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**TOWN OF IOWA, LOUISIANA
ANNUAL FINANCIAL REPORT
JUNE 30, 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 1-26-05

TOWN OF IOWA, LOUISIANA
 ANNUAL FINANCIAL REPORT
 Year Ended June 30, 2004

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TOWN OF IOWA, LOUISIANA

June 30, 2004

✓ **MAYOR**

The Honorable Margo Racca

TOWN COUNCIL

Mr. Gerald Guidry
Mr. Larry Hardy
Mr. Jerry Lapearous

Mr. Thomas Talbot
Ms. Zelia Washington

LEGAL COUNSEL

Mr. Eugene Bouquet

TOWN CLERK

Ms. Sandra Turley

McELROY, QUIRK & BURCH

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Carl W. Comeaux, CPA
Barbara Huron Gonzalez, CPA
Martin I. Chebotsky, CPA, CFF
Robert M. Gani, CPA, MT
Mellie C. Broussard, CPA



Billy D. Fisher, CPA
Jason I. Guillory, CPA
Greg P. Najum, CPA, CFPTM
Joe G. Peshoff II, CPA, CVA

Charles P. Quirk, CPA, Retired
Otray J. Woods Jr., CPA, Inactive
Robert F. Cargile, CPA, Inactive
William A. Mancuso, CPA, Retired
Judson J. McCann Jr., CPA, Retired

CFE - Certified Fraud Examiner
MT - Masters of Taxation
CVA - Certified Valuation Analyst
CFP - Certified Financial Planner

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REPORT OF INDEPENDENT AUDITORS

Honorable Mayor and Town Council
Town of Iowa
Iowa, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Iowa, Louisiana as of and for the year ended June 30, 2004, which collectively comprise the Town's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, each major fund, and the aggregate remaining fund information of the Town of Iowa, Louisiana as of June 30, 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.

As described in Note 1B, the Town 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 15, 2004, on our consideration of the Town of Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis pages 7 through 15, are 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. We have adopted certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

M^s Elroy, Quirk & Burch

Lake Charles, Louisiana
September 15, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Town of Iowa, Louisiana's annual financial report, the Town's management is pleased to provide this narrative discussion and analysis of the financial activities of the Town for the fiscal year ended June 30, 2004. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

FINANCIAL HIGHLIGHTS

- The Town's assets exceeded its liabilities by \$6,404,206 (net assets) for the fiscal year reported. Of this amount, \$741,211 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the Town's fund designation and fiscal policies.
- Total revenues of \$4.2 million exceeded total expenditures of \$2.5 million, which resulted in a current year surplus of \$1.6 million.
- The Town's governmental funds reported total ending fund balance of \$2,524,062 this year. This compares to the prior year ending fund balance of \$2,339,577 reflecting an increase of \$184,485 during the current year.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$224,070, or 24% of total General Fund expenditures and 25% of total General Fund revenues excluding transfers.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

USING THE ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 17-18 and 19 - 20) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 21. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

Reporting the Town as a Whole

Our analysis of the Town as a whole begins on Page 16. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. The Town's net assets—the difference between assets and liabilities—is one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's taxpayer base and the condition of the Town's roads to assess the overall health of the Town.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities:

- Governmental activities—Most of the Town's basic services are reported here including police, fire, public works, parks and recreation, and general administration. Sales and property taxes, franchise fees, and state and federal grants finance most of these activities.
- Business-type activities—The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's water and sewer system is reported here.

Reporting the City's Most Significant Funds

Our analysis of the Town's major funds begin on page 21. The fund financial statements provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by State law and bond covenants. However, the Town Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two types of funds—governmental and proprietary—use different accounting approaches.

- Governmental funds—Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.
- Proprietary funds—When the Town charges customers for the services it provides, these services are generally reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Town's enterprise fund is the same as the business-type activities we report in the government-wide

statements but provide more detail and additional information, such as cash flows.

THE TOWN AS A WHOLE

For the year ended June 30, 2004, net assets changed as follows:

	Net Assets		
	Governmental Activities 2004	Business-type Activities 2004	Total Primary Government 2004
	<u>2004</u>	<u>2004</u>	<u>2004</u>
Current & Other Assets	\$ 2,751,939	\$ 300,637	\$ 3,052,576
Capital Assets	<u>1,058,310</u>	<u>3,313,941</u>	<u>4,372,251</u>
Total Assets	<u>3,810,249</u>	<u>3,614,578</u>	<u>7,424,827</u>
Long-term debt outstanding	(330,000)	(349,060)	(679,060)
Other Liabilities	<u>(227,879)</u>	<u>(113,744)</u>	<u>(341,623)</u>
Total Liabilities	<u>(557,877)</u>	<u>(462,744)</u>	<u>(1,020,621)</u>
 Net Assets:			
Invested in Capital Assets net of debt	728,310	2,964,941	3,693,251
Restricted	1,969,744	-	1,969,744
Unrestricted	<u>554,318</u>	<u>186,893</u>	<u>741,211</u>
Total Net Assets	<u>\$ 3,252,372</u>	<u>\$ 3,151,834</u>	<u>\$ 6,404,206</u>

The Town reported positive balances in net assets for both governmental and business-type activities. Net assets increased \$556,190 for governmental activities and by \$1,079,803 for business-type activities.

Note that approximately 22.4% of the governmental activities' net assets are tied up in capital. The Town uses these capital assets to provide services to its citizens. However, with business type activities, the Town has spent approximately 94.1% of its net assets on capital. Capital assets in the business-type activities also provide utility services, but they also generate revenues for this fund. 57.7% of the Town's total net assets are included in capital assets.

Since this is the first year in which government-wide information is available, comparative data is not presented. However, comparative data will be accumulated and presented to assist analysis in future years. The following table provides a summary of the Town's changes in net assets:

Changes in Net Assets

	Governmental Activities <u>2004</u>	Business- type Activities <u>2004</u>	Total Government <u>2004</u>
Program Revenues:			
Charges for services	\$ 415,663	\$ 577,548	\$ 993,211
Grants & Contributions	367,238	1,416,180	1,783,418
General Revenues:			
Property Taxes	117,907		117,907
Other Taxes	1,274,078		1,274,078
Other General Revenues	14,487	1,883	16,370
Total Revenues	<u>2,189,373</u>	<u>1,995,611</u>	<u>4,184,984</u>
Program Expenses			
General Government	344,287		344,287
Public Safety	714,658		714,658
Highways & Streets	219,635		219,635
Culture and Recreation	136,464		136,464
Water		761,014	761,014
Sanitation		372,933	372,933
Total Expenses	<u>1,415,044</u>	<u>1,133,947</u>	<u>2,548,991</u>
Excess before transfers	774,329	861,664	1,635,993
Transfers in (out)	(218,139)	218,139	-
Increase in Net Assets	<u>\$ 556,190</u>	<u>\$ 1,079,803</u>	<u>\$ 1,635,993</u>

Governmental Activities

Again, because this is the first year to report governmental activities on the accrual basis of accounting, a comparison to prior year is not possible. However, in next year's discussion, this section will show a condensed financial comparison of revenues and expenses and provided explanations for significant differences.

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this type of format is to highlight the relative financial burden of each of the functions on the Town's taxpayers. It is also identifies how much each function draws from the general revenues or it is self-financing through fees.

All other governmental revenues are reported as general. It is important note that all taxes are classified as general revenue even if restricted for

a specific purpose.

This table presents the cost of each of the Town's programs, including the net costs (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden that was placed on the Town's taxpayers by each of these functions.

	Total Cost of Services	Net Cost of Services
Public Safety	\$ 714,658	\$ 363,381
Highway & Streets	219,635	44,997
Culture & Recreation	136,456	134,439
TOTAL	<u>\$ 1,070,749</u>	<u>\$ 542,817</u>

Public safety comprises 28.0% of the Town's total expenses and 50.5% of the total governmental expenses. The Highway & Street expenses are 8.6% of total Town expenses.

Business-type Activities

The operating revenues of the Town's business-type activities increased by \$316,738 (121%) and operating expenses increased by \$538,561 (94%) from prior year. This resulted in an operating loss of \$534,357 in the current year as compared to last year's loss of \$312,533. However, net assets of the Town's business-type activities increased approximately \$1.08 million (52%) from the prior year. The factors driving these results include:

- Transfer of the Sewer Department from the General Fund to City Water Works included accounts receivables for sewer fee collections along with expenditures for that department.
- Transfer of the Garbage & Trash Department from the General Fund to City Water Works included receivables for G & T collections along with expenditures.
- Transfer of Assets including the sewer plant and related equipment

The Town is not charging its users the full amount of operational costs for the water and sewer operations, as discussed above. In an effort to recover operational costs, the Town is currently implementing the installation of meters in order to charge rates and provide a fair method of billing customers for their use of water and sewer. The Town plans to begin charging rates within this fiscal year ending June 30, 2005.

THE TOWN'S FUNDS

Governmental funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The following schedule presents a summary of general, special revenue, and capital project revenues and expenditures for the fiscal year ended June 30, 2004, and the amount and percentage of increases and decreases in relation to the prior year.

	<u>2004</u>	<u>2003</u>	Increase (Decrease) from 2003	Percent Increase (Decrease)
Revenues:				
Taxes	\$ 1,371,805	\$ 1,356,893	\$ 14,912	1.10%
Licenses and Permits	121,355	129,514	(8,159)	-6.30%
Charges for Services	1,145	317,803	(316,658)	-99.64%
Fines & Forfeits	288,877	187,751	101,126	53.86%
Interest Earned	20,180	31,288	(11,108)	-35.50%
Grants	342,981	65,671	277,310	422.27%
Miscellaneous	19,773	34,818	(15,045)	-43.21%
Intergovernmental	15,032	225,945	(210,913)	-93.35%
Fire Insurance	8,225	7,687	538	7.00%
Proceeds from Bond Issuance	330,000	-	330,000	100.00%
Total Revenue	<u>\$ 2,519,373</u>	<u>\$ 2,357,370</u>	<u>\$162,003</u>	<u>6.87%</u>
Expenditures:				
General Government	\$ 583,635	\$ 283,689	\$299,946	105.73%
Public Safety	629,970	584,417	45,553	7.79%
Highways & Streets	463,651	413,856	49,795	12.03%
Culture and Recreation	119,217	115,955	3,262	2.81%
Sanitation	-	250,570	(250,570)	-100.00%
Fire Protection Dist.	70,727	70,494	233	0.33%
Housing Rehab	-	12,561	(12,561)	-100.00%
Multi-Purpose Center	149,974	-	149,974	100.00%
Other Services	97,765	216,740	(118,975)	-54.89%
Debt Service:				
Principal Retirement		103,000	(103,000)	-100.00%
Interest Paid	1,810	27,526	(25,716)	-93.42%
Total Expenditures	<u>\$ 2,116,749</u>	<u>\$ 2,078,808</u>	<u>\$ 37,941</u>	<u>1.83%</u>

- Revenue charges for services decrease represents the transfer of the sewer department billing of waste water services to utility customers from General Fund to City Water Works.
- Fines & Forfeits increased due partially to traffic fines fees doubled due to I-10 construction.
- Grants increased as the Town received funds from the LCDBG program, the Calcasieu Parish Police Jury Road and Drainage Trust Fund and Louisiana Planning and Administration.
- Proceeds from Bond issuance were the result of the Town's new certificate of indebtedness.
- General Government expenditures increased due to expenditures associated with the Third Street Lateral 14B drainage improvements
- Sanitation expenses transferred to City Water Works
- Construction began on the multi-purpose center

Proprietary fund

The Town's proprietary fund statements provided the same type of information found in the government-wide financial statements, but in more detail. Analysis of the proprietary fund consists of the same information provided in the business-type activities section commented on above.

BUDGETARY HIGHLIGHTS

The General Fund - Both the revenue and the expenditure side of the original budget for the General Fund was revised by \$55,400 or 6.63% this year. The primary change in the general fund's revenue budget relates to the extra proceeds from fines & forfeitures. The expenditure budget was increased for general government, public safety & operating transfers out. The final amendment to the fund was due to an increase in transfers out of \$112,659 which represents the net value of sewer and garbage and trash departments assets previously recorded in the General Fund but transferred to the Water Utility Fund. Actual excess (deficiency) of revenue and other financing sources over expenditures: (\$261,213) due primarily to transfers out of \$200,000 to Sales Tax II and the \$112,659 to Water Utility Fund as mentioned above.

CAPITAL ASSETS

The Town's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of June 30, 2004 was \$ 1,058,310 and \$3,313,941 respectively. See Note E for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year. The following table provides a summary of capital asset activity.

Capital Assets

	Governmental		Business-type		Totals	
	Activities		Activities			
	2004	2003	2004	2003	2004	2003
Buildings	714,911	714,911	-	-	714,911	714,911
Land	134,670	134,670	4,002	4,002	138,672	138,672
Improve. Other than Buildings	120,305	2,110,825	-	-	120,305	2,110,825
Furniture & Equipment	701,686	630,017	151,449	135,605	853,135	765,622
Infrastructure	259,869	-	-	-	259,869	-
Utility Property	-	-	6,415,410	4,046,153	6,415,410	4,046,153
Vehicles	368,458	428,215	-	-	368,458	428,215
Construction in Progress	149,189	-	-	-	149,189	-
Totals	2,449,088	4,018,638	6,570,861	4,185,760	9,019,949	8,204,398

- Largest change in Capital Assets was the transfer of Sewer Plant & improvements from Governmental Activities to the Business-type Activities.
- Other additions:
 - Water Well Construction - \$76,792
 - Sewer Plant Improvements - \$242,680
 - Third Street Drainage Improvements - \$259,869
 - Multi-Purpose Center - \$149,189

LONG-TERM DEBT

At the end of the fiscal year, the Town had total bonded debt outstanding of \$679,000, an increase from last year as follows:

Outstanding Debt

	Governmental		Business-type		Totals	
	Activities		Activities			
	2004	2003	2004	2003	2004	2003
Certificate of Indebtedness	\$330,000	\$457,000	\$349,000	\$ -	\$679,000	\$457,000

The outstanding debt of the business type activity was previously reported by the governmental activities.

ECONOMIC FACTORS AFFECTING THE TOWN

Since the primary revenue stream for the Town is sales taxes, the Town's sales tax revenues are subject to changes in the economy. Since sales are considered an "elastic" revenue stream, tax collections are higher in a flourishing economy and are lower in a depressed economy.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Town's finances, comply with finance-related laws and regulations, and demonstrate the Town's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Town's Comptroller, Robert L. Corbello, P.O. Box 1707, Iowa, LA 70647.

Robert L. Corbello
Town of Iowa, Comptroller

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF IOWA, LOUISIANA

GOVERNMENT-WIDE
STATEMENT OF NET ASSETS
June 30, 2004

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Cash	\$ 1,369,457	\$ 117,222	\$ 1,486,679
Certificates of deposit	273,110	-	273,110
Investments	834,267	69,819	904,086
Receivables (net, where applicable, of allowance for uncollectibles):			
Taxes	3,629	-	3,629
Accounts	47,184	63,694	110,878
Intergovernmental	10,918	-	10,918
Grants	98,974	-	98,974
Due from other funds	109,400	6,801	116,201
Prepaid expenses	-	4,929	4,929
Deposits	-	100	100
Restricted assets:			
Customers' deposits-cash	-	38,072	38,072
Construction deposit	5,000	-	5,000
Capital assets:			
Land and construction in progress	283,859	4,002	287,861
Other capital assets, net of depreciation	<u>774,451</u>	<u>3,309,939</u>	<u>4,084,390</u>
Total assets	<u>3,810,249</u>	<u>3,614,578</u>	<u>7,424,827</u>
 <u>LIABILITIES</u>			
Accounts payable	115,333	32,064	147,397
Accrued interest	1,810	6,108	7,918
Other payables	20,355	6,678	27,033
Payable from restricted assets:			
Customer deposits	-	38,072	38,072
Construction deposit payable	5,000	-	5,000
Noncurrent liabilities:			
Due within one year	62,000	111,000	173,000
Due in more than one year	268,000	238,000	506,000
Due to other funds	<u>85,379</u>	<u>30,822</u>	<u>116,201</u>
Total liabilities	<u>557,877</u>	<u>462,744</u>	<u>1,020,621</u>

(continued on next page)

TOWN OF IOWA, LOUISIANA

GOVERNMENT-WIDE
STATEMENT OF NET ASSETS
June 30, 2004

<u>NET ASSETS</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Investment in capital assets, net of related debt	728,310	2,964,941	3,693,251
Restricted for:			
Capital projects	165,173	-	165,173
Fire protection district	216,945	-	216,945
Various purpose - sales taxes	1,587,626	-	1,587,626
Unrestricted	<u>554,318</u>	<u>186,893</u>	<u>741,211</u>
 Total net assets	 <u>\$ 3,252,372</u>	 <u>\$ 3,151,834</u>	 <u>\$ 6,404,206</u>

See accompanying notes to financial statements

TOWN OF IOWA, LOUISIANA

GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Government activities:				
General government	\$ 344,287	\$ 121,780	\$ -	\$ 133,181
Public safety	714,658	293,858	39,436	17,983
Highway and streets	219,635	-	78,961	95,677
Culture and recreation	<u>136,464</u>	<u>25</u>	<u>2,000</u>	<u>-</u>
Total governmental activities	<u>1,415,044</u>	<u>415,663</u>	<u>120,397</u>	<u>246,841</u>
Business-type activities:				
Water utility	761,014	258,264	-	76,792
Sanitation	<u>372,933</u>	<u>319,284</u>	<u>-</u>	<u>1,339,388</u>
Total business-type activities	<u>1,133,947</u>	<u>577,548</u>	<u>-</u>	<u>1,416,180</u>
Total government	<u>\$ 2,548,991</u>	<u>\$ 993,211</u>	<u>\$ 120,397</u>	<u>\$ 1,663,021</u>
General revenues:				
Ad valorem taxes				
Sales taxes				
Franchise taxes				
Gaming taxes				
Other taxes				
Interest earned				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets at beginning of year				
Net assets at end of year				

See accompanying notes to financial statements

Net (Expenses) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (89,326)	\$ -	\$ (89,326)
(363,381)	-	(363,381)
(44,997)	-	(44,997)
<u>(134,439)</u>	<u>-</u>	<u>(134,439)</u>
<u>(632,143)</u>	<u>-</u>	<u>(632,143)</u>
-	(425,958)	(425,958)
<u>-</u>	<u>1,285,739</u>	<u>1,285,739</u>
<u>-</u>	<u>859,781</u>	<u>859,781</u>
<u>(632,143)</u>	<u>859,781</u>	<u>227,638</u>
117,907	-	117,907
1,018,805	-	1,018,805
127,906	-	127,906
96,335	-	96,335
10,852	-	10,852
20,180	1,883	22,063
14,487	-	14,487
<u>(218,139)</u>	<u>218,139</u>	<u>-</u>
<u>1,188,333</u>	<u>220,022</u>	<u>1,408,355</u>
556,190	1,079,803	1,635,993
<u>2,696,182</u>	<u>2,072,031</u>	<u>4,768,213</u>
<u>\$ 3,252,372</u>	<u>\$ 3,151,834</u>	<u>\$ 6,404,206</u>

FUND FINANCIAL STATEMENTS

TOWN OF IOWA, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2004

<u>ASSETS</u>	<u>General</u>	<u>Water Improvements</u>	<u>Streets II</u>
Cash	\$ 139,514	\$ 359,296	\$ 32,195
Certificate of deposit	-	-	-
Investments	59,227	623,978	22,372
Receivables (net, where applicable, of allowance for uncollectibles):			
Taxes	3,419	-	-
Accounts	23,365	-	-
Intergovernmental	-	-	-
Grant receivable	3,297	-	95,677
Due from other funds	43,269	53,783	8,834
Restricted assets:			
Construction deposit	<u>5,000</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 277,091</u>	<u>\$ 1,037,057</u>	<u>\$ 159,078</u>
 <u>LIABILITIES</u>			
Accounts payable	\$ 18,651	\$ -	\$ 64,728
Accrued interest	-	-	-
Other payables	20,355	-	-
Payable from restricted assets:			
Construction deposit payable	5,000	-	-
Due to other funds	<u>9,015</u>	<u>496</u>	<u>67,611</u>
Total liabilities	53,021	496	132,339
 <u>FUND BALANCES</u>			
Fund balance - unreserved	<u>224,070</u>	<u>1,036,561</u>	<u>26,739</u>
Total liabilities and fund balances	<u>\$ 277,091</u>	<u>\$ 1,037,057</u>	<u>\$ 159,078</u>

Amounts reported for governmental activities in the statement of net assets are different because:
Total fund balance - total governmental funds
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds

See accompanying notes to financial statements

<u>Sales Tax III</u>	<u>City Hall Additions</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 325,568	\$ 330,262	\$ 182,622	\$ 1,369,457
-	-	273,110	273,110
128,690	-	-	834,267
-	-	210	3,629
-	-	23,819	47,184
9,954	-	964	10,918
-	-	-	98,974
-	-	3,514	109,400
-	-	-	5,000
<u>\$ 464,212</u>	<u>\$ 330,262</u>	<u>\$ 484,239</u>	<u>\$ 2,751,939</u>

\$ -	\$ -	\$ 31,954	\$ 115,333
-	1,810	-	1,810
-	-	-	20,355
-	-	-	5,000
<u>1,215</u>	<u>-</u>	<u>7,042</u>	<u>85,379</u>
1,215	1,810	38,996	227,877
<u>462,997</u>	<u>328,452</u>	<u>445,243</u>	<u>2,524,062</u>
<u>\$ 464,212</u>	<u>\$ 330,262</u>	<u>\$ 484,239</u>	<u>\$ 2,751,939</u>

2,524,062

1,058,310

(330,000)

\$ 3,252,372

TOWN OF IOWA, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

Year Ended June 30, 2004

	<u>General</u>	Water <u>Improvements</u>	<u>Streets II</u>
Revenues:			
Tax revenue	\$ 431,905	\$ 326,018	\$ 264,889
Licenses and permits	121,355	-	-
Intergovernmental	12,141	-	-
Charges for services	1,120	-	-
Fines and forfeits	288,877	-	-
Interest earned	2,388	7,480	344
Fire insurance	-	-	-
Grants received	28,320	-	95,677
Miscellaneous	11,677	-	1,000
Proceeds from bond issuance	-	-	-
Total revenues	<u>897,783</u>	<u>333,498</u>	<u>361,910</u>
Expenditures:			
Current:			
General government	303,733	-	-
Public safety	624,418	-	-
Highways and streets	21,478	-	442,173
Culture and recreation	-	-	-
Fire protection district	-	-	-
Multi-purpose center expenditures	-	-	-
Other services and charges	-	95,369	-
Debt service:			
Interest	-	-	-
Total expenditures	<u>949,629</u>	<u>95,369</u>	<u>442,173</u>
Excess (deficiency) of revenues over expenditures	<u>(51,846)</u>	<u>238,129</u>	<u>(80,263)</u>
Other financing sources (uses):			
Operating transfers in	103,292	-	200,000
Operating transfers out	<u>(312,659)</u>	<u>(63,480)</u>	<u>(95,292)</u>
Total other financing sources (uses)	<u>(209,367)</u>	<u>(63,480)</u>	<u>104,708</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(261,213)	174,649	24,445
Fund balance at beginning of year	<u>485,283</u>	<u>861,912</u>	<u>2,294</u>
Fund balance at end of year	<u>\$ 224,070</u>	<u>\$ 1,036,561</u>	<u>\$ 26,739</u>

See accompanying notes to financial statements

<u>Sales Tax III</u>	<u>City Hall Additions</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 203,762	\$ -	\$ 145,231	\$ 1,371,805
-	-	-	121,355
-	-	2,891	15,032
-	-	25	1,145
-	-	-	288,877
5,775	262	3,931	20,180
-	-	8,225	8,225
77,961	-	141,023	342,981
-	-	7,096	19,773
-	<u>330,000</u>	-	<u>330,000</u>
<u>287,498</u>	<u>330,262</u>	<u>308,422</u>	<u>2,519,373</u>
279,902	-	-	583,635
-	-	5,552	629,970
-	-	-	463,651
-	-	119,217	119,217
-	-	70,727	70,727
-	-	149,974	149,974
2,396	-	-	97,765
-	<u>1,810</u>	-	<u>1,810</u>
<u>282,298</u>	<u>1,810</u>	<u>345,470</u>	<u>2,116,749</u>
<u>5,200</u>	<u>328,452</u>	<u>(37,048)</u>	<u>402,624</u>
-	-	59,974	363,266
(109,974)	-	-	(581,405)
<u>(109,974)</u>	<u>-</u>	<u>59,974</u>	<u>(218,139)</u>
(104,774)	328,452	22,926	184,485
<u>567,771</u>	<u>-</u>	<u>422,317</u>	<u>2,339,577</u>
<u>\$ 462,997</u>	<u>\$ 328,452</u>	<u>\$ 445,243</u>	<u>\$ 2,524,062</u>

TOWN OF IOWA, LOUISIANA

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

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

Net change in fund balance - total governmental funds \$ 184,485

Governmental funds report capital outlays as expenditures.

However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

701,705

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

(330,000)

Change in net assets of governmental activities

\$ 556,190

See accompanying notes to financial statements

TOWN OF IOWA, LOUISIANA
GENERAL FUND

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With
	<u>Original</u>	<u>Final</u>		Final Budget Positive <u>(Unfavorable)</u>
Revenues:				
Tax revenue	\$ 430,544	\$ 430,544	\$ 431,905	\$ 1,361
Licenses and permits	127,252	127,252	121,355	(5,897)
Intergovernmental	-	-	12,141	12,141
Charges for services	8,800	8,800	1,120	(7,680)
Fines and forfeits	231,286	270,586	288,877	18,291
Interest earned	2,800	2,800	2,388	(412)
Grants received	20,000	40,600	28,320	(12,280)
Miscellaneous	<u>14,500</u>	<u>10,000</u>	<u>11,677</u>	<u>1,677</u>
Total revenues	<u>835,182</u>	<u>890,582</u>	<u>897,783</u>	<u>7,201</u>
Expenditures:				
Current:				
General government	280,985	312,564	303,733	8,831
Public safety	605,950	628,950	624,418	4,532
Highways and streets	<u>20,000</u>	<u>20,000</u>	<u>21,478</u>	<u>(1,478)</u>
Total expenditures	<u>906,935</u>	<u>961,514</u>	<u>949,629</u>	<u>11,885</u>
Excess (deficiency) of revenues over expenditures	<u>(71,753)</u>	<u>(70,932)</u>	<u>(51,846)</u>	<u>19,086</u>
Other financing sources (uses):				
Operating transfers in	103,332	103,332	103,292	(40)
Operating transfers out	-	(312,000)	(312,659)	(659)
Appropriation of prior year fund balance	<u>(31,579)</u>	<u>279,600</u>	<u>-</u>	<u>(279,600)</u>
Total other financing sources (uses)	<u>71,753</u>	<u>70,932</u>	<u>(209,367)</u>	<u>(280,299)</u>
Excess (deficiency) of revenue and other financing sources over expenditures and other uses	-	-	(261,213)	(261,213)
Fund balance at beginning of year	<u>485,283</u>	<u>485,283</u>	<u>485,283</u>	<u>-</u>
Fund balance at end of year	<u>\$ 485,283</u>	<u>\$ 485,283</u>	<u>\$ 224,070</u>	<u>\$ (261,213)</u>

See accompanying notes to financial statements

TOWN OF IOWA, LOUISIANA
SALES TAX - WATER IMPROVEMENTS

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Unfavorable)
	Original	Final		
Revenues:				
Tax revenue	\$ 308,800	\$ 325,120	\$ 326,018	\$ 898
Interest earned	10,000	6,800	7,480	680
Total revenues	318,800	331,920	333,498	1,578
Expenditures:				
Current:				
Other services and charges	318,750	318,750	95,369	223,381
Excess (deficiency) of revenues over expenditures	50	13,170	238,129	224,959
Other financing sources (uses):				
Operating transfers out	(63,480)	(63,480)	(63,480)	-
Appropriation of prior year fund balance	63,430	50,310	-	50,310
Total other financing sources (uses)	(50)	(13,170)	(63,480)	(50,310)
Excess (deficiency) of revenue and other financing sources over expenditures and other uses	-	-	174,649	174,649
Fund balance at beginning of year	861,912	861,912	861,912	-
Fund balance at end of year	\$ 861,912	\$ 861,912	\$ 1,036,561	\$ 174,649

See accompanying notes to financial statements

TOWN OF IOWA, LOUISIANA
SALES TAX II - STREETS

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Unfavorable)
	Original	Final		
Revenues:				
Tax revenue	\$ 250,900	\$ 264,160	\$ 264,889	\$ 729
Interest earned	3,000	3,000	344	(2,656)
Grants received	22,500	95,678	95,677	(1)
Miscellaneous	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>
Total revenues	276,400	362,838	361,910	(928)
Expenditures:				
Current:				
Highways and streets	<u>214,108</u>	<u>439,108</u>	<u>442,173</u>	<u>(3,065)</u>
Excess (deficiency) of revenues over expenditures	<u>62,292</u>	<u>(76,270)</u>	<u>(80,263)</u>	<u>3,993</u>
Other financing sources (uses):				
Operating transfers in	-	200,000	200,000	-
Operating transfers out	(95,292)	(95,292)	(95,292)	-
Appropriation of prior year fund balance	<u>33,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(62,292)</u>	<u>104,708</u>	<u>104,708</u>	<u>-</u>
Excess (deficiency) of revenue and other financing sources over expenditures and other uses	-	28,438	24,445	3,993
Fund balance at beginning of year	<u>2,294</u>	<u>2,294</u>	<u>2,294</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,294</u>	<u>\$ 30,732</u>	<u>\$ 26,739</u>	<u>\$ 3,993</u>

See accompanying notes to financial statements

TOWN OF IOWA, LOUISIANA
SALES TAX III

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Unfavorable)
	Original	Final		
Revenues:				
Tax revenue	\$ 193,000	\$ 203,300	\$ 203,762	\$ 462
Interest earned	8,000	4,800	5,775	975
Grants received	<u>83,000</u>	<u>83,000</u>	<u>77,961</u>	<u>(5,039)</u>
Total revenues	<u>284,000</u>	<u>291,100</u>	<u>287,498</u>	<u>(3,602)</u>
Expenditures:				
Current:				
General government	600,000	600,000	279,902	320,098
Other services and charges	<u>2,200</u>	<u>2,200</u>	<u>2,396</u>	<u>(196)</u>
Total expenditures	<u>602,200</u>	<u>602,200</u>	<u>282,298</u>	<u>319,902</u>
Excess (deficiency) of revenues over expenditures	<u>(318,200)</u>	<u>(311,100)</u>	<u>5,200</u>	<u>316,300</u>
Other financing sources (uses):				
Operating transfers out	(50,000)	(50,000)	(109,974)	(59,974)
Appropriation of prior year fund balance	<u>368,200</u>	<u>361,100</u>	<u>-</u>	<u>(361,100)</u>
Total other financing sources (uses)	<u>318,200</u>	<u>311,100</u>	<u>(109,974)</u>	<u>(421,074)</u>
Excess (deficiency) of revenue and other financing sources over expenditures and other uses	-	-	(104,774)	(104,774)
Fund balance at beginning of year	<u>567,771</u>	<u>567,771</u>	<u>567,771</u>	<u>-</u>
Fund balance at end of year	<u>\$ 567,771</u>	<u>\$ 567,771</u>	<u>\$ 462,997</u>	<u>\$ (104,774)</u>

See accompanying notes to financial statements

TOWN OF IOWA, LOUISIANA
 PROPRIETARY FUND - WATER UTILITY
 ENTERPRISE FUND

STATEMENT OF NET ASSETS
 June 30, 2004

ASSETS

Cash	\$	117,222
Investments		69,819
Receivables (net, where applicable, of allowance for uncollectibles):		
Accounts		63,694
Due from other funds		6,801
Prepaid expenses		4,929
Deposits		100
Restricted assets:		
Customers' deposits-cash		38,072
Capital assets:		
Land, improvements and construction in progress		4,002
Other capital assets, net of depreciation		<u>3,309,939</u>
Total assets		<u>\$ 3,614,578</u>

LIABILITIES

Accounts payable	\$	32,064
Accrued interest		6,108
Other payables		6,678
Payable from restricted assets:		
Customer deposits		38,072
Due to other funds		30,822
Noncurrent liabilities:		
Due within one year		111,000
Due in more than one year		<u>238,000</u>
Total liabilities		<u>462,744</u>

NET ASSETS

Investment in capital assets, net of related debt		2,964,941
Unrestricted		<u>186,893</u>
Total net assets		<u>\$ 3,151,834</u>

See accompanying notes to financial statements

TOWN OF IOWA, LOUISIANA
 PROPRIETARY FUND - WATER UTILITY
 ENTERPRISE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
 Year Ended June 30, 2004

Operating revenues:	
Charges for services	<u>\$ 577,548</u>
Operating expenses:	
Salaries	176,951
Insurance	41,666
Repairs, maintenance and supplies	64,539
Utilities	55,686
Other services and charges	247,865
Depreciation	<u>525,198</u>
Total operating expenses	<u>1,111,905</u>
Operating (loss)	<u>(534,357)</u>
Nonoperating revenues (expenses):	
Interest earned	1,883
Interest paid	<u>(22,042)</u>
Total nonoperating expenses	<u>(20,159)</u>
(Loss) before transfers	(554,516)
Capital contributions	1,416,180
Operating transfers	<u>218,139</u>
Change in net assets	1,079,803
Net assets at beginning of year	<u>2,072,031</u>
Net assets at end of year	<u>\$ 3,151,834</u>

See accompanying notes to financial statements

TOWN OF IOWA, LOUISIANA
 PROPRIETARY FUND - WATER UTILITY
 ENTERPRISE FUND

STATEMENT OF CASH FLOWS
 Year Ended June 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 560,124
Cash payments to suppliers for goods and services	(377,239)
Cash payments to employees for services	<u>(176,951)</u>
Net cash provided by operating activities	<u>5,934</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfer from other funds (net)	218,139
Interfund payable increase	<u>19,813</u>
Net cash provided by noncapital financing activities	<u>237,952</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal retirement	(108,000)
Interest paid on long-term debt	(15,934)
Acquisition of fixed assets	<u>(69,923)</u>
Net cash (used in) capital and related financing activities	<u>(193,857)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipts of interest	1,883
Purchase of investments	<u>(69,819)</u>
Net cash (used in) investing activities	<u>(67,936)</u>
Net decrease in cash and cash equivalents	(17,907)
Cash and cash equivalents:	
Beginning of year	<u>173,201</u>
End of year	<u>\$ 155,294</u>
Cash and cash equivalents at end of year consisted of:	
Unrestricted cash	\$ 117,222
Restricted cash	<u>38,072</u>
	<u>\$ 155,294</u>

(continued on next page)

TOWN OF IOWA, LOUISIANA
 PROPRIETARY FUND - WATER UTILITY
 ENTERPRISE FUND

STATEMENT OF CASH FLOWS
 Year Ended June 30, 2004

RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating (loss)	\$ (534,356)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation	525,198
Changes in assets and liabilities:	
(Increase) in accounts receivable and other receivables	(35,936)
(Increase) in prepaid expenses	(464)
Increase in accounts payable and other payables	32,980
Increase in customer deposits	<u>18,512</u>
Net cash provided by operating activities	<u>\$ 5,934</u>

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES	
Water plant improvements and water line extensions transferred from Sales Tax-Water Improvements Special Revenue Fund	\$ 76,793
Sewer treatment upgrades and sewer line extensions transferred from Sales Tax-Streets Special Revenue Fund	245,460
Sewer treatment facility and sewer line extensions transferred from the General Fixed Asset Account Group (net of accumulated depreciation)	<u>1,550,929</u>
Total noncash investing activities	<u>\$ 1,873,182</u>

See accompanying notes to financial statements

TOWN OF IOWA, LOUISIANA

NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

Note 1. *Summary of Significant Accounting Policies*

The Town of Iowa, Louisiana was incorporated June 26, 1952, under the provisions of the Lawrason Act. The Town operates under a Mayor-Town Council form of government.

The accounting and reporting policies of the Town of Iowa, Louisiana conform to accounting principles generally accepted in the United States of America as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guidance set forth in the *Louisiana Municipal Audit and Accounting Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

The Governmental Accounting Standards Board (GASB) Statement Number 20 (effective for financial statements for periods beginning after December 15, 1993) provides guidance on accounting and financial reporting for proprietary fund types and allows proprietary fund types to choose one of two options in applying pronouncements issued by the Financial Accounting Standards Board (FASB) after November 30, 1989. The Town of Iowa has elected to use the first option for reporting its activities. This approach applies all GASB pronouncements and FASB statements and interpretations, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Changes to FASB statements and interpretations, APB opinions and ARBs issued after November 30, 1989, would not apply unless adopted by GASB.

The following is a summary of certain significant accounting policies.

A. *Financial Reporting Entity*

The accompanying financial statements include the various departments, activities, and organizational units that are within the control and authority of the Mayor and Town Council of the Town of Iowa, Louisiana. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 14 of the Governmental Accounting Standards Board. This statement defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the

component unit will provide a financial benefit to or impose a financial burden on the primary government.

Consistent with this criteria, the Town of Iowa, Louisiana has determined that the Fire Protection District No. 1 of Ward 8 of Calcasieu Parish is a component unit of the Town.

B. Change in Accounting Principles

The Town of Iowa, Louisiana adopted the provisions of GASB Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (Statement 34) and GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions* (Statement 33) for the year ended June 30, 2004. Statement 34 establishes financial reporting standards for all state and local governments and related entities. Statement 34 primarily relates to presentation and disclosure requirements. This had an impact on capital assets, the presentation of net assets and the inclusion of management's discussion and analysis. Concurrent with the implementation of Statement 34, the following additional standards have been adopted. GASB Statement 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*. This Statement amends Statement 34 to either (1) clarify certain provisions or (2) modify other provisions that the GASB believes may have unintended consequences in some circumstances. GASB Statement 38, *Certain Financial Statement Note Disclosures*. This Statement modifies, establishes and rescinds certain financial statement disclosure requirements.

C. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the primary government.

The Statement of Net Assets and the Statement of Activities report financial information for the Town as a whole so that individual funds are not displayed. However, the Statement of Activities reports the expense of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and (2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

FUND FINANCIAL STATEMENTS

The Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The various funds are grouped, in the financial statements in this report, into three broad fund categories as follows:

GOVERNMENTAL FUNDS

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

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds - These funds account for all financial resources segregated for the acquisition or construction of major general government capital projects.

PROPRIETARY FUNDS

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

D. Measurement Focus and Basis of Accounting

Measurement focus refers to which transactions are recorded within various financial statements. Basis of accounting refers to when revenues and

expenditures (or expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds. The primary effect of internal activity (between or within funds) has been eliminated from the government-wide financial statements.

In the fund financial statements, governmental funds are accounted for using a financial resources measurement focus whereby only current assets and current liabilities generally are included on the balance sheet and increases or decreases in net current assets are presented in the operating statements. These funds utilize the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Certain revenues such as sales tax, property tax, and charges for services are assessed and collected in such a manner that they can be accrued appropriately. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for principal and interest on general long-term debt which are recognized when due. Also, expenditures for accrued compensated absences are not recognized until they are payable from current available financial resources.

The proprietary fund, also in the fund financial statements, is accounted for and reported using a flow of economic resources measurement focus. This means that all assets and liabilities associated with the operation of these funds are included on the balance sheet and fund equity consists of contributed capital and retained earnings. The operating statements for the proprietary fund presents increases or decreases in net total assets.

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

E. Budgets and Budgetary Accounting

The Mayor and Town Clerk prepare a proposed budget and submit same to the Town Council prior to the beginning of each fiscal year. The operating budget includes proposed expenditures and the means of financing them.

A summary of the proposed budget is published, a public hearing is held, and the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is adopted.

Any revisions that alter total expenditures of any fund must be approved by the Councilmen. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. All budgetary appropriations lapse at the end of each fiscal year.

Budgets for the General and Special Revenue Funds are adopted on a modified accrual basis of accounting. Budgeted amounts are as originally adopted, or as amended by the Town Council.

During the year ended June 30, 2004, budgeted amounts for revenues and other financing sources were increased approximately \$394,000 and expenditures and other financing uses increased approximately \$638,000. The major part of these changes is represented by increases in transfers in and increases in capital outlays and transfers out from those amounts originally budgeted.

Encumbrance accounting is not used.

F. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits and certificates of deposit. The Town considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Certificates of deposit are stated at cost. At June 30, 2004, the Town had no cash equivalents.

Louisiana State Statutes, as stipulated in R.S. 39:1271, authorize the Town to invest in United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. Investments are stated at cost.

G. Bad Debts

Uncollectible amounts due for ad valorem taxes and customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the receivable.

H. Interfund Activity

Interfund activity is reported as either loans, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Effective July 1, 2003, the Town began accounting for its garbage and trash and sewer operations in the Water Utility Fund. To facilitate this change the Town transferred \$112,659 of garbage and trash and sewer assets from the general fund to the Water Utility Fund.

I. Capital Assets and Depreciation

The accounting and reporting treatment applied to capital assets associated with a fund are determined by their measurement focus. General capital assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. The minimum capitalization threshold is any individual item with a total cost greater than \$1,500.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Plant	10 to 33 years
Machinery and equipment	5 to 10 years
Furniture and fixtures	5 to 10 years

J. Accumulated Unpaid Sick Pay

Accumulated unpaid sick pay was not considered material at June 30, 2004 and is not reflected in these financial statements.

K. Property Taxes

Property taxes levied in any one year are recognized as revenues of that year.

Note 2. Cash, Cash Equivalents and Investments

In accordance with a fiscal agency agreement which is approved by the Town Council, the Town of Iowa maintains demand and time deposits through local depository banks which are members of the Federal Reserve System.

Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value. Authorized collateral includes general obligations of the U.S. government, obligations issued or guaranteed by an agency established by the U.S. government, general obligation bonds of any state of the U.S., or of any Louisiana parish, municipality, or school district.

The Town's bank demand and time deposits at year end were entirely covered by federal depository insurance or by pledge of securities owned by the financial institution in the Town's name.

The following chart presents bank balances as of June 30, 2004. The deposits are listed in terms of risk involved. Category 1 represents those deposits insured (inclusive of FDIC) or collateralized with securities held by the Town or its agent in the Town's name. Category 2 represents deposits collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name. Category 3 represents deposits uncollateralized including any securities held for the entity but not in the Town's name.

	<u>Bank Balances</u>			<u>Total Bank Balances</u>	<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
June 30, 2004					
Cash and demand deposits	\$ 300,000	\$ 1,358,542	\$ -	\$ 1,658,542	\$ 1,524,751
Certificates of deposit	<u>200,000</u>	<u>73,322</u>	<u>-</u>	<u>273,322</u>	<u>273,110</u>
Total	<u>\$ 500,000</u>	<u>\$ 1,431,864</u>	<u>\$ -</u>	<u>\$ 1,931,864</u>	<u>\$ 1,797,865</u>

Investments held at June 30, 2004, consist of \$909,086 in the Louisiana Asset Management Pool Inc. (LAMP), a local government investment pool (see Summary of Significant Accounting Policies). Of this amount, \$5,000 was restricted for a construction deposit. In accordance with GASB Codification Section I50.165 the investment in LAMP at June 30, 2004, is not categorized in the three risk categories provided by GASB Codification Section I50.164 because the investment is in the pool of funds and 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, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPA's. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well

as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

Note 3. Individual Fund Transactions

Individual fund interfund receivables and payables are as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 43,269	\$ 9,015
Sales Tax Fund-Water Improvements	53,783	496
Sales Tax Fund-Streets and Parks	3,514	7,042
Sales Tax Fund-Streets II	8,834	67,611
Sales Tax Fund-Sales Tax III	-	1,215
Water Utility Fund	<u>6,801</u>	<u>30,822</u>
	<u>\$ 116,201</u>	<u>\$ 116,201</u>
Operating Transfers	<u>Transfers</u>	<u>Transfers</u>
	<u>In</u>	<u>Out</u>
General Fund:		
Streets II	\$ 53,292	\$ 200,000
Sales Tax III	50,000	-
Water Utility Fund	<u>-</u>	<u>112,659</u>
Total General Fund	103,292	312,659
Sales Tax Water Improvements		
Water Utility Fund	<u>-</u>	<u>63,480</u>
Streets II		
General Fund	200,000	53,292
Water Utility Fund	<u>-</u>	<u>42,000</u>
Total Streets II	<u>200,000</u>	<u>95,292</u>
Sales Tax III		
General Fund	-	50,000
City Hall Additions	<u>-</u>	<u>59,974</u>
Total Sales Tax III	<u>-</u>	<u>109,974</u>
City Hall Additions		
Sales Tax III	<u>59,974</u>	<u>-</u>

	<u>Transfers In</u>	<u>Transfers Out</u>
Water Utility Fund		
General Fund	112,659	-
Sales Tax Water Improvements	63,480	-
Streets II	<u>42,000</u>	<u>-</u>
Total Water Utility Fund	<u>218,139</u>	<u>-</u>
Grand totals	<u>\$ 581,405</u>	<u>\$ 581,405</u>

Note 4. Restricted Assets

Restricted assets were applicable to the following at June 30:

	<u>2004</u>
General Fund:	
Construction deposit	\$ 5,000
Enterprise Fund:	
Customers deposits-water and sewer maintenance services	38,072

Note 5. Changes in Capital Assets

Capital asset activity for the year ended June 30, 2004, was as follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 134,670	\$ -	\$ -	\$ 134,670
Construction in progress	<u>-</u>	<u>149,189</u>	<u>-</u>	<u>149,189</u>
Total capital assets not being depreciated	<u>134,670</u>	<u>149,189</u>	<u>-</u>	<u>283,859</u>
Capital assets being depreciated:				
Buildings	714,911	-	-	714,911
Improvements other than buildings	2,110,825	2,406	(1,992,926)	120,305
Furniture and equipment	630,017	86,594	(14,925)	701,686
Vehicles	428,215	11,727	(71,484)	368,458
Infrastructure	<u>-</u>	<u>259,869</u>	<u>-</u>	<u>259,869</u>

	Beginning of Year	Additions	Deletions	End of Year
Total capital assets being depreciated	<u>3,883,968</u>	<u>360,596</u>	<u>(2,079,335)</u>	<u>2,165,229</u>
Less accumulated depreciation for:				
Buildings	500,576	32,813	-	533,389
Improvements other than buildings	504,872	9,016	(441,997)	71,891
Furniture and equipment	409,606	64,117	(9,893)	463,830
Vehicles	371,543	19,479	(71,484)	319,538
Infrastructure	-	2,130	-	2,130
Total accumulated depreciation	<u>1,786,597</u>	<u>127,555</u>	<u>(523,374)</u>	<u>1,390,778</u>
Government activities capital assets, net	<u>\$ 2,232,041</u>	<u>\$ 382,230</u>	<u>\$(1,555,961)</u>	<u>\$ 1,058,310</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	<u>\$ 4,002</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,002</u>
Capital assets being depreciated:				
Plant and equipment	4,046,153	2,369,257	-	6,415,410
Machinery	129,245	15,844	-	145,089
Furniture and fixtures	6,360	-	-	6,360
Total capital assets being depreciated	<u>4,181,758</u>	<u>2,385,101</u>	<u>-</u>	<u>6,566,859</u>
Less accumulated depreciation for:				
Plant and equipment	2,646,343	513,887	-	3,160,230
Machinery	79,020	11,310	-	90,330
Furniture and fixtures	6,360	-	-	6,360
Total accumulated depreciation	<u>2,731,723</u>	<u>525,197</u>	<u>-</u>	<u>3,256,920</u>
Business-type activities capital assets, net	<u>\$ 1,454,037</u>	<u>\$ 1,859,904</u>	<u>\$ -</u>	<u>\$ 3,313,941</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 40,545
Public safety	43,753
Highway and streets	13,101
Sanitation	2,130
Culture and recreation	<u>28,025</u>
Total depreciation	<u>\$ 127,554</u>

During the year ended June 30, 2004, water line relocation and extensions were constructed and these improvements were funded by the Sales Tax Water Improvements, Sales Tax II - Streets and Special Revenue Funds. The amounts related to these improvements were transferred by the Special Revenue Funds to the Water Utility Fund. These amounts totaled \$322,253 for the year ended June 30, 2004.

A sewer treatment facility and sewerage lines were constructed in past years and were funded by governmental type funds. The amounts related to these capital assets were transferred from the general fixed assets to the Water Utility Fund. The amount totaled \$1,550,929, net of related debt, for the year ended June 30, 2004.

Note 6. Long-Term Debt

Long-term debt is comprised of the following:

	Balance <u>6-30-04</u>
Town of Iowa State of Louisiana Certificate of Indebtedness Series 1997 in the original amount of \$1,000,000; dated March 27, 1997; bearing interest at 5.25% fixed, and payable in 20 semi-annual payments beginning September 1, 1997 and ending March 1, 2007. This note is secured by the dedication of the Town's excess revenues above statutory, necessary and usual charges	<u>\$ 349,000</u>
Town of Iowa State of Louisiana Certificate of Indebtedness Series 2004 in the original amount of \$330,000; dated April 1, 2004; bearing interest at 2.97% fixed, and payable in 10 semi-annual payments beginning October 1, 2004 and ending April 1, 2009. This note is secured by the dedication of the Town's excess revenues above statutory, necessary and usual charge.	<u>\$ 330,000</u>

Long-term liability activity for the year ended June 30, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Government activities:					
Certificate of indebtedness	\$ 457,000	\$ 330,000	\$ 457,000	\$ 330,000	\$ 62,000
Business-type activities:					
Certificate of indebtedness	\$ -	\$ 457,000	\$ 108,000	\$ 349,000	\$ 111,000

Debt service requirements at June 30, 2004 were as follows:

Governmental activities:

<u>Year Ended June 30,</u>	<u>General Obligation</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 62,000	\$ 8,521
2006	64,000	7,960
2007	66,000	6,059
2008	68,000	4,098
2009	<u>70,000</u>	<u>2,079</u>
	<u>\$ 330,000</u>	<u>\$ 28,717</u>

Business-type activities:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 111,000	\$ 18,322
2006	117,000	12,495
2007	<u>121,000</u>	<u>6,352</u>
	<u>\$ 349,000</u>	<u>\$ 37,169</u>

Note 7. Ad Valorem Taxes

For the year ended June 30, 2004, taxes of 5.41 mills were levied by the Town of Iowa on property with assessed valuations totaling \$8,440,100 and were dedicated for general corporate purposes. Taxes of 10.00 mills were levied by the Fire Protection District No. 1 of Ward 8 of Calcasieu Parish on property with assessed valuations totaling \$11,986,250 and were dedicated for the purpose of providing fire protection to the District.

Total taxes levied were \$45,661 and \$65,284, respectively for the Town and the District. Taxes receivable at June 30, 2004 and 2003 consisted of the following:

	<u>2004</u>
Taxes receivable current roll	\$ 2,047
Taxes receivable prior years	<u>7,278</u>
	9,325
Allowance for uncollectible taxes	<u>(5,695)</u>
	<u>\$ 3,629</u>

Property taxes are levied November 1 and attach as an enforceable lien on property as of April 30.

Note 8. Dedication of Proceeds and Flow of Funds - 2.5% Sales and Use Tax

Proceeds of a 1% sales and use tax levied by the Town of Iowa, Louisiana (2004 collections \$407,523 are dedicated to the following purposes:

1. 80% of collections to be used for capital and other improvements of the Water Utility Fund.
2. 20% of collections to be used for improvements to the Town's streets and parks.

Proceeds of a 1% sales and use tax levied by the Town of Iowa, Louisiana approved by voters May, 1999 to expire April, 2007 (2004 collections \$407,523) are dedicated to the following purposes:

1. 65% of collections to be used for street, sidewalk, street lighting maintenance and construction, and sewerage treatment facilities maintenance and construction.
2. 35% of collections to be used for general administrative and general fund needs.

Proceeds of a 1/2% sales and use tax levied by the Town of Iowa, Louisiana approved by voters to begin July 1, 1992, for a period of ten years (2004 collections \$203,761) are dedicated to the following purposes:

1. Flood control maintenance and flood control purposes.
2. Economic development activities.
3. Capital improvements and maintenance to the Town Hall and Town Park.

Note 9. Retirement Commitments

Municipal Police Employee's Retirement System:

Plan description:

The Town of Iowa contributes to the Municipal Police Employees' Retirement System, a cost-sharing multiple-employer plan administered by the Municipal and State Police Employee's Retirement System of Louisiana. The Municipal Police Employees' Retirement System was established as of July 1, 1973, by Act 189 of 1973 and amended by RS 33:2371 of the 1986 session to become Municipal and State Police Retirement System of Louisiana. The system is a state retirement system which was created to provide retirement benefits for full time municipal police officers in Louisiana, and state police officers hired after January 1, 1987. The System is administered by a Board of Trustees of the Retirement Committee of the House of Representatives and the Chairman of the Senate Finance Committee, or their designees, to serve as voting ex-officio members of the Board. Historical trend information for this plan is included in the separately issued report for the Municipal Police Employee's Retirement System for the period ended June 30, 2003.

Funding policy:

Plan members are required to contribute 7.5% of their annual covered salary and the Town of Iowa is required to contribute at a statutorily determined rate. The current rate is 9% of annual covered payroll. The contribution requirements of plan members and the Town of Iowa are established and may be amended by the Board of Trustees. The Town of Iowa's contributions to the Municipal Police Employees' Retirement System for the years ending June 30, 2004, 2003, and 2002 were \$12,897, \$9,374, and \$7,261, respectively, equal to the required contributions for each year.

Municipal Employee's Retirement System

Plan description:

The Town of Iowa contributes to the Municipal Employees' Retirement System of Louisiana, a cost-sharing multiple-employer plan administered by the Municipal Employee's Retirement System, State of Louisiana. The Municipal Employees' Retirement System of Louisiana was established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana to provide retirement benefits to employees of all incorporated villages, towns and cities within the State, which did not have their own retirement systems and which elected to become members of the System. The System is administered by a Board of Trustees composed of nine members, six of whom shall be active and contributing members of the System with at least ten years creditable service, elected by the members of the System; one of whom shall be the president of the Louisiana Municipal Association who shall serve as an ex-officio member during his tenure; one of whom shall be the Chairman of the Senate Retirement

Committee; one of whom shall be the Chairman of the House Retirement Committee of the Legislature of Louisiana. Act #569 of the year 1968 established by the Legislature of the State of Louisiana provides an optional method for municipalities to cancel Social Security and come under supplementary benefits in the Municipal Employees' Retirement System, effective on and after June 30, 1970. Effective October 1, 1978, under Act #788, the "regular plan" and the "supplemental plan" were replaced, and are now known as Plan "A" and Plan "B". Plan "A" combines the original plan and the supplemental plan for those municipalities participating in both plans, while Plan "B" participates in only the original plan. The Town of Iowa is a member of plan "A" of the retirement system. Historical trend information for this plan is included in the separately issued report for the Municipal Employee's Retirement System for the period ended June 30, 2003.

Funding policy:

Plan members are required to contribute 9.25% of their annual covered salary and the Town of Iowa is required to contribute at a statutorily determined rate. The current rate is 7.00% of annual covered payroll. The contribution requirements of plan members and the Town of Iowa are established and may be amended by the Board of Trustees. The Town of Iowa's contributions to the Municipal Employees' Retirement System of Louisiana for the year ending June 30, 2004 was \$23,067 equal to the required contributions for the year.

Note 10. Excess of Expenditures Over Appropriations

Expenditures and other financing uses for the current year exceeded appropriations for the following funds:

	<u>Budget</u>	<u>Actual</u>	Variance (Unfavorable)
Sales Tax Fund-Streets II	\$ 534,400	\$ 537,465	\$ (3,065)
Sales Tax Fund-Streets and Parks	118,287	119,217	(930)

Note 11. Compensation of Mayor and Members of the Town Council

Salaries paid to the Mayor and council members during the year are as follows:

Amanda Racca, Mayor	\$ 12,500
Calvin Caesar	600
Gerald Guidry	2,400
Larry Hardy	2,400
Jerry Lapearous	2,400
Thomas Talbot	2,400
Zelia Washington	1,800

The Board members of the Fire Protection District No. 1 of Ward 8 of Calcasieu Parish received no compensation during the year ended June 30, 2004.

Note 12. Contingencies

During the fiscal year ended June 30, 2003, the Town incurred charges to repair sewer lines. Testing conducted by the Town indicated the cause of the failure of the sewer lines was defective pipe. The Town has notified the responsible parties associated with the pipe and its installation of its intention to pursue indemnification for the costs incurred to repair the lines.

OTHER SUPPLEMENTARY INFORMATION

- Nonmajor Governmental Funds
 - Combining Balance Sheet
 - Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances

TOWN OF IOWA, LOUISIANA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2004

<u>ASSETS</u>	<u>Parks and Streets</u>	<u>Fire Protection</u>
Cash	\$ 61,578	\$ 89,754
Certificate of deposit	6,851	130,580
Receivables (net, where applicable, of allowance for uncollectibles):		
Taxes	-	210
Accounts	-	-
Intergovernmental	-	964
Due from other funds	<u>3,514</u>	<u>-</u>
Total assets	<u>\$ 71,943</u>	<u>\$ 221,508</u>
 <u>LIABILITIES</u>		
Accounts payable	\$ 3,572	\$ 4,563
Due to other funds	<u>7,042</u>	<u>-</u>
Total liabilities	10,614	4,563
 <u>FUND BALANCE</u>		
Fund balance - unreserved	<u>61,329</u>	<u>216,945</u>
Total liabilities and fund balances	<u>\$ 71,943</u>	<u>\$ 221,508</u>

<u>Multi Purpose Center</u>	<u>Asset Forfeitures</u>	<u>Sewer Improvement</u>	<u>Total Non-major Funds</u>
\$ 31,041	\$ 248	\$ 1	\$ 182,622
-	-	135,679	273,110
-	-	-	210
23,819	-	-	23,819
-	-	-	964
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,514</u>
<u>\$ 54,860</u>	<u>\$ 248</u>	<u>\$ 135,680</u>	<u>\$ 484,239</u>
\$ 23,819	\$ -	\$ -	\$ 31,954
<u>-</u>	<u>-</u>	<u>-</u>	<u>7,042</u>
23,819	-	-	38,996
<u>31,041</u>	<u>248</u>	<u>135,680</u>	<u>445,243</u>
<u>\$ 54,860</u>	<u>\$ 248</u>	<u>\$ 135,680</u>	<u>\$ 484,239</u>

TOWN OF IOWA, LOUISIANA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	<u>Parks and Streets</u>	<u>Fire Protection</u>
Revenues:		
Tax revenue	\$ 81,503	\$ 63,728
Intergovernmental	-	2,891
Charges for services	25	-
Interest earned	1,130	1,478
Fire insurance	-	8,225
Grants received	2,000	17,983
Miscellaneous	<u>126</u>	<u>2,684</u>
Total revenues	<u>84,784</u>	<u>96,989</u>
Expenditures:		
Current:		
Public safety	-	-
Culture and recreation	119,217	-
Fire protection district	-	70,727
Multi-purpose center expenditures	<u>-</u>	<u>-</u>
Total expenditures	<u>119,217</u>	<u>70,727</u>
Excess (deficiency) of revenues over expenditures	(34,433)	26,262
Other financing sources (uses):		
Operating transfers in	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(34,433)	26,262
Fund balance at beginning of year	<u>95,762</u>	<u>190,683</u>
Fund balance at end of year	<u>\$ 61,329</u>	<u>\$ 216,945</u>

<u>Multi Purpose Center</u>	<u>Asset Forfeitures</u>	<u>Sewer Improvement</u>	<u>Total Non-major Funds</u>
\$ -	\$ -	\$ -	\$ 145,231
-	-	-	2,891
-	-	-	25
-	-	1,323	3,931
-	-	-	8,225
121,040	-	-	141,023
-	<u>4,286</u>	-	<u>7,096</u>
<u>121,040</u>	<u>4,286</u>	<u>1,323</u>	<u>308,422</u>
-	5,552	-	5,552
-	-	-	119,217
-	-	-	70,727
<u>149,974</u>	-	-	<u>149,974</u>
<u>149,974</u>	<u>5,552</u>	-	<u>345,470</u>
(28,934)	(1,266)	1,323	(37,048)
<u>59,974</u>	-	-	<u>59,974</u>
31,040	(1,266)	1,323	22,926
<u>1</u>	<u>1,514</u>	<u>134,357</u>	<u>422,317</u>
<u>\$ 31,041</u>	<u>\$ 248</u>	<u>\$ 135,680</u>	<u>\$ 445,243</u>

**REPORT OF INDEPENDENT AUDITORS
ON INTERNAL CONTROL
AND COMPLIANCE**

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Otray J. Woods Jr., CPA, Inactive
Robert F. Cargile, CPA, Inactive
William A. Mancuso, CPA, Retired
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CFE - Certified Fraud Examiner
MT - Masters of Taxation
CVA - Certified Valuation Analyst
CFP - Certified Financial Planner

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

Honorable Mayor
and Town Council
Town of Iowa
Iowa, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Iowa, Louisiana as of and for the year ended June 30, 2004, which collectively comprise the Town of Iowa, Louisiana's basic financial statements, and have issued our report thereon dated September 15, 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 Audit Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town of Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 04-5 and 04-6.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Iowa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town of Iowa's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 04-1, 04-2, 04-3, 04-4, 04-5, 04-6, 04-7, 04-8 and 04-9.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we considered items 04-1, 04-2, 04-3, 04-4, 04-5, 04-6, 04-7, 04-8 and 04-9, to be a material weaknesses.

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

Mr. Elroy, Quirk & Burch

Lake Charles, Louisiana
September 15, 2004

TOWN OF IOWA, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2004

04-1 Segregation of Duties

Condition: Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Criteria: Effective internal control requires adequate segregation of duties among client personnel.

Effect: Without proper segregation of duties, errors within the financial records or fraud could go undetected.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Response: We concur with this recommendation. Management has implemented supervision and review procedures such as review and approval of supporting documents related to expenditures, and separation of duties related to opening mail and recording monies received.

04-2 Internal Control over Interim Financial Reporting

Condition: The Town's accounting system did not provide accurate financial information during the year. The Town converted accounting systems and transferred certain departmental operations between funds during the year. As a result of these changes, numerous errors were made as the Town's staff learned and implemented the new accounting system. Attempts to correct the errors were often made to the initial entries in the accounting system rather than by recording correcting journal entries. This method of correction fails to provide adequate documentation history.

Criteria: It is management's responsibility to provide accurate financial information the Town Council and other stakeholders throughout the year.

TOWN OF IOWA, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2004

Effect: This condition resulted in inaccurate interim financial reporting to the Town Council and management and impairs the ability of a user of the financial information to understand changes in the interim statements.

Recommendation: Management should provide additional training to accounting staff in the use of the accounting system and reconciliation procedures that will assist in monitoring the accuracy of information recorded. Management should also tailor their review procedures to address the new accounting system and its changes.

Response: Management acknowledges that errors were made during the year causing the interim financial statements to be difficult to understand. Management will implement the training and review procedures as recommended.

04-3 Deficiencies in Accounting Records

Condition: The detailed accounting records did not provide information necessary for transactions to be easily verifiable through normal audit procedures.

Criteria: Financial information contained in the general ledger should be summarized in a manner that is easy to discern. Entries into the Town's accounting records should provide adequate information so that the transaction may be agreed to its underlying documentation.

Effect: Failure to maintain appropriate records resulted in errors and duplicate entries that were corrected through audit adjustments.

Recommendation: Financial information should be monitored and reviewed regularly to ensure that all entries are recorded in adequate detail and accounting records balance between funds.

TOWN OF IOWA, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2004
(Continued)

Response: The Town changed accounting software packages during the audit year. The records were affected due to unfamiliarity with the current software and the data migration into the new system. As a result of this and changes to the Town's fund structure, the Town's accounting system as a whole underwent significant changes throughout the year. The Town believes the systems that were ultimately implemented will provide adequate information in the future. However, the Town's management does agree with the recommendation and will make a stronger effort to more effectively maintain it's accounting records.

04-4 Payroll Accounting

Condition: Payroll transfers were not properly calculated for the first six months of the fiscal year resulting in incorrect transfers of cash to the payroll account and miscoding of payroll related expenses.

Criteria: Payroll transfers should be reconciled monthly to help ensure and maintain accurate records.

Effect: Failure to maintain accurate records could result in errors in financial reporting and could result in a shortage of necessary funds in the payroll account.

Recommendation: Reconciliations of the payroll records should be performed each time payroll is prepared. Accordingly, the payroll transfers between funds should also be reconciled to ensure accurate records.

Response: With the Town switching accounting software packages during the year, one of the reports necessary to properly calculate payroll transfers was not utilized until January, 2004. Since that time, payroll transfers were correctly calculated and paid. However, the Town's management does agree with the recommendation and will perform reconciliations and reviews accordingly.

TOWN OF IOWA, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

(Continued)

04-5 Reimbursement Requests

Condition: It was noted during the audit that a large request for a grant reimbursement was not performed in a timely manner.

Criteria: Once payment for expenditures covered by a grant or some other cooperative agreement is made, a request for reimbursement of these expenditures should occur in a timely manner.

Effect: Failure to file a timely request for reimbursement creates an unnecessary strain on cash reserves and when the filing occurs near the end of the fiscal year it could also lead to improper revenue recognition.

Recommendation: A review of all award packages and expenditures should be performed monthly so that any expenditure specifically covered by an award package might be properly classified and a request for reimbursement be made.

Response: Management agrees with the recommendation. Communication between the persons responsible for the awards packages and the accounting department will be strengthened and a review process will begin immediately.

04-6 Bank Reconciliations

Condition: Bank reconciliations were not reviewed by a responsible member of management after completion by the Town's accountant. This condition was also reported in the Other Information and Recommendations section of the June 30, 2003 report on compliance and internal control.

Criteria: Bank reconciliations should be reviewed on a timely basis by a responsible member of management.

Effect: Errors or fraud may occur and not be detected on a timely basis.

Recommendation: Management should designate a responsible party to review monthly bank reconciliations.

TOWN OF IOWA, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2004
(Continued)

Response: Management concurs with this finding and recommendation and will implement the recommendation.

04-7 Public Bid Law

Condition: The Town may not have complied with the Louisiana Public Bid Law on one occasion. An emergency situation did occur during the year, however, a notice was not published within the ten day period allotted by the bid law.

Criteria: Municipalities that purchase equipment in excess of \$15,000 must advertise its intention to purchase and make its award based on sealed bids that are received in a timely fashion. An exception to this pronouncement is that of an emergency. If such an emergency does occur, the governing body must declare the emergency and then publish the notice of this declaration within ten days of the declaration.

Effect: The Town may not have complied with the state public bid law.

Recommendation: All requirements of the Louisiana Public Bid Law should be followed for all situations covered within the statutes.

Response: Management concurs that the Louisiana Public Bid Law must be adhered to. An emphasis to follow the bid law requirements will be reinforced to all employees by management.

04-8 Misuse of Public Vehicles

Condition: It was noted during the audit that public vehicles were used for personal purposes. A police vehicle was used to travel out of state to attend a conference for personal purposes.

Criteria: Publicly owned vehicles can only be used for purposes necessary to conduct business for the governmental unit within its jurisdiction.

Effect: The Town may not have complied with laws pertaining to the use of public property.

TOWN OF IOWA, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2004
(Continued)

Recommendation: A policy should be put into place by the police department limiting the use of departmental vehicles. This policy should be conveyed by management and reviewed by all officers.

Response: Subsequent to the audit, the chief has written, conveyed, and implemented a new departmental policy regarding the primary use and limitations on use of police vehicles.

04-9 Internal Control Over Police Evidence

Condition: There was a lack of internal control over the collection, tagging, cataloging and storage of police evidence.

Criteria: All items held for evidence by the police department are held in a fiduciary capacity. These items are merely held by the police department for the prosecuting district until the evidence can be used during court proceedings.

Effect: Evidence held by the police department has been discovered missing. The former evidence officer has been charged with theft.

Recommendation: Verification of all evidence inventory should be conducted periodically by someone not handling evidence on a daily basis. Additional strengthening of controls over evidence is also necessary to deter potential misappropriation.

Response: An investigation into the missing evidence led to the arrest of the police officer in charge of the evidence room. This matter is awaiting trial. Additionally, the police chief is in the process of strengthening controls by updating the current departmental policies overseeing the evidence room. The update will also include using different police officers, on a rotating basis, to count the evidence inventory periodically throughout the year.

TOWN OF IOWA, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS
Year Ended June 30, 2004

FINDING 03-1: Inadequate Segregation of Duties

Condition: This finding was a reportable condition relating to the entity's size and limited number of accounting personnel which made it impossible to achieve effective internal accounting control.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Current status: The condition still exists, however, it has been mitigated by the review procedures. See finding 04-1.

TOWN OF IOWA

PRIOR YEAR SUMMARY
OTHER INFORMATION AND RECOMMENDATIONS
Year Ended June 30, 2004

TRAVEL POLICY

Condition: Travel reimbursement forms were not completed for reimbursement of travel expenses.

Recommendation: The Town should adhere to its requirement that all travel reimbursements be requested using the Town's reimbursement forms.

Current status: Travel expenses reviewed during the audit were supported by travel reimbursements. Condition appears resolved.

CELL PHONE POLICY

Condition: The Town did not have a cell phone policy to address personal and excessive use of cell phones.

Recommendation: The Town should develop a comprehensive cell phone policy.

Current status: The Town has a new cell phone policy.

COMPUTER CONTROLS

Condition: The Town did not require passwords to be changed periodically and did not test backup files.

Recommendation: The Town should implement a policy that requires the periodic changing of passwords. The Town should also periodically test computer backups to insure against permanent loss of Town data.

Current status: Both of these items have been resolved by the Town.

OTHER INTERNAL CONTROL ISSUES

Bank reconciliations:

Condition: We noted that no one reviewed bank reconciliations prepared by the accountant.

TOWN OF IOWA

PRIOR YEAR SUMMARY
OTHER INFORMATION AND RECOMMENDATIONS
Year Ended June 30, 2004
(Continued)

Recommendation: The Town should designate someone to review monthly bank reconciliations.

Current status: We noted this condition still exists.

Delinquent account receivable:

Condition: Some delinquent accounts receivable were the result of the continued billing of disconnected customers.

Recommendation: The Town's disconnection procedures should provide for clear communication between the public works department and the accounting department.

Current status: We noted no similar instances in the current audit.

Court fines:

Condition: We noted a weakness in the Town's procedures for collecting court fines through the Town's mail.

Recommendation: The Town should set up a system where another staff person independently verifies the receipts for the day and reconciles those amounts to the daily deposit.

Current status: We noted that our recommendation was implemented.

WATER METERS

Condition: The Town did not utilize water meters during fiscal year ended June 30, 2003.

Recommendation: The Town should consider the use of water meters for its water utility system.

Current status: The Town is in the process of installing water meters.

TOWN OF IOWA

PRIOR YEAR SUMMARY
OTHER INFORMATION AND RECOMMENDATIONS
Year Ended June 30, 2004
(Continued)

POLICE EVIDENCE ROOM

Condition: We noted that the evidence room appeared to be filled to capacity. Items were stacked on top of each other and it would seem to be difficult to locate items.

Recommendation: The Town should consider increasing the capacity by utilizing some form of outside storage to insure that no items are damaged or lost.

Current status: The Town is in the process of building an addition for the police department that will create more capacity. In addition, the police department has implemented new procedures regarding evidence as mentioned in Finding 04-7.