or by its agent in the Town's name. (Category 1)
2. Uninsured but collateralized with securities held by the pledging financial institution trust department or agent in the Town's name. (Category 2)

TOWN OF BRUSLY, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

**NOTE 5 - CASH** (Continued)

3. Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Town name; or collateralized with no written or approved collateral agreement. (Category 3)

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a legal 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.

Under state law, all bank deposits must be (1) secured by federal deposit insurance or by the pledge of securities owned by the fiscal agent bank, or (2) invested exclusively in instruments backed by the U.S. government. The fair value of the pledged securities plus the federal deposit insurance must always equal or exceed the amount on deposit with the fiscal agent.

**NOTE 6 - INVESTMENTS**

The Town investments are categorized to give an indication of the level of risk assumed by the Town at year-end. The categories are described as follows:

- Category A - Insured, registered, or securities held by the Town or in the Town's name.
- Category B - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Town's name.
- Category C - Uninsured and unregistered, with securities held by the counterparty's trust department or agent but not in the Town's name.

Investments, categorized by level of risk, are:

TOWN OF BRUSLY, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

NOTE 6 - INVESTMENTS (Continued)

	<u>CATEGORY</u> <u>1</u>	<u>CARRYING</u> <u>AMOUNT</u>	<u>FAIR</u> <u>VALUE</u>
Cash and Money Market	\$3,431	\$3,431	\$3,431
Mortgage Backed Securities	42,433	42,433	42,433
Government Bonds	782,569	782,569	782,569
Sub Total	828,433	828,433	828,433
State Treasurers Investment Pool		35,665	35,665
Total investments		864,098	864,098

State Treasurers Investment Pool held at **June 30, 2004**, consist of **\$35,665** in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB Codification Section I50.126, the investment in LAMP at **June 30, 2004**, is not categorized in the three risk categories provided by GASB Codification Section I50.125 because the investments is in the pool of funds and therefore 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. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is the provided a safe environment for the placement of public funds is short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955. 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.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A) (1) (h) which allows all municipalities, parishes, school boards, and any other political subdivision of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States Corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

TOWN OF BRUSLY, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

**NOTE 6 - INVESTMENTS** (Continued)

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

**NOTE 7 - RECEIVABLES**

**A. A Summary of Receivables as of June 30, 2004, Follows:**

<u>CLASS OF RECEIVABLE</u>	<u>GENERAL</u>	BUSINESS TYPE <u>ACTIVITY</u>	<u>TOTAL</u>
Franchise Taxes	\$34,249	\$-0-	\$34,249
Sales Taxes	47,745	-0-	47,745
Total Taxes Receivable	81,994	-0-	81,994
Accounts Receivable	12,389	15,394	27,783
Intergovernmental			
West Baton Rouge School Board	26,086	-0-	26,086
Total	120,469	15,394	135,863

Accounts receivable are written-off under the direct write-off method whereby bad debts are recorded when a receivable is deemed uncollectible. If they are subsequently collected they are recorded as miscellaneous income. The direct charge-off method is not a material departure from GAAP as it approximates the valuation method.

TOWN OF BRUSLY, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

NOTE 7 - RECEIVABLES (Continued)

B. Internal Balances (Due To/From Other Funds)

The following is a summary of Due To/From Other Funds:

<u>RECEIVABLE FUND</u>	<u>PAYABLE FUND</u>	<u>AMOUNT</u>
General Fund	Enterprise Fund	\$246,583
		<u><u>          </u></u>

NOTE 8. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended was as follows:

	<u>BEGINNING</u> <u>BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING</u> <u>BALANCE</u>
<b><u>Governmental Activities:</u></b>				
Not Being Depreciated				
Land	\$80,001	-0-	-0-	80,001
Other Capital Assets				
Buildings	766,512	\$-0-	\$-0-	766,512
Equipment	318,728	51,129	-0-	369,857
Infrastructure	-0-	78,352	-0-	78,352
Sub Total	1,085,240	129,481	-0-	1,214,721
Accumulated Depreciation				
Buildings	(82,916)	(4,364)	-0-	(87,280)
Equipment	(190,670)	(59,993)	-0-	(250,663)
Infrastructure	-0-	(122)	-0-	(122)
Sub Total	(273,586)	(64,479)	-0-	(338,065)
<b>Net Capital Assets</b>	<u>891,655</u>	<u>65,002</u>	<u>-0-</u>	<u>956,657</u>

Depreciation was charged to governmental activities as follows:

General Government	\$17,725
Public Safety	39,769
Maintenance	6,863
Highways and Streets	122
Total governmental activities depreciation expense	<u>64,479</u>

TOWN OF BRUSLY, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

NOTE 8. CHANGES IN CAPITAL ASSETS (Continued)

BUSINESS-TYPE ACTIVITIES:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
<b>Other Capital Assets:</b>				
Equipment	\$63,898	\$-0-	\$-0-	\$63,898
Sewer System	4,122,554	-0-	-0-	4,122,554
	<u>4,186,452</u>	<u>-0-</u>	<u>-0-</u>	<u>4,186,452</u>
<b>Accumulated Depreciation:</b>				
Equipment	(31,748)	(3,995)	-0-	(35,743)
Sewer System	(1,764,024)	(103,064)	-0-	(1,867,088)
	<u>(1,795,772)</u>	<u>(107,059)</u>	<u>-0-</u>	<u>(1,902,831)</u>
<b>Sub Total</b>	<u>(1,795,772)</u>	<u>(107,059)</u>	<u>-0-</u>	<u>(1,902,831)</u>
<b>Net Capital Assets</b>	<u>2,390,680</u>	<u>(107,059)</u>	<u>-0-</u>	<u>2,283,621</u>

Depreciation was charged to function as follows:

Sewer	<u>\$107,059</u>
-------	------------------

NOTE 9 - ACCOUNTS AND OTHER PAYABLES

The payables at year end follows:

	<u>GENERAL</u>	<u>ENTERPRISE</u>	<u>TOTAL</u>
Accounts Payable	\$14,538	\$-0-	\$14,538
Accrued Wages	14,543	-0-	14,543
Compensated Absences	17,711	-0-	17,711
	<u>46,792</u>	<u>-0-</u>	<u>46,792</u>
<b>Total</b>	<u>46,792</u>	<u>-0-</u>	<u>46,792</u>

TOWN OF BRUSLY, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

**NOTE 10 - REVENUE BONDS AND BOND ANTICIPATION NOTES PAYABLE**

The following is a summary of debt transactions for the fiscal year:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Revenue Bonds-GE	\$371,148	-0-	\$11,509	\$359,639
Revenue Bonds-FmHA	282,592	-0-	2,924	279,668
Total	<u>653,740</u>	<u>-0-</u>	<u>14,433</u>	<u>639,307</u>

Revenue Bond Payables at year end are comprised of:

\$505,000 Sewerage Revenue Bond Dated June 13, 1983; bearing interest at 5%; due in annual installments of interest only for years one and two and \$29,942 thereafter until principal and interest are fully paid =	<u>\$359,639</u>
\$300,000 Sewer Revenue Bonds dated September 10, 1996, bearing interest at 5.5%, due in monthly installments of principal and interest of \$1,548 for 480 months =	<u>279,668</u>
Total	<u>639,307</u>

The annual requirements to amortize the above debt outstanding, including interest follows:

<u>YEAR ENDED</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
June 30, 2005	\$15,191	\$33,318	\$48,509
June 30, 2006	15,972	32,537	48,509
June 30, 2007	16,793	31,716	48,509
June 30, 2008	17,657	30,852	48,509
June 30, 2009	19,683	30,852	48,509
Thereafter	<u>554,011</u>	<u>532,157</u>	<u>1,088,194</u>
Total	<u>639,307</u>	<u>691,432</u>	<u>1,330,739</u>

TOWN OF BRUSLY, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

**NOTE 11 - DEFERRED REVENUE**

The Town has deferred unspent funds for future periods or late arriving funds to **June 30, 2004**, as follows:

TCI Cable Franchise	\$16,540
	<u>          </u>

**NOTE 12 - FLOW OF FUNDS: RESTRICTIONS ON USE-SEWERAGE SYSTEM REVENUES**

**A. G M A C**

Under the terms of the bond resolution dated January 3, 1983, regarding revenue bonds dated June 13, 1983, all income and revenues (hereinafter referred to as revenue) of every nature, earned or derived from the operation of the Sewerage System are to be deposited as collected in a special bank account to be known as the "Sewer System Revenue Fund." Said fund is established to provide for the payment of reasonable and necessary expenses of operating and maintaining the system and make periodic transfers to the following funds:

1. Revenue Bond Sinking Fund

For each month after the delivery of the bonds, before the 20th of each month, there will be set aside a sum equal to 1/12 of the next maturing installment of principal and interest on outstanding bonds. Such transfers shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such purposes.

2. Revenue Bond Reserve Fund

For each month after the system becomes revenue producing, before the 20th day of each month, there will be set aside an amount equal to 5% of the principal and interest payments required for the sinking fund **until there shall have been accumulated in the reserve account an amount equal to the maximum interest and principal requirements in any succeeding fiscal year.** Such amounts may be used only for the payment of principal and interest installments for which sufficient funds are not on deposit in the sinking fund.

For each month after the completion of the project, before the 20th day of each month, there will be set aside the sum of \$188 until the amount of \$46,000 is deposited in the fund. Money in this fund may be used for paying cost of extraordinary repairs and replacements to the system which are necessary to keep the system in operating condition. Money in this fund may also be used to pay principal and interest on the bonds falling due at any time there is not sufficient money for payment in the other bond funds.



TOWN OF BRUSLY, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

**NOTE 12 - FLOW OF FUNDS: RESTRICTIONS ON USE-SEWERAGE SYSTEM REVENUES**  
(Continued)

All moneys remaining in the "Sewer System Revenue Fund", after all the required transfers are made and deficiencies have been remedied, may be used for the purpose of retiring bonds in advance of their maturities.

**B. FARMERS HOME ADMINISTRATION**

Under the terms of the bond resolution dated April 18, 1986, regarding revenue bonds dated September 10, 1986, all income and revenues (hereinafter referred to as revenue) of every nature, earned or derived from the operation of the Sewerage System are to be deposited as collected in a special bank account to be known as the "Sewer System Revenue Fund." Said fund is established to provide for the payment of reasonable and necessary expenses of operating and maintaining the system and make periodic transfers to the following funds:

1. Revenue Bond Sinking Fund

For each month after the delivery of the bonds, before the 20th of each month, there will be set aside a sum equal to 1/12 of the next maturing installment of principal and interest on outstanding bonds. Such transfers shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such purposes.

2. Revenue Bond Reserve Fund

For each month after the system becomes revenue producing, before the 20th of each month, there will be set aside an amount equal to 5% of the principal and interest payments required for the sinking fund until there shall have been accumulated in the reserve account an amount equal to the maximum interest and principal requirements in any succeeding fiscal year. Such amounts may be used only for the payment of principal and interest installments for which sufficient funds are not on deposit in the sinking fund.

3. Depreciation & Contingency Fund

For each month after the completion of the project, before the 20th day of each month, there will be set aside the sum of \$271. Money in this fund may be used for paying cost of extraordinary repairs and replacements to the system which are necessary to keep the system in operating condition. Money in this fund may also be used to pay principal and interest on the bonds falling due at any time there is not sufficient money for payment in the other bond funds.

**TOWN OF BRUSLY, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

**NOTE 13 - CHANGES IN ASSETS RESTRICTED FOR REVENUE BOND RETIREMENT**

	<u>G M A C</u>			<u>USDA-FMHA</u>		
	<u>RESERVE FOR BOND RETIRE</u>	<u>DEPREC AND CONTING</u>	<u>SINK- ING</u>	<u>RESERVE FOR BOND RETIRE</u>	<u>DEPREC AND CONTING</u>	<u>SINK- ING</u>
Balance, July 1	\$33,275	\$29,833	\$ 2,979	\$18,894	\$17,916	\$18,894
Transfer From Unrestricted Cash	-0-	5,967	29,942	-0-	-0-	-0-
Transfer (To)						
Bond Payment	-0-	-0-	(29,942)	-0-	-0-	-0-
Bank Charge	-0-	-0-	(9)	-0-	-0-	-0-
Interest Earned	203	200	94	115	110	115
Balance, June 30	<u>33,478</u>	<u>36,000</u>	<u>3,064</u>	<u>19,009</u>	<u>18,026</u>	<u>19,009</u>

**NOTE 14 - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in coverage from the previous year and settlements have not exceeded coverage in the past three years.

**NOTE 15 - LITIGATION, CLAIMS AND CONTINGENCIES**

At **June 30, 2004**, the Town of Brusly is defendant in several pending lawsuits filed in the 18th Judicial District Court. Although the suit are still pending, the Town denies any liability and is actively defending its position along with its liability insurance carriers. While the ultimate outcome of the above matters cannot be predicted at this time, it is the opinion of management that the disposition of these matters will not have a material adverse effect on the financial position of the Town. It is also the opinion of the Town's attorney that the Town does not have any reasonable estimated or probable liability using the criteria established under F.A.S.B. Statement 5.

No claims or litigation cost were paid out during the year ended **June 30, 2004**.

TOWN OF BRUSLY, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

**NOTE 16 - PENSION PLAN AND RETIREMENT COMMITMENTS**

The Town elected to be covered under the Social Security System.

**1. MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM:**

Additionally, substantially all of the Town's employees are members of the Municipal Employees' Retirement System of Louisiana ("System") a cost-sharing multiple-employer plan, controlled and administered by a separate board of trustees. The system was established and provided for by R.S.11:1731 of the Louisiana Revised Statutes.

Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five hours per week, not participating in another public funded retirement system and under the age of 60.

Any member of Plan B can retire providing he meets one of the following criteria:

1. Age 55 with 30 years of creditable service.
2. Age 60 with a minimum of 10 or more years of service.
3. Under age 60 with 10 years of services for disability benefits.
4. Survivor's benefits require 20 years creditable service at death of member.

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 Employee's Retirement System of Louisiana**, 7937 Office Park Blvd, Baton Rouge, Louisiana 70809, or by calling (504) 925-4810.

**Funding Policy**

Under Plan B, members are required by state statute to contribute 5% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 7.75 % of annual covered payroll. The System also receives 1/4 of 1% of ad valorem taxes collected within the respective parish. The System also receives revenue sharing funds each year as appropriated by the Legislature. These additional sources of income are used as additional employer contributions.

For the year ended **June 30, 2004**, the total payroll for employees of the Town covered by the System was **\$271,853**. The Town's contributions to the System under Plan B for the years ended June 30, 2004, 2003, and 2002, were **\$21,068**, **\$14,967** and **\$9,161**, respectively, equal to the required contributions for each year.

**NOTE 16 - PENSION PLAN AND RETIREMENT COMMITMENTS (Continued)**

**2. MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM:**

Additionally, some of the Police Department employees are members of the Municipal Police Employees' Retirement System ("System"), a cost-sharing multiple-employer plan, controlled and administered by a separate board of trustees.

Membership is mandatory for all full-time police officers employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrest, providing they do not have to pay social security and providing they meet the statutory criteria.

Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211-11:2233.

Any member is eligible for normal retirement after he has been a member of the system for one year, if he has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years credible service and is age 55.

**Funding Policy**

Contributions in the current year for all members are established by statute at 7.5% of earnable compensation. Contributions in the current year for all employers are actuarially determined at 15.25% of employee's earnable compensation excluding overtime but including supplemental pay. The system also receives a percentage of insurance premiums which is used as an additional employer contribution.

For the year ended **June 30, 2004**, the total payroll for employees of the Police Department covered by the System was **\$163,636**.

The Town's contributions to the System for the years ended June 30, 2003, 2002, and 2001, were **\$24,954, \$19,770, and \$18,653**, respectively, equal to the required contributions for each year.

**NOTE 17 - POST-RETIREMENT BENEFITS**

The Town does not provide continuing health care, life insurance or any other post-retirement benefits for its retired employees.

SUPPLEMENTARY INFORMATION REQUIRED BY GASB STATEMENT 34

**TOWN OF BRUSLY, LOUISIANA**  
**GOVERNMENTAL FUND - GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**FOR YEAR ENDED JUNE 30, 2004**

GENERAL FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<b>REVENUES:</b>			
Taxes	\$725,900	\$724,660	\$739,376
Intergovernmental	34,895	54,795	28,416
Licenses & Permits	68,000	70,440	82,074
Fines	190,000	190,000	180,889
Grants	14,353	11,150	3,750
Investment Income	49,000	49,000	23,728
Other	4,000	4,000	553
Sale of Fixed Assets	-0-	-0-	8,150
Other	-0-	-0-	26,086
	<hr/>	<hr/>	<hr/>
Total Revenue	1,086,148	1,104,045	1,093,022
<b>EXPENDITURES</b>			
<b>Fire Protection Services</b>			
General Government	494,177	466,677	456,861
Public Safety	270,100	323,098	307,348
Maintenance	206,500	204,000	225,067
Highway & Street	130,000	160,000	122,774
Capital Outlay	59,300	77,450	78,349
	<hr/>	<hr/>	<hr/>
<b>Total Expenditures</b>	1,160,077	1,231,225	1,190,399
	<hr/>	<hr/>	<hr/>
Excess of Expenditures Over Revenues	(73,929)	(127,180)	(97,377)
<b>CHANGES IN NET ASSETS</b>			
<b>FUND BALANCES/NET ASSETS</b>			
BEGINNING OF YEAR	1,683,589	1,683,589	1,683,589
	<hr/>	<hr/>	<hr/>
END OF YEAR	1,586,212	1,556,409	1,586,212
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

OTHER SUPPLEMENTAL SCHEDULES

TOWN OF BRUSLY, LOUISIANA  
SCHEDULE OF COMPENSATION PAID TO ELECTED OFFICIALS  
FOR THE YEAR ENDED JUNE 30, 2004

The schedule of compensation paid to the Town's elected official is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the elected officials are included in the legislative expenditures of the General Fund. Compensation paid is as follows:

Vance Joey Normand, Mayor	\$19,200
Aldermen:	
Daryl J Babin	5,400
David Shane Andre'	5,400
Joanne C Bourgeois	5,400
Christopher R Kershaw	5,400
Ronda D Perrault	5,400
Emmett Worley, Police Cheif	34,000



TOWN OF BRUSLY, LOUISIANA  
SCHEDULE OF INSURANCE IN FORCE  
FOR THE YEAR ENDED JUNE 30, 2004

<u>COMPANY</u>	<u>POLICY NUMBER</u>	<u>NATURE OF INSURANCE</u>	<u>COVERAGE</u>	<u>TERMINATION DATE</u>
EMC Insurance	0X550 13 03	Business Protection	\$241,400	9-23-04
EMC Insurance	0X577 86 04	Police Department Personal Property Maintenance Building Autos Building 180 E St Francis Town Hall-Vaugh St Personal Property	\$1,155,300	12-23-04
EMC Insurance	S207732	Public Offical Bond	\$5,000	6-12-07
	S207733	Public Official Bond	5,000	8-19-05
	T22 45 61 05	Government Crime Policy	100,000	1-01-05
	T218545	Public Offical Bond	150,000	4-21-05
Risk Management	WC-119	Workers' Compensation	Statutory	1-01-05

TOWN OF BRUSLY  
SCHEDULE OF USDA REQUIRED INFORMATION  
YEAR ENDED JUNE 30, 2004

1. Schedule of sewer rates:

Individual:		Business:	
City	\$18.00	City	\$35.00
Parish	18.00	Parish	35.00

2. The number of users:

Residential	734
Non-Residential	40
	<hr/>
	774
	<hr/> <hr/>

3. The number of aged accounts as of June 30, 2003, was 774.

The reason the number of aged accounts is so high compared to the number billed is because not enough time elapsed from the billing date to the fiscal year end date. (8 Days)

4. The Town of Brusly establishes the sewer rates.

5. Governing Board:

Chris Kershaw  
350 Venzule  
Brusly, LA 70719  
(225) 387-0971

Shane Andre'  
300 Gleason St  
Brusly, LA 70719  
(225) 353-8929

Daryl Babin  
144 Julien ST  
Brusly, LA 70719  
(225) 939-4096

Joanne Bourgeois  
P O Box 628  
Brusly, LA 70719  
(225) 335-7531

Ronda Perrault  
P O Box 357  
Brusly, LA 70719  
(225) 413-4368

Mayor Joey Normand  
P O Box 510  
Brusly, LA 70719  
(225) 749-2909

*Certified Public Accountant*



**Donald C. DeVille**

Member  
American Institute CPAs

Member  
Louisiana Society CPAs

7829 BLUEBONNET BLVD.  
BATON ROUGE, LA 70810  
(225) 767-7829

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

August 5, 2004

To the Honorable Mayor and Members  
of the Board of Aldermen  
Town of Brusly, Louisiana

I have audited the financial statements of the Town of Brusly Town as of and for the year ended June 30, 2004, and have issued my report thereon dated August 6, 2004. I conducted my audit in accordance with generally accepted auditing standards 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 Town's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclose instances of non-compliance that are required to be reported under Government Auditing Standards.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing my audit, I considered Town of Brusly's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operations that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect its ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings.

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. I noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, board members, and federal awarding agencies, pass-through entities, and state Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in black ink, appearing to read "D. D. Smith", is written in a cursive style.

TOWN OF BRUSLY  
SCHEDULE OF PRIOR YEAR FINDINGS  
YEAR ENDED JUNE 30, 2004

<u>REF NO.</u>	<u>FISCAL YEAR FINDING INITIALLY OCCURRED</u>	<u>DESCRIPTION OF FINDING</u>	<u>CORRECTIVE ACTION TAKEN (YES, NO, PARTIALLY)</u>	<u>CORRECTIVE ACTION/PARTIAL CORRECTIVE ACTION TAKEN</u>
1.	6-30-87	Sewer Fund Has A Fund Deficit of \$1,552,734.	Partially	Sewer Fees Were Increased.

TOWN OF BRUSLY  
SCHEDULE OF CURRENT YEAR FINDINGS  
YEAR ENDED JUNE 30, 2004

**REPORTABLE CONDITION:** The Sewer Fund has a unreserved net assets deficit as of June 30, 2004, in the amount of \$(231,189); however, net assets invested in capital assets in the amount of \$1,644,314 is more than enough to offset the deficit. Should it becomes necessary to extinguish the deficit, the General Fund has available a net assets of \$1,586,212 that could be transferred to the proprietary fund.

**CAUSE:** Annual deprecation expense has caused the deficit.

**EFFECT:** The general fund may be needed to bail out the sewer fund if the deficits are not reversed.

**RECOMMENDATION:** I recommend a sewer fee increase.

**MANAGEMENT RESPONSE:** The sewer fee have been increased last year and the sewer has a positive cash flow.

\* \* \* \*

**REPORTABLE CONDITION:** The Town has \$70,061 in cash that was at risk of loss because it was not insured or pledged.

**CRITERIA:** Under state law, all bank deposits must be (1) secured by federal deposit insurance or by the pledge of securities owned by the fiscal agent bank, or (2) invested exclusively in instruments backed by the U.S. government.

**CAUSE:** The Town was told by the credit union that the account was insured. However, the National Credit Union Administration guidelines indicate it was not insured.

**EFFECT:** \$70,061 as at risk of loss.

**RECOMMENDATION:** The Town should pledge or move the the unsecured cash.

**MANAGEMENT RESPONSE:** On August 6, 2004, the credit union has pledged \$100,000 to secure the cash.

TOWN OF BRUSLY  
CORRECTIVE ACTION PLAN  
YEAR ENDED JUNE 30, 2004

REF NO.	DESCRIPTION OF FINDING	CORRECTIVE ACTION PLANNED	NAME OF CONTACT PERSON	ANTICIPATED COMPLETION DATE
* * * *				
1.	Sewer Fund Has A Fund Deficit.	A Sewer Fee Increase Has Been Implemented.	Mayor Joey Normand	7-01-04
* * * *				
2.	\$70,061 Cash At Risk of Loss	The Credit Union Has Pledged \$100,000.	Mayor Joey Normand	8-06-04