
CITY OF GONZALES, LOUISIANA

FINANCIAL REPORT

MAY 31, 2004

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

Release Date 11-24-04



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CITY OF GONZALES, LOUISIANA

FINANCIAL REPORT

MAY 31, 2004



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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mr. John A. Berthelot, Mayor
And the Members of the City Council
City of Gonzales, Louisiana

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Gonzales, Louisiana, as of May 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the other required supplementary information on pages 2 through 7 and 30 through 31, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 26, 2004, on our consideration of the City of Gonzales, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gonzales's basic financial statements. The schedule presented on page 32 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


August 26, 2004

CITY OF GONZALES

MANAGEMENTS DISCUSSION AND ANALYSIS

May 31, 2004

This section of City's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on May 31, 2004. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's combined total net assets increased by \$4,000,685 or 8% over the course of this year's operations. Net assets of our governmental activities increased approximately \$2.8 million (or 9.2%) and \$1.1 million or nearly 5.9% in the net assets of our business-type activities.
- During the year, the City's expenses were \$2.8 million less than the \$9.7 million generated in charges for services, taxes, and other revenue. In the City's business-type activities revenues increased approximately \$1 million and expenses increased by \$127,302 or 3.9 percent.
- The general fund transferred \$1.5 million to capital projects fund, and reported net income of \$562,034.
- The debt service fund closed this year transferring \$1,303,874 to the Utility fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer *short* and *long-term* financial information about the activities the government operates *like businesses*, such as water and sewer system.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure of contents of each of the statements.

CITY OF GONZALES

MANAGEMENTS DISCUSSION AND ANALYSIS

May 31, 2004

Figure A-1
Major Features of City's Government and Fund Financial Statements

Figure A-1 Major Features of City's Government and Fund Financial Statements			
	Fund Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks	Activities the City operates similar to private businesses: the water and sewer system
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses, and changes in net assets • Statement of cash flows
Accounting basis and measurements focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payments is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

CITY OF GONZALES

MANAGEMENTS DISCUSSION AND ANALYSIS

May 31, 2004

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets—the difference between the City's assets and liabilities—is one way to measure the City's financial health, or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as changes in the City's property tax base and the condition of the City's roads.

The government-wide financial statements of the City are divided into two categories:

- Governmental activities—most of the City's basic services are included here, such as the police, fire, public works, parks department, and general administration. Property taxes, sales taxes and interest finance most of these activities.
- Business-type activities—The city charges fees to customers to help it cover the costs of certain services it provides. The city's water and sewer system are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.

CITY OF GONZALES

MANAGEMENTS DISCUSSION AND ANALYSIS

May 31, 2004

The City has two kinds of funds:

- Governmental funds—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- Proprietary funds—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-and short-term financial information.
 - In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets. The City's combined net assets increased between fiscal years 2003 and 2004 from approximately \$50.5 million to approximately \$54.5 million. (See Table A-1.)

Table A-1
City's Net Assets

	Governmental Activities		Business-Type Activities	
	2004	2003	2004	2003
Current and other assets	\$ 17,553,517	\$ 17,768,912	\$4,766,879	\$ 3,777,468
Capital assets	16,581,763	13,795,886	21,900,818	22,170,467
Total assets	34,135,280	31,564,798	26,667,697	25,947,935
Current liabilities	362,715	696,353	276,847	413,219
Long term Liabilities	455,162	360,593	5,149,064	5,484,064
Total liabilities	817,877	1,056,946	5,425,911	5,897,283
Net assets				
Invested in capital assets,				
net of related debt	16,581,763	13,435,293	16,751,754	16,686,403
Unrestricted	16,735,640	17,072,559	4,490,032	3,364,249
Total net assets	33,317,403	\$ 30,507,852	21,241,786	\$ 20,050,652

Net assets of the City's governmental activities increased 9.2 percent to approximately \$33.3 million. Net assets of the City's business-type activities increased 5.9 % to approximately \$21.2 million.

CITY OF GONZALES

MANAGEMENTS DISCUSSION AND ANALYSIS

May 31, 2004

Changes in net assets. The City's total revenues decreased by approximately \$300,000 to \$14.3 million (See Table A-2.) Approximately 60 percent of the City's revenue comes from property and sales tax collection. Fees charged for services represent 28 percent, and most of the rest is intergovernmental revenue.

The total cost of all programs and services decreased approximately \$625,000 or 5.7 percent. The City's expenses cover all services performed by its office.

Governmental Activities

Revenues and transfers for the City's governmental activities decreased 11.8 percent, while total expenses decreased 9.8 percent.

Table A-2
Changes in City's Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenues				
Program revenues				
Charges for services	1,293,583	1,560,104	2,646,781	2,335,141
General revenues				
Taxes	8,527,363	7,958,175	65,000	326,453
Licenses and permits	883,605	777,102	-	-
Miscellaneous	126,567	131,418	78,098	72,899
Intergovernmental	6,100	14,950	417,251	1,084,167
Interest	171,210	305,403	101,382	51,712
Transfers	(1,303,874)	263,564	1,303,874	(263,564)
Total revenues and transfers	9,704,554	11,010,716	4,612,386	3,606,808
Expenses				
General government	1,491,173	1,295,122	3,421,252	3,293,950
Public safety	5,403,828	6,353,036	-	-
Total expenses	6,895,001	7,648,158	3,421,252	3,293,950
Increase in net assets	2,809,553	3,362,558	1,191,134	312,858

- The cost of all governmental activities this year decreased by approximately 16.4 percent to \$2.8 million.

Business-type Activities

Revenues of the City's business-type activities increased approximately \$1 million and expenses increased slightly by \$127,302 or 3.8 percent.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$17.1 million, increase of 0.7 percent from last year.

CITY OF GONZALES

MANAGEMENTS DISCUSSION AND ANALYSIS

May 31, 2004

General Fund Budgetary Highlights

- Over the course of the year, there were no amendments made to the general fund, capital projects fund or proprietary fund budgets.

CAPITAL ASSETS

At the end of 2004, the City had invested approximately \$38 million in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, vehicles, and water and sewer lines. (See Table A-3) This amount represents a net increase (including additions and deductions) of approximately \$2.5 million, or 7 percent, over last year.

**Table A-3
City's Capital Assets
(net of depreciation)**

	Governmental Activities		Business Activities	
	2004	2003	2004	2003
Land	\$ 681,708	\$ 681,708	\$ 118,828	\$ 118,828
Buildings	3,121,978	2,550,425	-	-
Other Improvements	10,029,569	8,426,897	-	-
Lines, meters, & Plants	-	-	21,645,159	21,868,226
Equipment	1,407,911	891,354	56,605	69,908
Vehicles	1,340,597	1,245,502	80,226	113,505
Total	\$ 16,581,763	\$ 13,795,886	\$ 21,900,818	\$ 22,170,467

This year's major capital asset addition included:

- Improvements to the ball field and Jambalaya Park costing \$702,319 and \$361,144, respectively.
- Street overlay project in the amount of \$399,928.
- Purchase of tractors costing \$150,530.
- Vehicles in the amount \$340,940.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City is dependent on tax collections for 60 percent of its revenues, and charges for services for 28 percent. The economy is not expected to generate any significant growth. Therefore, the City's future revenues are expected to be consistent with the current years. The budget for the 2005 year is approximately the same as the year 2004's budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Clay Stafford, 120 South Irma Boulevard, Gonzales, LA 70737.

CITY OF GONZALES
STATEMENT OF NET ASSETS
MAY 31, 2004

<u>ASSETS</u>	Governmental Activities	Business-type Activities	Total
Cash	\$ 7,781,770	\$ 1,990,487	\$ 9,772,257
Investments	9,046,375	2,527,891	11,574,266
Receivables	725,372	242,098	967,470
Accrued interest	-	6,403	6,403
Capital assets, net of accumulated depreciation	16,581,763	21,900,818	38,482,581
TOTAL ASSETS	34,135,280	26,667,697	60,802,977
<u>LIABILITIES</u>			
Accounts payable	\$ 182,041	\$ 19,964	\$ 202,005
Accrued expenses	148,274	96,375	244,649
Deferred revenue	32,400	-	32,400
Payable from restricted assets:			
Customer deposits	-	160,508	160,508
Current portion of Long term debt	11,000	345,000	
Long-term liabilities:			
Compensated absences	444,162		444,162
Bonds payable	-	4,804,064	4,804,064
TOTAL LIABILITIES	817,877	5,425,911	6,243,788
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	16,581,763	16,751,754	33,333,517
Unrestricted	16,735,640	4,490,032	21,225,672
TOTAL NET ASSETS	\$ 33,317,403	\$ 21,241,786	\$ 54,559,189

The accompanying notes are an integral part of this financial statement.



CITY OF GONZALES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2004

	Expenses	Program Revenues Fees, Fines, and Charges for Services	Net (Expense) Revenue and Changes in Net Assets		Total
			Governmental Activities	Business-Type Activities	
ACTIVITIES					
Governmental:					
General government	\$ 1,491,173	\$ 1,131,522	\$ (359,651)		\$ (359,651)
Public safety:					
Police	2,232,388	143,758	(2,088,630)		(2,088,630)
Fire	966,326	18,303	(948,023)		(948,023)
Streets and parks	626,790		(626,790)		(626,790)
Sanitation	478,132		(478,132)		(478,132)
Recreation	886,341		(886,341)		(886,341)
Civic Center	72,504		(72,504)		(72,504)
Drainage	141,347		(141,347)		(141,347)
Total governmental activities	<u>6,895,001</u>	<u>1,293,583</u>	<u>(5,601,418)</u>		<u>(5,601,418)</u>
Business-type:					
Utility	3,421,252	2,646,781		(774,471)	(774,471)
Total business-type activities	<u>3,421,252</u>	<u>2,646,781</u>		<u>(774,471)</u>	<u>(774,471)</u>
Total City of Gonzales	<u>\$ 10,316,253</u>	<u>\$ 3,940,364</u>	<u>\$ (5,601,418)</u>	<u>(774,471)</u>	<u>(6,375,889)</u>
General Revenues:					
Taxes			8,527,363	65,000	8,592,363
Licenses and permits			883,605	-	883,605
Miscellaneous			126,567	78,098	204,665
Intergovernmental			6,100	417,251	423,351
Interest			171,210	101,382	272,592
Transfers			(1,303,874)	1,303,874	-
Total general revenues and transfers			<u>8,410,971</u>	<u>1,965,605</u>	<u>10,376,576</u>
Change in net assets			2,809,553	1,191,134	4,000,687
Net assets - June 1, 2003			<u>30,507,850</u>	<u>20,050,652</u>	<u>50,558,502</u>
Net assets - May 31, 2004			<u>\$ 33,317,403</u>	<u>\$ 21,241,786</u>	<u>\$ 54,559,189</u>

The accompanying notes are an integral part of this financial statement.



CITY OF GONZALES
BALANCE SHEET
GOVERNMENTAL FUNDS
MAY 31, 2004

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 5,120,826	\$ 2,660,944	\$ 7,781,770
Investments, at cost:			
Other	5,658,741	3,387,634	9,046,375
Receivables	557,191	168,181	725,372
Total assets	<u>\$ 11,336,758</u>	<u>\$ 6,216,759</u>	<u>\$ 17,553,517</u>
LIABILITIES			
Accounts payable	\$ 136,239	\$ 45,802	\$ 182,041
Accrued expenses	148,274	-	148,274
Deferred revenue	32,400	-	32,400
Total liabilities	<u>316,913</u>	<u>45,802</u>	<u>362,715</u>
FUND BALANCES			
Unreserved	<u>11,019,845</u>	<u>6,170,957</u>	<u>17,190,802</u>
Total fund balances	<u>11,019,845</u>	<u>6,170,957</u>	<u>17,190,802</u>
Total liabilities and fund balances	<u>\$ 11,336,758</u>	<u>\$ 6,216,759</u>	<u>\$ 17,553,517</u>

The accompanying notes are an integral part of this financial statement.



CITY OF GONZALES
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
MAY 31, 2004

Total fund balances - Governmental Funds		\$ 17,190,802
Cost of capital assets at May 31, 2004	\$ 34,119,749	
Less: accumulated depreciation as of May 31, 2004	<u>(17,537,986)</u>	16,581,763
 Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.		
Compensated Absences		<u>(455,162)</u>
Total net assets at May 31, 2004 - Governmental Activities		<u>\$ 33,317,403</u>

The accompanying notes are an integral part of this financial statement.

CITY OF GONZALES
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUND TYPES
YEAR ENDED MAY 31, 2004

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUE				
Taxes	\$ 6,410,894	\$ 171,000	\$ 1,945,469	\$ 8,527,363
Franchise fees	891,549	-	-	891,549
Licenses and permits	883,605	-	-	883,605
Fines and forfeitures	143,758	-	-	143,758
Miscellaneous	126,567	-	-	126,567
Charges for services	239,973	-	-	239,973
Fire rentals	18,303	-	-	18,303
Intergovernmental	6,100	-	-	6,100
Interest	115,745	839	54,626	171,210
Total revenues	<u>8,836,494</u>	<u>171,839</u>	<u>2,000,095</u>	<u>11,008,428</u>
EXPENDITURES				
Current:				
General government	975,375	-	317,516	1,292,891
Public safety:				
Police	2,197,918	-	-	2,197,918
Fire	1,469,384	-	-	1,469,384
Streets and parks	582,209	-	1,670,012	2,252,221
Sanitation	493,381	-	-	493,381
Recreation	785,556	-	530,207	1,315,763
Civic Center	33,205	-	39,299	72,504
Drainage	237,432	-	254,818	492,250
Total expenditures	<u>6,774,460</u>	<u>-</u>	<u>2,811,852</u>	<u>9,586,312</u>
Excess of Revenues over (under) expenditures	2,062,034	171,839	(811,757)	1,422,116
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,500,000	1,500,000
Transfers out	(1,500,000)	(1,303,874)	-	(2,803,874)
	<u>(1,500,000)</u>	<u>(1,303,874)</u>	<u>1,500,000</u>	<u>(1,303,874)</u>
Net change in fund balances	562,034	(1,132,035)	688,243	118,242
Fund Balance, Beginning of Year	10,457,811	1,132,035	5,482,714	17,072,560
Fund Balance, End of Year	<u>\$ 11,019,845</u>	<u>\$ -</u>	<u>\$ 6,170,957</u>	<u>\$ 17,190,802</u>

The accompanying notes are an integral part of this financial statement.



CITY OF GONZALES
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
MAY 31, 2004

Net change in fund balances - Governmental funds \$ 118,242

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. This is the amount by which capital outlay (\$3,813,198) exceeded depreciation (\$1,026,751) in the current period. 2,786,447

Less: Difference on gain on sale of assets 567

Less: Excess of compensated absences earned over compensated absences used (360,593)

Change in net assets of governmental activities \$ 3,264,715

The accompanying notes are an integral part of this financial statement.



CITY OF GONZALES
STATEMENT OF NET ASSETS
PROPRIETARY FUND
MAY 31, 2004

ASSETS

Cash	\$ 1,990,487
Investments	2,527,891
Receivables	242,098
Accrued interest	6,403
Capital assets, net of accumulated depreciation	<u>21,900,818</u>
TOTAL ASSETS	<u>26,667,697</u>

LIABILITIES

Accounts payable	\$ 19,964
Accrued expenses	96,375
Payable from restricted assets:	
Current portion of Long term debt	345,000
Customer deposits	160,508
Long-term liabilities:	
Series 1996 Bonds payable	<u>4,804,064</u>
TOTAL LIABILITIES	<u>5,425,911</u>

NET ASSETS

Invested in capital assets, net of related debt	16,751,754
Unrestricted	<u>4,490,032</u>
TOTAL NET ASSETS	<u>\$ 21,241,786</u>

The accompanying notes are an integral part of this financial statement.



CITY OF GONZALES
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED MAY 31, 2004

OPERATING REVENUES

Charges for service:

Gas sales	\$ 1,360,959
Sewer service charges	698,384
Water sales	587,438
Miscellaneous	78,098
Total operating revenues	2,724,879

OPERATING EXPENSES

Gas department	1,181,097
General and administrative	336,162
Depreciation and amortization	686,900
Water department	434,736
Sewer department	619,879
Total operating expenses	3,258,774

OPERATING LOSS

(533,895)

NONOPERATING REVENUES (EXPENSES)

Interest income	101,382
Sales Taxes	65,000
Intergovernmental	417,251
Interest on bonds payable	(162,478)
Net non-operating expenses	421,155

Loss before transfers (112,740)

TRANSFERS IN

1,303,874

Change in net assets 1,191,134

Total net assets - beginning 20,050,652

Total net assets - ending \$ 21,241,786

The accompanying notes are an integral part of this financial statement.



CITY OF GONZALES
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE - ENTERPRISE FUND
YEAR ENDED MAY 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 2,652,623
Payments to suppliers	(2,552,364)
Net cash provided by operating activities	<u>100,259</u>

CASH FLOWS FROM NONCAPITAL FINANCING

Transfers from other funds	690,952
Sales Taxes	65,000
Net cash provided by noncapital financing	<u>755,952</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of capital assets	(417,251)
Intergovernmental revenue	417,251
Payments on long term debt	(335,000)
Interest paid	(162,478)
Net cash used in capital and related financing activities	<u>(497,478)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(133,285)
Interest received	101,382
Net cash used in investing activities	<u>(31,903)</u>

<i>Net increase in cash and cash equivalents</i>	326,830
Cash and cash equivalents - June 1, 2003	1,663,657
Cash and cash equivalents - May 31, 2004	<u>\$ 1,990,487</u>

CASH FLOWS FROM OPERATING ACTIVITIES

Operating loss	\$ (533,895)
Adjustments to reconcile operating income to net cash provided by operating activities -	
Depreciation and amortization	686,900
Increase in Accounts receivable	(72,256)
Increase in accrued interest	(6,403)
Decrease in Due from other fund	162,285
Decrease in Accounts payable	(5,330)
Decrease in Accrued liabilities	(7,157)
Increase in Due to other fund	(123,885)
Net cash provided by operating activities	<u>\$ 100,259</u>

The accompanying notes are an integral part of this financial statement.



CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The City of Gonzales, Louisiana, was incorporated April 15, 1922, under the provision of the Lawrason Act. The City operates under a Mayor-City Council form of government.

The accounting and reporting practices of the City of Gonzales, Louisiana, conform to accounting principles generally accepted in the United States of America as applicable to governmental units on a consistent basis between periods.

Financial Reporting Entity – This report includes all funds and account groups, which are controlled by, or dependent on the City's executive and legislative branches (the Mayor and the City Council). Control by or dependence on the City was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

Based on the foregoing criteria, certain organizations are not part of the City and are thus excluded from the accompanying financial statements. These are the Friends of the Museum, Beautification Board, and Committee on Cultural Affairs. The City exercises no control over their operations.

The financial report has been prepared in conformity with GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, issued in June, 1999.

The following is a summary of certain significant accounting policies:

Basis of Presentation, Basis of Accounting

Government-wide Statements: The statement of net assets and the statement of activities display information about the City of Gonzales. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the *governmental and business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City'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. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. 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.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

- a. **General Fund** – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. **Debt Service Fund** – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.
- c. **Capital Projects Funds** – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and agency funds).

The City reports the following enterprise fund:

Utility Fund – This fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus, Basis of Accounting -

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business-type activities and enterprise funds of the City follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinion, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Transfers between funds are not expected to be repaid and are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

Budgets and Budgetary Accounting – The City follows these procedures in establishing the budgetary data reflected in these financial statements:

- 1) The City's Mayor and Clerk prepare a proposed budget message and budget and submit it to the City Council prior to the beginning of each fiscal year.
- 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 two weeks 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 an ordinance 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 City Council.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

1. **Summary of Significant Accounting Policies (continued)**

6) All budgetary appropriations lapse at the end of each fiscal year.

7) The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The budget for the Enterprise Fund is adopted under a basis consistent with GAAP, except for depreciation, amortization, and bad debts expense, which are not considered. The budget for the Capital Projects Fund is adopted on a project by project basis. Budgeted amounts are as originally adopted, or as amended from time to time by the City council. Such amendments were not material in relation to the original appropriations.

Investments – Investments are stated at market value.

Inventories – Inventory of supplies is immaterial in the dollar amount and all supplies are expensed when purchased.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2001, consist of the road network assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	20-30
Buildings	40
Building Improvements	20
Other Improvements	20-40
Vehicles	5-15
Equipment	3-15

The proprietary fund is accounted for on a cost of service or "capital maintenance" measurement focus, and all assets and all liabilities (whether current or non current) associated with its activity are included on its balance sheet.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

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

	<u>Years</u>
Lines, meters, & sewer system	40-50
Equipment	4-10
Vehicles	4

All fixed assets are stated at historical cost or estimated historical cost, if actual historical cost is not available. Donated fixed assets of \$20,000 are stated at their estimated fair value on the date received.

Compensated Absences – The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Bad Debts – Uncollectible amounts due for ad valorem taxes and customers' utility receivables are expenses when the debt becomes uncollectible, which is not materially different from accounting principles generally accepted in the United States of America. The City considers any utility receivable where service has been disconnected to be uncollectible. All utility receivables with service are considered collectible.

Comparative Data – Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to read.

Statement of Cash Flows – For purposes of the statement of cash flows, the Utility Enterprise Fund considers all highly liquid investments (including restricted assets), with a maturity of three months or less when purchased to be cash equivalents.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

2. Capital Assets

Capital assets and depreciation activity as of and for the year ended May 31, 2004, are as follows:

Governmental activities:

	<u>Land</u>	<u>Building</u>	<u>Other Improvements</u>	<u>Equipment</u>	<u>Vehicles</u>	<u>Total</u>
Cost of Capital						
Assets May 31, 2003	\$681,708	\$3,758,159	\$ 21,856,657	\$ 1,929,878	\$ 2,267,887	\$30,494,289
Additions	-	647,679	2,148,539	676,041	340,939	3,813,198
Deletions	-	-	-	(17,539)	(170,199)	(187,738)
Costs of Capital						
Assets, May 31, 2004	<u>681,708</u>	<u>4,405,838</u>	<u>24,005,196</u>	<u>2,588,380</u>	<u>2,438,627</u>	<u>34,119,749</u>
Accumulated depreciation						
May 31, 2003	-	1,207,734	13,429,760	1,038,525	1,022,385	16,698,406
Additions	-	76,124	545,867	159,483	245,277	1,026,751
Deletions	-	-	-	(17,539)	(169,632)	(187,171)
Accumulated depreciation, May 31, 2004	<u>-</u>	<u>1,283,860</u>	<u>13,975,627</u>	<u>1,180,469</u>	<u>1,098,030</u>	<u>17,537,986</u>
Capital assets, net of accumulated depreciation at May 31, 2004	<u>\$681,708</u>	<u>\$ 3,121,978</u>	<u>\$ 10,029,569</u>	<u>\$ 1,407,911</u>	<u>\$ 1,340,597</u>	<u>\$16,581,763</u>

For the year ended May 31, 2004, depreciation expense was \$1,026,751.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

2. Capital Assets (continued)

Business-Type Activities:

	<u>Land</u>	<u>Building</u>	<u>Lines, Meters, and plants</u>	<u>Equipment</u>	<u>Vehicles</u>	<u>Total</u>
Cost of Capital Assets						
May 31, 2003	\$118,828	\$22,474	\$30,288,949	\$301,592	\$427,523	\$31,159,366
Additions	-	-	375,211	-	42,040	417,251
Deletions	-	-	-	-	(34,764)	(34,764)
Costs of Capital Assets, May 31, 2004	<u>118,828</u>	<u>22,474</u>	<u>30,664,160</u>	<u>301,592</u>	<u>434,799</u>	<u>31,541,853</u>
Accumulated depreciation						
May 31, 2003	\$ -	\$22,474	8,420,723	231,684	314,018	8,988,899
Additions	-	-	598,278	13,303	75,319	686,900
Deletions	-	-	-	-	(34,764)	(34,764)
Accumulated depreciation, May 31, 2004	<u>-</u>	<u>22,474</u>	<u>9,019,001</u>	<u>244,987</u>	<u>354,573</u>	<u>9,641,035</u>
Capital assets, net of accumulated depreciation at May 31, 2004	<u>\$118,828</u>	<u>\$ -</u>	<u>\$21,645,159</u>	<u>\$56,605</u>	<u>\$80,226</u>	<u>\$21,900,818</u>

For the year ended May 31, 2004, depreciation expense was \$686,900.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

3. Deposits and Investments

The carrying amount of the City's deposits, including certificates of deposit, with financial institutions as of May 31, 2004, was \$9,772,257 and the bank balance was \$10,150,698.

The bank balance is categorized as follows:

Amount insured by FDIC (Category 1)	\$ 100,000
Amounts collateralized with securities held by trust departments of banks other than the fiscal agent. (Category 2)	<u>10,050,698</u>
	<u>\$ 10,150,698</u>

Statutes authorize the City to invest in United States bonds, treasury notes or certificates, time certificates of deposit of Louisiana state banks and national banks having the principal office in the State of Louisiana, or any other federally insured investments.

The government's investments are categorized as either (1) insured or registered for which the securities are held by the government or its agent in the government's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the government's name or (3) uninsured and unregistered for which securities are held by the broker or dealer, or by its trust department of agent but not in the government's name. As of May 31, 2004, investments consisted of the following:

	<u>Categories</u>		<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>		
U. S. Government Securities	<u>\$ -</u>	<u>\$ 412,837</u>	\$ 412,837	\$ 412,837
LAMP Funds			<u>11,161,446</u>	<u>11,161,446</u>
Total Investments			<u>\$ 11,574,283</u>	<u>\$ 11,574,283</u>

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

4. Ad Valorem Taxes

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

The City bills and collects its own property taxes using the assessed values determined by the tax assessor of Ascension Parish.

For the year ended May 31, 2004 taxes of 8.55 mills were levied on property with assessed valuations totaling \$62,359,370 and were dedicated as follows:

General corporate purposes	5.28 mills
Fire department	3.27 mills

Total taxes levied were \$533,173. At May 31, 2004, only a minor amount of taxes were uncollected and adjudicated to the City.

5. Transfers to/from Other Funds

Transfers to/from Other Funds at May 31, 2004 consist of the following:

Transfer from General Fund to the Capital Projects Fund to supplement Other Fund sources	<u>\$1,500,000</u>
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6. Restricted Assets

Restricted assets at May 31, 2004 were applicable to the following:

Customer Deposits	<u>Utility Fund</u> <u>\$ 160,508</u>
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CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

7. Non Cash Transaction

During the year, the Debt service fund transferred investments in the amount of \$612,922 to the Utility fund.

8. Concentration of Credit Risk-Proprietary Fund

Accounts receivable from utility customers were comprised of the following sources: residential – 58%, commercial – 32%; other governmental agencies – 10%. Outstanding balances are partially secured by deposits made when service is requested.

9. Changes in Long-Term Debt

The following is a summary of bond transactions of the City of Gonzales for the year ended May 31, 2004:

Governmental Activities:

Compensated Absences

Balance at June 1, 2003	\$ 360,593
Increases	104,647
Decreases	<u>(10,078)</u>
Balance at May 31, 2004	<u>\$ 455,162</u>

Business Type Activities:

Bonds payable June 1, 2003	\$ 5,484,064
Debt Matured	<u>(335,000)</u>
Bonds payable May 31, 2004	<u>\$ 5,149,064</u>

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

9. **Changes in Long-Term Debt** (continued)

Debts payable at May 31, 2004, are comprised of the following individual issues:

Utility obligation bonds:

\$7,500,000 Sewer improvement bonds dated May 28, 1997, due in annual installments of \$280,000 to \$485,000 through March 1, 2017; interest at 2.95%, secured by collection of sales tax. \$ 5,149,064

The annual requirements to amortize all debts outstanding as of May 31, 2003, including interest payments of \$1,090,255 are as follows:

<u>Years ending</u> <u>May 31</u>	<u>Principal</u>	<u>Interest</u>
2005	345,000	151,897
2006	355,000	141,720
2007	365,000	131,247
2008	375,000	120,480
2009	385,000	109,417
2010-2014	2,110,000	369,202
2015-2017	<u>1,214,064</u>	<u>66,292</u>
	<u>\$5,149,064</u>	<u>\$1,090,255</u>

10. **Dedication of Proceeds and Flow of Funds-1.5% Sales and Use Tax**

The bond resolution of November, 1990, requires that the proceeds of the ½% sales and use tax now being levied and collected by the City be deposited with the City's regularly designated fiscal agent bank in a Sales Tax Fund, which is considered an Agency Fund. Monthly payments are required to be made from the Sales Tax Fund to the 1996 Sales Tax Bond Sinking fund to pay principal and interest payments currently due. The 1996 bond issue also requires payments to be made into a 1996 Sales Tax Bond Reserve Fund. The money in this reserve fund is to be retained solely for the purpose of paying the principal and the interest on the bonds payable from the aforesaid sinking fund as to which there would otherwise be default. Any monies remaining in the Sales Tax Fund after making the required payments into the Bond Sinking Fund for the current month and for prior months, during which the required payments may not have been made, shall be considered as surplus. Such surplus may be for any of the purposes for which the tax was authorized.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

11. Pension Plan

Substantially all employees of the City of Gonzales are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana or Municipal Police Employees Retirement System of Louisiana. These systems are cost sharing, multiple-employer defined benefit pension plans administered by separate bonds of trustees. Pertinent information relative to each plan follows:

A. Municipal Employees Retirement System of Louisiana (System)

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 City in this System are members of Plan A.

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 A, employees who retire at or after age 60 with at least 10 years of creditable service, at any age with at least 25 years of creditable service, are entitled to a retirement benefit, payable monthly for life, equal to 3 percent 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 Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Funding Policy. Under Plan A, members are required by state statute to contribute 9.25 percent of their annual covered salary and the City of Gonzales is required to contribute at an actuarially determined rate. The current rate is 11.0 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent (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 City of Gonzales are established and may be amended by state statute. As provided by Louisiana Revised Statute 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 of the City of Gonzales to the System under Plan A for the year ending May 31, 2004, 2003, and 2002 were \$251,363, \$ 168,256, and \$149,753, respectively.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

11. **Pension Plan** (continued)

B. **Municipal Police Employees Retirement System of Louisiana (System)**

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 percent of their final-average salary of 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 previously 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 of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225 929-7411).

Funding Policy. Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the City of Gonzales is required to contribute at an actuarially determined rate. The current rate is 9.0 percent for the month of June, 18.25% for July, and 15.25% for the remainder of the fiscal year of annual covered payroll. The contribution requirements of plan members and the City of Gonzales are established and may be amended by state statute. As provided by Louisiana Revised Statute 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 of the City of Gonzales for the year ending May 31, 2004, 2003, and 2002 were \$171,857, \$97,902 and \$106,489, respectively.

12. **Contingencies**

Litigation – Various lawsuits are pending against the City. In the opinion of City management, the potential loss on lawsuits will not be material to the City's basic financial statements.

CITY OF GONZALES
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2004

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	5,810,000	\$ 5,810,000	6,410,894	\$ 600,894
Franchise fees	737,500	737,500	891,549	154,049
Licenses and permits	651,500	651,500	883,605	232,105
Fines and forfeits	153,000	153,000	143,758	(9,242)
Miscellaneous	111,500	111,500	126,567	15,067
Charges for services	200,000	200,000	239,973	39,973
Intergovernmental	13,700	13,700	6,100	(7,600)
Fire rentals	-	-	18,303	18,303
Interest	165,000	165,000	115,745	(49,255)
Total revenues	<u>7,842,200</u>	<u>7,842,200</u>	<u>8,836,494</u>	<u>994,294</u>
EXPENDITURES				
Current:				
General government	1,070,000	1,070,000	975,375	94,625
Public safety				
Police	2,358,900	2,358,900	2,197,918	160,982
Fire	1,566,000	1,566,000	1,469,384	96,616
Streets and parks	716,650	716,650	582,209	134,441
Sanitation	581,000	581,000	493,381	87,619
Recreation	740,100	740,100	785,556	(45,456)
Civic center	42,400	42,400	33,205	9,195
Drainage	247,150	247,150	237,432	9,718
Miscellaneous	520,000	520,000	-	520,000
Total expenditures	<u>7,842,200</u>	<u>7,842,200</u>	<u>6,774,460</u>	<u>1,067,740</u>
Excess of revenues over expenditures	-	-	2,062,034	(73,446)
OTHER FINANCING USES				
Transfers out	(2,500,000)	(2,500,000)	(1,500,000)	(1,000,000)
Net change in fund balance	(2,500,000)	(2,500,000)	562,034	(1,073,446)
Fund Balance, Beginning of year	<u>10,457,811</u>	<u>10,457,811</u>	<u>10,457,811</u>	<u>-</u>
Fund Balance, End of year	<u>\$ 7,957,811</u>	<u>\$ 7,957,811</u>	<u>\$ 11,019,845</u>	<u>\$ (1,073,446)</u>

The accompanying notes are an integral part of this financial statement.



CITY OF GONZALES
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS
YEAR ENDED MAY 31, 2004

	Original Budget	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Sales tax	\$ 1,765,000	\$ 1,765,000	\$ 1,945,469	\$ 180,469
Interest	70,000	70,000	54,626	(15,374)
Total revenues	<u>1,835,000</u>	<u>1,835,000</u>	<u>2,000,095</u>	<u>165,095</u>
EXPENDITURES				
Capital Outlays:				
Street overlay project	700,000	700,000	1,227,844	(527,844)
Street department	258,227	258,227	145,686	112,541
Sidewalk construction	50,000	50,000	-	50,000
Tourist center	36,275	36,275	302,352	(266,077)
Drainage	239,872	239,872	-	239,872
Civic center	303,900	303,900	39,299	264,601
T. Joe Gonzales Museum	80,000	80,000	-	80,000
Recreation Capital	1,658,886	1,658,886	122,646	1,536,240
Jambalaya park	394,010	394,010	311,155	82,855
City maintenance building	850,000	850,000	-	850,000
New river trail development	100,000	100,000	90,536	9,464
Sewer rehabilitation	912,000	912,000	-	912,000
Utility department capital	795,500	795,500	254,818	540,682
General administration	470,929	470,929	317,516	153,413
Total expenditures	<u>6,849,599</u>	<u>6,849,599</u>	<u>2,811,852</u>	<u>4,037,747</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,014,599)	(5,014,599)	(811,757)	4,202,842
OTHER FINANCING SOURCES				
Operating transfers in	<u>2,500,000</u>	<u>2,500,000</u>	<u>1,500,000</u>	<u>(1,000,000)</u>
Change in fund balances	(2,514,599)	(2,514,599)	688,243	3,202,842
Fund Balance, Beginning of year	<u>5,482,714</u>	<u>5,482,714</u>	<u>5,482,714</u>	<u>-</u>
Fund Balance, End of year	<u>\$ 2,968,115</u>	<u>\$ 2,968,115</u>	<u>\$ 6,170,957</u>	<u>\$ 3,202,842</u>

The accompanying notes are an integral part of this financial statement.



CITY OF GONZALES
SCHEDULE OF PER DIEM PAID
YEAR ENDED MAY 31, 2004

	<u>MONTHLY</u>	<u>ANNUAL</u>
Alvin "Bully" Dragg	\$ 800	\$ 9,600
Terance Irvin	800	9,600
Kenneth Matassa	800	9,600
Larry Savell	800	9,600
Ronald Waguespack	800	9,600
		<u>\$ 48,000</u>



CITY OF GONZALES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MAY 31, 2004

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Gonzales.
2. There were no reportable conditions during the audit of the financial statements.
3. There were no instances of noncompliance during the audit of the financial statements.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None

CITY OF GONZALES, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED MAY 31, 2004

FINDINGS

None



Postlethwaite & Netterville

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

To the Honorable Mr. John A. Berthelot, Mayor
and the Members of the City Council
City of Gonzales, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of City of Gonzales, Louisiana, as of the year ended May 31, 2004, which collectively comprise the city of Gonzales, Louisiana's basic financial statements and have issued our report dated August 26, 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 City of Gonzales, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Gonzales, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the City Council, management, and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

August 26, 2004