

RECEIVED
LEGISLATIVE AUDIT
05 JAN -3 AM 9:36

Town of Gibsland
Gibsland, Louisiana

Annual Financial Statements
As of June 30, 2004 and for the Year Then Ended

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

Release Date 1-26-05

EDWARDS & WADE, CPAs

A PROFESSIONAL CORPORATION
206 REYNOLDS DRIVE, SUITE G-2 • RUSTON, LOUISIANA 71270

Town of Gibsland

Annual Financial Statements
As of and for the Year Ended June 30, 2004
With Supplemental Information Schedules

CONTENTS

	Statement	Page
Required Supplemental Information (Part I)		
Management's Discussion and Analysis		1
Independent Auditor's Report		7
<u>Basic Financial Statements</u>		
Government-Wide Financial Statements:		
Statement of Net Assets	A	8
Statement of Activities	B	9
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C	10
Reconciliation of the Government Funds Balance Sheet to The Government-Wide Financial Statement of Net Assets	D	11
Statement of Revenues, Expenditures, and Changes in Fund Balances	E	12
Reconciliation of the Statement of Revenues, Expenditures, And Changes in Fund Balances of Governmental Funds to the Statement of Activities	F	13
Proprietary Funds:		
Statement of Net Assets	G	14
Statement of Revenues, Expenses, and Changes in Fund Net Assets	H	15
Statement of Cash Flows	I	16

Table of Contents (Contd.)
Town of Gibsland, Louisiana

	Schedule	Page
Notes to the Financial Statements		17
Required Supplemental Information (Part II)		
Budget Comparison Schedules	1	29
Notes to Budget Comparison Schedules		
<u>Other Supplemental Schedules</u>		
Schedule of Compensation Paid Elected Officials	2	31
<u>Other Reports</u>		
Independent Auditor's Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of the Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		33
Current Year Findings, Recommendations, and Corrective Action Plan	3	35
Status of Prior Audit Findings	4	38

Town of Gibsland, Louisiana
Management Discussion and Analysis
June 30, 2004

The management of the Town of Gibsland, Louisiana offers readers of the Town of Gibsland, Louisiana's (Town) financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2004. This management discussion and analysis ("MD&A") is designed to provide an objective analysis of the Town's financial activities based on currently known facts, decisions, and conditions. It is intended to provide readers with a broad overview of Town finances. It is also intended to provide readers with an analysis of the Town's short-term and long-term activities based on information presented in the financial report and fiscal policies that have been adopted by the Town. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the Town's financial activity, identify changes in the Town's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

This is the first year the Town has presented its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34. This reporting model changes the presentation of financial data, and also the manner in which the information is recorded. We encourage readers to consider the information presented here in conjunction with additional information presented throughout this report.

Overview of the Financial Statements

This section is intended to serve as an introduction to the Town's financial statements. The Town's basic financial statements consist of the government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information, which is in addition to the basic financial statements.

Government-Wide Financial Statements

Government-wide financial statements are designed by GASB Statement No. 34 to change the way in which governmental financial statements are presented. It now provides readers with a concise "entity-wide" Statement of Net Assets and Statement of Activities, which seek to give the user of the financial statements a broad overview of the Town's financial position and results of operations in a manner similar to private sector businesses.

The statement of net assets presents information on all of the Town's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The difference between the two is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or weakening.

Town of Gibsland, Louisiana
Management Discussion and Analysis
June 30, 2004

The statement of activities presents information which shows how the government's net assets changed during this fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected taxes).

Each of these reports is broken down between governmental activities and business-type activities. *Governmental activities normally are those activities that are supported by taxes, licenses, permits, fines, and intergovernmental revenues; for example, the police department.* Business-type activities are functions that are intended to support their costs through charges for services or fees; such as the Water and Sewer Departments.

Government-wide Financial Analysis

As noted earlier, net assets may, over time, serve as a useful indicator of a government's financial position. At the close of the most recent fiscal year, the Town's assets exceeded its liabilities by \$2,493,676 (net assets); this represents an increase of \$2,429 from the last fiscal year. Of this total net asset amount, \$154,880 is unrestricted net assets. The Town's net assets are comprised of \$85,953 from governmental activities and \$2,407,723 from business-type activities.

The following is a condensed statement of the Town of Gibsland's net assets as of June 30, 2004:

	Governmental-Type Activities	Business-Type Activities	Total
<i>Assets</i>			
Current & Other Assets	36,051	344,735	380,786
Capital Assets (net)	65,991	3,030,729	3,096,720
Total Assets	102,042	3,375,464	3,477,506
<i>Liabilities</i>			
Other Liabilities	16,089	88,982	105,071
Long-term Liabilities		878,759	878,759
Total Liabilities	16,089	967,741	983,830
<i>Net Assets</i>			
Invested in capital assets, net	65,991	2,094,780	2,160,771
Restricted		178,025	178,025
Unrestricted	19,962	134,918	154,880
Total Net Assets	85,953	2,407,723	2,493,676

Town of Gibsland, Louisiana
Management Discussion and Analysis
June 30, 2004

By far the largest portion of the Town's net assets \$2,160,771 reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, town infrastructure, etc.) less any related debt used to acquire those assets still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of \$154,880 is unrestricted net assets, which may be used to meet the government's on-going obligations to citizens and creditors.

The Town has total outstanding debt of \$935,949, which was used to finance some of the \$3,096,720 capital assets. Total liabilities of \$983,830 are equal to 30% of the total net assets.

The following is a summary of the statement of activities:

	Governmental-Type Activities	Business-Type Activities	Total
Revenue			
Program Revenue	0	276,710	276,710
General Revenue & Transfers	158,518	21,783	180,301
Total Revenue	158,518	298,493	457,011
Expenses			
General & Administrative	114,899		114,899
Public Safety	14,681		14,681
Water Utilities		130,038	130,038
Sewer Utilities		194,964	194,964
Total Expenses	129,580	325,002	454,582
Increase (Decrease) in Net Assets	28,938	(26,509)	2,429
Net Assets, June 30, 2003	57,015	2,434,232	2,491,247
Net Assets, June 30, 2004	85,953	2,407,723	2,493,676

Because of the change in accounting principles described in Note 1 of Notes to the Financial Statements, a comparison of various items included in the Statement of Activities with the previous year amounts is not presented. In future years, these amounts will be available and comparisons presented.

Town of Gibsland, Louisiana
Management Discussion and Analysis
June 30, 2004

Governmental Activities

The governmental activities of the Town include General Government and Public Safety. In that revenues normally associated with municipal operations, (e.g. property tax, franchise fees, license fees, fines, and operating grants) are sufficient for the funding of these activities.

Business-type Activities

The business-type activities of the Town are those that charge a fee to customers for the services provided. The Town has two business-type activities, which are accounted for in enterprise funds. The Town uses enterprise funds to account for the revenues and expenses related to the provision of water and sewer services.

The following is a summary of the business-type activities of the Town:

	Operating Revenues Net of Purchases		
	Water	Sewer	Total
Fiscal year ended June 30, 2003	124,755	132,176	256,931
Fiscal year ended June 30, 2004	134,193	113,811	248,004
Increase (decrease) between years	<u>9,438</u>	<u>(18,365)</u>	<u>(8,927)</u>
	Operating Expenses		
	Water	Sewer	Total
Fiscal year ended June 30, 2003	116,298	170,922	287,220
Fiscal year ended June 30, 2004	115,797	163,287	279,084
Increase (decrease) between years	<u>(501)</u>	<u>(7,635)</u>	<u>(8,136)</u>
	Net Income (Loss) From Operations		
	Water	Sewer	Total
Fiscal year ended June 30, 2003	8,457	(38,746)	(30,289)
Fiscal year ended June 30, 2004	18,396	(49,476)	(31,080)
Increase (decrease) between years	<u>9,939</u>	<u>(10,730)</u>	<u>(791)</u>

The reasons for major fluctuations noted above are as follows:

A decrease in both revenue and expenses during the year resulted in an immaterial change in net income from operations of \$791.

Town of Gibsland, Louisiana
Management Discussion and Analysis
June 30, 2004

Fund Financial Statements - Governmental Funds

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

The Town currently maintains two individual governmental fund types. These fund types include the General Fund and Capital Projects Fund. Information is presented separately in the Governmental Funds Balance Sheet (Statement C) and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances (Statements E) for the General Fund and Capital Projects Fund which are both considered to be major funds.

The Town adopts an annual budget for the General Fund. A statement of revenues, expenditures, and changes in fund balance for the General Fund is presented in the Required Supplemental Information Schedule 1), which compares actual revenues and expenditures to the original budget and amended budget figures.

Financial Analysis of the Town's Governmental Fund

The Town of Gibsland's governmental fund (General Fund) reported an ending fund balance of \$19,962, which is an increase of \$2,272. This increase is caused by an increase in net income. The entire ending fund balance of \$19,962 is unreserved.

Fund Financial Statements - Proprietary Funds

The Town maintains two proprietary funds. Proprietary funds are used to report the same functions as business-type activities. The Town uses enterprise funds (the first type of proprietary fund) to account for its Water and Sewer Operations. These enterprise funds report the same functions presented as business-type activities in the government-wide financial statements.

Financial Analysis of the Town's Proprietary Fund

The Town's proprietary funds show a decrease in ending retained earnings of \$26,509 (Water, -8,143 & Sewer, -18,366). The 2004 operating losses of the Water and Sewer Departments totaling \$26,509 represents a decrease in loss of \$43,430 from fiscal year 2003.

In that financial statements of enterprise funds are presented on the same basis of accounting as in both the governmental-wide financial statements and the individual fund statements. All comments and analysis made under business-type activities apply to these funds.

Town of Gibsland, Louisiana
Management Discussion and Analysis
June 30, 2004

General Fund Budgetary Highlights

The Town did not amend their original General Fund budget during the course of the year.

The actual excess of revenue for the current fiscal year was sufficient to meet all expenditures. The final budget and the actual results differ by a positive position of \$2,246.

Capital Asset and Debt Administration

The total investment in net capital assets as of June 30, 2004 is \$2,166,771.

There were no new major capital assets purchased or constructed in fiscal 2004 for governmental activities.

Current Financial Factors

The Clerk Sharon Washington has changed to Martha Jones and then to Terry Dampier. Also the Water Clerk is now La Frances Tippen. Police Chief changed to Michael Wright. The billing system for the water billing changed programs. The aldermen are as follows: Dawson Anglin, Travis Crawford, Olen Walter Jackson, Patrick White, and Charlie Andrews.

Requests for Information

This financial report is designed to provide a general overview of the Town of Gibsland's finances for all with an interest in the government's operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Terry Dampier, Clerk, P. O. Box 309, Gibsland, Louisiana 71028.

EDWARDS & WADE

Certified Public Accountants
A Professional Accounting Corporation
Members: AICPA / Society of LCPA's

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Gibsland, 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 of Gibsland'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

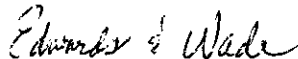
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Gibsland, as of June 30, 2004, and the respective changes in financial 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 1 to the financial statements, 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 December 14, 2004, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The required supplementary information as indicated in the table of contents on pages 1 through 6 and 29 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 applied 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Gibsland's basic financial statements. The accompanying supplementary information, as referenced in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.



Ruston, Louisiana
December 14, 2004

Town of Gibsland, Louisiana
Statement of Net Assets
June 30, 2004

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and cash investments	\$27,659	\$25,801	\$53,460
Receivables	8,227	31,535	39,762
Internal balances		7,414	7,414
Restricted assets		279,985	279,985
Other assets	165		165
Capital assets (net)	65,991	3,030,729	3,096,720
TOTAL ASSETS	\$102,042	\$3,375,464	\$3,477,506
Liabilities			
Accounts, salaries, and other payables	\$8,675	\$5,985	\$14,660
Internal balances	7,414		7,414
Current loans and interest payable		57,190	57,190
Liabilities payable from restricted assets		25,807	25,807
Loans payable		878,759	878,759
TOTAL LIABILITIES	16,089	967,741	983,830
NET ASSETS			
Invested in capital assets, net of related debt	65,991	2,094,780	2,160,771
Restricted for debt service		178,025	178,025
Unrestricted	19,962	134,918	154,880
TOTAL NET ASSETS	\$85,953	\$2,407,723	\$2,493,676

The accompanying notes are an integral part of this statement.

Town of Gibsland, Louisiana
 Statement of Activities
 Year Ended June 30, 2004

	Program Revenues		Net (Expenses) Revenues and Changes of Primary Government	
	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities
Governmental Activities:				
General government				
Public safety				
Total governmental activities				
Business-type activities				
Water utilities				
Sewer utilities				
Total business-type activities				
Total primary government				
Expenses				
\$114,899				
14,681				
129,580				
130,038				
194,964				
325,002				
\$454,582				
Charges for Services				
\$134,193				
113,811				
248,004				
\$248,004				
Operating Grants and Contributions				
0				
Capital Grants & Contributions				
\$2,040				
26,666				
28,706				
\$28,706				
Governmental Activities				
(\$114,899)				
(14,681)				
(129,580)				
6,195				
(54,487)				
(48,292)				
(\$48,292)				
Business-type Activities				
\$6,195				
(54,487)				
(48,292)				
(\$48,292)				
Total				
(\$114,899)				
(14,681)				
(129,580)				
6,195				
(54,487)				
(48,292)				
(\$177,872)				
General revenues:				
Property taxes				
Sales taxes				
Franchise fees				
Other taxes				
Licenses and permits				
Fines and forfeitures				
Intergovernmental revenues				
Gain on sale of assets				
Investment earnings				
Other general revenues				
Transfers				
Total general revenues and transfers				
Change in Net Assets				
Net assets - beginning				
Net assets - ending				

The accompanying notes are an integral part of this statement.

Town of Gibsland, Louisiana
 Balance Sheet, Governmental Funds
 June 30, 2004

	ASSETS	General Fund	Capital Projects Fund	Total Governmental Funds
Cash and cash investments		\$27,642	\$17	\$27,659
Receivable		8,227		8,227
Other assets		165		165
TOTAL ASSETS		<u>\$36,034</u>	<u>\$17</u>	<u>\$36,051</u>
	LIABILITIES AND FUND BALANCES			
Liabilities:				
<i>Accounts, salaries, and other payables</i>		\$8,675		8,675
Due to other funds		7,414		7,414
Total liabilities		<u>16,089</u>	<u>0</u>	<u>16,089</u>
Fund balances:				
Unreserved, reported in:				
General fund		19,945		19,945
Capital projects fund			\$17	17
TOTAL LIABILITIES AND FUND BALANCES		<u>\$36,034</u>	<u>\$17</u>	<u>\$36,051</u>

The accompanying notes are an integral part of this statement.

Town of Gibsland, Louisiana
 Reconciliation of The Governmental Funds Balance Sheet
 to The Government-Wide Financial Statement of Net Assets
 June 30, 2004

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

Fund balances, Total governmental funds (Statement C)		\$19,962
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Governmental capital assets	194,583	
Less accumulated depreciation	<u>(128,592)</u>	<u>65,991</u>
Net Assets of Governmental Activities (Statement A)		<u><u>\$85,953</u></u>

The accompanying notes are an integral part of this statement.

Town of Gibsland, Louisiana
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2004

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Taxes:			
Ad valorem	\$21,082		\$21,082
Sales and use	57,818		57,818
Other taxes, penalties, interest, etc.	89		89
Licenses and permits	18,582		18,582
Intergovernmental revenues:			
State grants		\$26,666	26,666
State funds-state revenue sharing	212		212
Fines and forfeitures	10,916		10,916
Other revenues	23,127		23,127
Total Revenues	<u>131,826</u>	<u>26,666</u>	<u>158,492</u>
EXPENDITURES			
General government	114,899		114,899
Public safety	14,681		14,681
Capital outlay		26,666	26,666
Total Expenditures	<u>129,580</u>	<u>26,666</u>	<u>156,246</u>
Excess (Deficiency) of Revenues over (under) Expenditures	2,246	0	2,246
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	26		26
Total Other Financing Sources (Uses)	<u>26</u>	<u>0</u>	<u>26</u>
Net Change in Fund Balance	2,272	0	2,272
Fund Balance – beginning	17,673	17	17,690
Fund Balance – ending	<u>\$19,945</u>	<u>\$17</u>	<u>\$19,962</u>

The accompanying notes are an integral part of this statement.

Town of Gibsland, Louisiana
 Reconciliation of The Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2004

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

Net Change in Fund Balances, Total governmental funds (Statement E)	\$2,272
---	---------

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.

Expenditures for capital assets	<u>26,666</u>
Change in Net Assets of Governmental Activities, Statement B	<u><u>\$28,938</u></u>

The accompanying notes are an integral part of this statement.

Town of Gibsland, Louisiana
Statement of Net Assets, Proprietary Funds
June 30, 2004

	Business-Type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Totals (Memorandum Only)	
			2004	2003
ASSETS				
Current assets:				
Cash and cash investments	\$18,717	\$7,084	\$25,801	\$107,270
Receivables	12,614	18,921	31,535	35,505
Due from other funds	93,826		93,826	150,133
Total current assets	<u>125,157</u>	<u>26,005</u>	<u>151,162</u>	<u>292,908</u>
Restricted assets:				
Cash and cash investments	137,001	\$142,984	279,985	183,076
Non-current assets:				
Capital assets (net of accumulated depreciation)	542,929	2,487,800	3,030,729	3,093,439
Total Non-current assets	<u>542,929</u>	<u>2,487,800</u>	<u>3,030,729</u>	<u>3,093,439</u>
TOTAL ASSETS	<u>\$805,087</u>	<u>\$2,656,789</u>	<u>\$3,461,876</u>	<u>\$3,569,423</u>
LIABILITIES				
Current Liabilities:				
Accounts, salaries, and other payables	\$2,604	\$3,381	\$5,985	\$7,849
Due to other funds		86,412	86,412	129,658
Loans and interest payable	23,564	33,626	57,190	57,836
Total current liabilities	<u>26,168</u>	<u>123,419</u>	<u>149,587</u>	<u>195,343</u>
Current liabilities payable from restricted assets	<u>25,807</u>	<u>0</u>	<u>25,807</u>	<u>24,981</u>
Non-current liabilities:				
Loans payable	264,000	614,759	878,759	914,867
Total non-current liabilities	<u>264,000</u>	<u>614,759</u>	<u>878,759</u>	<u>914,867</u>
Total liabilities	<u>315,975</u>	<u>738,178</u>	<u>1,054,153</u>	<u>1,135,191</u>
NET ASSETS				
Invested in capital assets, net of related debt	255,365	1,839,415	2,094,780	2,120,736
Restricted for debt service	111,194	66,831	178,025	158,095
Unrestricted	122,553	12,365	134,918	155,401
TOTAL NET ASSETS	<u>\$489,112</u>	<u>\$1,918,611</u>	<u>\$2,407,723</u>	<u>\$2,434,232</u>

The accompanying notes are an integral part of this statement.

Town of Gibsland, Louisiana
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2004

	Business-Type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Totals Memorandum only)	
			2004	2003
Operating Revenues				
Charges for services:				
Water sales	\$86,786		\$86,786	\$120,675
Sewer charges		\$112,402	112,402	112,200
Other services	47,407	1,409	48,816	4,987
Total Operating Revenues	134,193	113,811	248,004	237,862
Operating Expenses				
Cost of sales and services	36,862	51,711	88,573	92,853
Administration	49,897	49,438	99,335	105,897
Depreciation	29,038	62,138	91,176	88,470
Total Operating Expenses	115,797	163,287	279,084	287,220
Operating income (loss)	18,396	(49,476)	(31,080)	(49,358)
Nonoperating revenue (expenses)				
Intergovernmental		18,990	18,990	19,069
Interest earnings	1,544	1,249	2,793	7,040
Interest expense	(14,241)	(31,677)	(45,918)	(46,690)
Total Nonoperating Revenue (Expenses)	(12,697)	(11,438)	(24,135)	(20,581)
Income before contributions and transfers	5,699	(60,914)	(55,215)	(69,939)
Capital contributions	2,040	26,666	28,706	0
Transfers in		15,882	15,882	24,464
Transfers out	(15,882)		(15,882)	(24,464)
Change in Net Assets	(8,143)	(18,366)	(26,509)	(69,939)
Total Net Assets - Beginning	497,255	1,936,977	2,434,232	2,504,171
Total Net Assets - Ending	\$489,112	\$1,918,611	\$2,407,723	\$2,434,232

The accompanying notes are an integral part of this statement.

Town of Gibsland, Louisiana
Statement of Cash Flows, Proprietary Funds
For the Year Ended June 30, 2004

	Utility Fund	Sewer Fund	Total (Memo only)	2003
Cash Flows from Operating Activities				
Receipts from customers and users	\$138,059	\$114,740	\$252,799	\$260,838
Receipts from other funds	36,750	38,547	75,297	0
Payments to suppliers	(45,760)	(64,382)	(110,142)	(119,911)
Payments to employees	(39,815)	(39,815)	(79,630)	(77,862)
Payments to other funds	(32,371)	(10,875)	(43,246)	22,756
Net Cash Provided by Operating Activities	<u>56,863</u>	<u>38,215</u>	<u>95,078</u>	<u>85,821</u>
Cash Flows from Noncapital Financing Activities				
Transfer to other funds	(15,882)	0	(15,882)	24,464
Advances from other funds	0	15,882	15,882	(24,464)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(15,882)</u>	<u>15,882</u>	<u>0</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities				
Capital contributions	2,040	26,666	28,706	0
Purchases of capital assets	(1,800)	(26,666)	(28,466)	0
Principal paid on capital debt	(15,000)	(20,687)	(35,687)	(26,579)
Interest paid on capital debt	(14,700)	(32,284)	(46,984)	(40,266)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(29,460)</u>	<u>(52,971)</u>	<u>(82,431)</u>	<u>(66,845)</u>
Cash Flows from Investing Activities				
Interest and dividends received	1,544	1,249	2,793	7,040
Net Cash Provided by Investing Activities	<u>1,544</u>	<u>1,249</u>	<u>2,793</u>	<u>7,040</u>
Net Increase in Cash and equivalents	13,065	2,375	15,440	26,016
Cash and equivalents, Beginning of Year	142,653	147,693	290,346	302,468
Cash and equivalents, End of Year	<u>\$155,718</u>	<u>\$150,068</u>	<u>\$305,786</u>	<u>\$328,484</u>
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities				
Operating income	\$18,396	(\$49,476)	(\$31,080)	(\$49,358)
Depreciation expense	29,038	62,138	91,176	88,470
(Increase) decrease in accounts receivable	3,041	929	3,970	2,908
(Increase) decrease in intergovernmental funds		18,990	18,990	19,069
(Increase) decrease in due from other funds	36,750	19,557	56,307	0
Increase (decrease) in customer deposits	825	0	825	999
Increase (decrease) in accounts payable	1,184	(3,048)	(1,864)	977
Increase (decrease) in due to other funds	(32,371)	(10,875)	(43,246)	3,687
Net Cash Provided by Operating Activities	<u>\$56,863</u>	<u>\$38,215</u>	<u>\$95,078</u>	<u>\$66,752</u>
Reconciliation of total cash and cash investments:				
Current assets - cash and cash investments	\$18,717	\$7,084	\$25,801	\$107,270
Restricted assets - cash and cash investments	137,001	142,984	279,985	183,076
Total cash and cash investments	<u>\$155,718</u>	<u>\$150,068</u>	<u>\$305,786</u>	<u>\$290,346</u>

The accompanying notes are an integral part of this statement.

Town of Gibsland, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2004

INTRODUCTION

The Town of Gibsland, Louisiana is located in the western portion of Bienville Parish in north-central Louisiana. The Town was incorporated under the provisions of Louisiana Revised Statutes 33:52. The Town operates under a form of government consisting of an elected mayor and a Town council, which has five elected members. The Town, with 8 employees, provides public safety, public works, utility services, and administrative services to its residents. The Town consists of approximately 1,225 citizens.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Town is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. As used in GASB Statement No. 14, fiscally independent means that the Town may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the year ended June 30, 2004, the Town has implemented GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement No. 34 creates new basic financial statements for reporting on the Town's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting, and fund financial statements which present information for individual major funds rather than by fund type which has been the mode of presentation in previously issued financial statements.

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charge to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Town of Gibsland, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2004

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital projects fund is used to account for all resources and expenditures in connection with the acquisition of capital facilities and major capital improvements.

The Town reports the following major proprietary funds:

The Water fund is to account for the provision of water services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, but not limited to, administration, operations, maintenance, financing, and related debt service and billing.

The Sewer fund is to account for the provision of sewer services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, but not limited to, administration, operations, maintenance, financing, and related debt service and billing.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Town of Gibsland, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2004

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the governments enterprise operations. Elimination of those charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Principal operating revenues of the proprietary funds include water and sewer services to the residents of the Town. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the Town's investment policy allow the Town to invest in collateralized certificates of deposits, government back securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities. Investments for the Town are reported at fair value.

D. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectives. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis.

Property taxes are levied on a calendar year basis and become due on January 1 of each year. The following is a summary of authorized and levied ad valorem taxes:

Town of Gibsland, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2004

<u>Taxes due for:</u>	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
General operations and maintenance	12.90	12.90	6/30/04
Sewer District	5.81	5.81	6/30/04
Sewer Bond	5.81	5.81	6/30/04

The following are the principal taxpayers and related property tax revenue for the Town:

<u>Taxpayer</u>	<u>Type of business</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>	<u>Ad valorem Tax Revenue for Town</u>
Gibsland Bank & Trust	financial institution	\$190,630	11.57%	\$5,773
Bellsouth Telecommunications	communications	187,920	11.40%	4,608
<i>Total</i>		<u>\$378,550</u>	<u>22.97%</u>	<u>\$10,381</u>

Sales Taxes. Sales taxes are collected by Bienville parish sales and use tax commission and remitted to the Town. Amounts remitted during the current period and amounts collected by the governmental agency during the current period and remitted within 60 days to the Town are recognized as revenue. The Town's sales tax percentage is 2 per cent.

E. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

F. Restricted Assets

Restricted assets include cash and cash investments in the Proprietary funds which are restricted to their use. These restrictions are principally related to requirements of bond issues and utility meter deposits. It is the Town's policy to use restricted assets before unrestricted assets for their intended purposes.

G. Capital assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Town of Gibsland, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2004

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Water and sewer system and lines	40 years
Buildings and improvements	10-27 years
Vehicles	3-5 years
Equipment	3-7 years

H. Compensated Absences

The Town has the following policy relating to vacation and sick leave:

The Town's full time employees receive sick and vacation time at the beginning of each calendar year. Vacation time must be used during the course of the calendar year. Unused sick time may be carried forward to the next year. The Town's sick and vacation time at June 30, 2004, was not material to the financial statements and was not recorded.

I. Long-Term Obligations

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. There are no reservations or designations for the year ended June 30, 2004.

K. Comparative Data/Reclassifications

Comparative total data for the prior year have been presented only for enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

L. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require 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, expenditures, and expenses during the reporting period. Actual results could differ from the estimates.

Town of Gibsland, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2004

M. Reconciliations of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets The following reconciles the fund balances of governmental funds to the government-wide statement of net assets.

Governmental capital assets	\$194,583
Less accumulated depreciation	<u>(128,592)</u>
Net adjustment	<u>\$65,991</u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities The following reconciles the net changes in fund balance-total governmental funds to the changes in net assets of governmental activities.

Expenditures for capital assets	<u>\$26,666</u>
Net adjustment	<u>\$26,666</u>

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGET INFORMATION The Town uses the following budget practices:

The Town adopted a budget for the year ended June 30, 2004 for the General fund. The Town follows the following procedures in establishing the budgetary data reflected in the financial statements. During the June meeting, the Town clerk submits to the board of aldermen a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and expenses and the means of financing them. During the June meeting, the budget is legally enacted through passage of an ordinance. The public is invited to attend all meetings. The Town clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures or expenses of any fund must be approved by the board of aldermen. Appropriations lapse at the end of the year. There were no amendments to the original budget.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS The following individual funds had actual expenditures over budgeted appropriations for the year ended June 30, 2004.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General fund	<u>\$105,810</u>	<u>\$129,580</u>	<u>\$23,770</u>
Total	<u>\$105,810</u>	<u>\$129,580</u>	<u>\$23,770</u>

The Town's daily management and Town council will monitor the budget and actual figures on a monthly basis for needed amendments.

Town of Gibsland, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2004

3. CASH AND CASH EQUIVALENTS

At June 30, 2004, the Town has cash and cash equivalents (book balances) totaling \$333,445 as follows:

Demand deposits	\$35,846
Interest-bearing demand deposits	282,190
Time deposits	<u>15,409</u>
Total	<u>\$333,445</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2004, the Town has \$334,604 in deposits (collected bank balances). These deposits are secured from risk by \$125,807 of federal deposit insurance and \$208,797 of pledged securities held by the custodial bank in the name of the fiscal agent bank. (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon demand.

4. INVESTMENTS

Investments include a certificate of deposit with a maturity of 12 months that has been included in cash and equivalents in the basic financial statements. Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Town or its agent in the Town's name
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Town's name
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Town's name

At fiscal year-end, the Town's investments balances were as follows:

Type of investment	Category			Carrying amount			Total Carrying Amount
	1	2	3	Fair Value	Amortized Cost	Cost	
Certificate of deposit	\$15,409	\$0	\$0	\$15,409	\$0	\$0	\$15,409
Total investments	<u>\$15,409</u>	<u>\$0</u>	<u>\$0</u>	<u>\$15,409</u>	<u>\$0</u>	<u>\$0</u>	<u>\$15,409</u>

Town of Gibsland, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2004

5. RECEIVABLES

The receivables of \$39,762 at June 30, 2004, are as follows:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Utility Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Taxes:				
Sales and use	\$5,028			\$5,028
Other	3,199			3,199
Accounts		\$12,614	\$18,921	31,535
Total	<u>\$8,227</u>	<u>\$12,614</u>	<u>\$18,921</u>	<u>\$39,762</u>

The Town's policy for bad debt accounting and write-offs is to send a letter to the occupant and owner after the due date. After 60 days, the utility line is sealed close. Reconnection fees must be paid to have service resumed. For deceased accounts, the clerk requests permission from the board to adjust the accounts to close.

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2004 is as follows:

Due To/From Other Funds:		
<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
	General fund	(\$7,414)
	Sewer fund	(86,412)
Utility fund		93,826
Total		<u>\$0</u>

The balances consist of allocations for accounting fees, payroll and payroll taxes, and assisting the Sewer fund in the payment of its note. The Town's management will determine an action to take in order to reduce the interfunds in approximately 2 years.

Advances From/To Other Funds:		
<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Sewer fund		\$15,882
	Utility fund	(15,882)
Total		<u>\$0</u>

Water fund assisted in the payment of the Sewer fund bonds.

Town of Gibsland, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2004

7. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2004, for the primary government is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$23,642			\$23,642
Total capital assets not being depreciated	<u>23,642</u>	<u>0</u>	<u>0</u>	<u>23,642</u>
Capital assets being depreciated:				
Buildings	44,513			44,513
Machinery and equipment	98,439		(\$600)	97,839
Infrastructure	27,989			27,989
Total capital assets being depreciated	<u>170,941</u>	<u>0</u>	<u>(600)</u>	<u>170,341</u>
Less accumulated depreciation for:				
Buildings	33,159	\$1,648		34,807
Machinery and equipment	90,275	1,436	(600)	91,111
Infrastructure	1,037	1,037		2,074
Total accumulated depreciation	<u>124,471</u>	<u>4,121</u>	<u>(600)</u>	<u>127,992</u>
Total capital assets being depreciated, net	<u>\$70,112</u>	<u>(\$4,121)</u>	<u>\$0</u>	<u>\$65,991</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$49,175			\$49,175
Total capital assets not being depreciated	<u>49,175</u>	<u>0</u>	<u>0</u>	<u>49,175</u>
Capital assets being depreciated:				
Buildings	7,935			7,935
Improvements other than buildings	4,132,128	\$26,666		4,158,794
Machinery and equipment	24,930	1,800	(\$1,250)	25,480
Total capital assets being depreciated	<u>4,164,993</u>	<u>28,466</u>	<u>(1,250)</u>	<u>4,192,209</u>
Less accumulated depreciation for:				
Buildings	7,935			7,935
Improvements other than buildings	1,098,566	88,977		1,187,543
Machinery and equipment	14,228	2,199	(1,250)	15,177
Total accumulated depreciation	<u>1,120,729</u>	<u>91,176</u>	<u>(1,250)</u>	<u>1,210,655</u>
Total capital assets being depreciated, net	<u>\$3,093,439</u>	<u>(\$62,710)</u>	<u>\$0</u>	<u>\$3,030,729</u>

Town of Gibsland, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2004

Depreciation expense of \$4,122 for the year ended June 30, 2004, was charged to the following governmental functions:

General government	<u>\$4,122</u>
Total	<u><u>\$4,122</u></u>

8. ACCOUNTS, SALARIES, AND OTHER PAYABLES

The payables of \$12,457 at June 30, 2004, are as follows:

	<u>General Fund</u>	<u>Utility Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Accounts	<u>\$6,472</u>	<u>\$2,604</u>	<u>\$3,381</u>	<u>\$12,457</u>
Total	<u><u>\$6,472</u></u>	<u><u>\$2,604</u></u>	<u><u>\$3,381</u></u>	<u><u>\$12,457</u></u>

9. LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended June 30, 2004:

	<u>Loans payable</u>
Long-term obligations at beginning of year	\$949,446
Additions	0
Deductions	<u>(35,687)</u>
Long-term obligations at end of year	<u><u>\$913,759</u></u>

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of June 30, 2004:

	<u>Loans payable</u>
Current portion	\$35,000
Long-term portion	<u>878,759</u>
Total	<u><u>\$913,759</u></u>

All loans outstanding at June 30, 2004, for \$913,759, are loans payable to the U.S. Department of Agriculture - Farmers Home Administration with interest rates from 4.5% to 6.75%. Principal and interest payable in the next fiscal year are \$37,658 and \$43,441, respectively. The individual issues are as follows:

Town of Gibsland, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2004

<u>Loan number</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Final Payment Due</u>	<u>Interest to Maturity</u>	<u>Principal Outstanding</u>	<u>Funding Source</u>
Loan 91-01	11/20/80	5.00	2020	\$123,500	\$267,000	USDA
Loan 91-05	11/20/80	5.00	2005	300	12,000	USDA
Loan 92-01	7/15/83	5.00	2023	40,800	73,000	USDA
Loan 92-02	7/15/83	5.00	2022	77,150	146,000	USDA
Loan 92-03	7/15/83	5.00	2023	40,750	71,000	USDA
Loan 92-06	8/8/85	6.75	2009	8,966	50,165	USDA
Loan 92-08	3/8/99	4.50	2039	287,245	294,594	USDA

At June 30, 2004, the Town has accumulated \$178,025 for future debt repayments. The annual requirements to amortize all loans outstanding at June 30, 2004, including interest of \$578,711 is as follows:

<u>Year Ending June 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2005	\$37,658	\$43,441	\$81,099
2006	31,827	41,433	73,260
2007	36,002	39,717	75,719
2008	37,186	37,776	74,962
2009	38,544	35,776	74,320
2010 - 2014	166,101	153,180	319,281
2015 - 2019	219,422	106,909	326,331
2020 - 2024	138,280	55,100	193,380
2025 - 2029	49,237	35,207	84,444
2030 - 2034	61,635	22,809	84,444
2035 - 2039	97,867	7,363	105,230
Total	<u>\$913,759</u>	<u>\$578,711</u>	<u>\$1,492,470</u>

REQUIRED SUPPLEMENTAL INFORMATION

Town of Gibsland, Louisiana
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		Actual Amounts GAAP Basis	Favorable (Unfavorable) Variance
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Ad valorem	\$20,000	\$20,000	\$21,082	\$1,082
Sales and use	49,000	49,000	57,818	8,818
Other taxes, penalties, interest, etc.	300	300	89	(211)
Licenses and permits	13,000	13,000	18,582	5,582
Intergovernmental revenues:				
State funds:				
State revenue sharing	500	500	212	(288)
Fines and forfeitures	5,000	5,000	10,916	5,916
Other revenues	18,010	18,010	23,127	5,117
Total Revenues	<u>105,810</u>	<u>105,810</u>	<u>131,826</u>	<u>26,016</u>
EXPENDITURES				
General government	67,010	67,010	114,899	(47,889)
Public safety	38,800	38,800	14,681	24,119
Total Expenditures	<u>105,810</u>	<u>105,810</u>	<u>129,580</u>	<u>(23,770)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	0	0	2,246	(2,246)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	0	0	26	26
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>26</u>	<u>26</u>
Net Change in Fund Balance	0	0	2,272	2,272
Fund Balance (Deficit) at Beginning of Year	<u>17,673</u>	<u>17,673</u>	<u>17,673</u>	<u>0</u>
Fund Balance (Deficit) at End of Year	<u>\$17,673</u>	<u>\$17,673</u>	<u>\$19,945</u>	<u>\$2,272</u>

Notes to the Schedule

- (1) method of budgetary accounting - GAAP
- (2) explanation of material variances

General government expenditures included more payroll than was budgeted

The accompanying notes are an integral part of this statement.

OTHER SUPPLEMENTAL SCHEDULES

Town of Gibsland
Schedule of Compensation Paid Board Members
For the Year Ended June 30, 2004

<u>Board Member</u>	<u>Amount</u>
Odis Key, Mayor	\$2,900
Dawson Anglin	625
Travis Crawford	575
Patrick White	700
Joe Roy Youngblood	350
Charles Andrews	325
Olen Jackson	<u>725</u>
Total	<u>\$6,200</u>

The accompanying notes are an integral part of this statement.

OTHER REPORTS

EDWARDS & WADE

Certified Public Accountants
A Professional Accounting Corporation
Members: AICPA / Society of LCPA's

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

Mayor and Town Council
Town of Gibsland
Gibsland, Louisiana

We have audited the financial statements of the Town of Gibsland as of and for the year ended June 30, 2004 and have issued our report thereon dated December 14, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Town of Gibsland's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 04-1, 04-2, and 04-4.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Gibsland'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 Town of Gibsland's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 04-3.

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, of the reportable conditions described above, we consider items 04-2 and 04-3 to be material weaknesses.

Because of a limited number of available personnel, it is not possible to adequately segregate certain incompatible duties so that *no one employee has access to both physical assets and the related accounting records or to all phases of a transaction.* Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.

This report is intended for the information and use of management, the Legislative Auditor, and any interested federal and state 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.

Edwards & Wedel
Ruston, Louisiana
December 14, 2004

Town of Gibsland
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2004

We have audited the financial statements of Town of Gibsland as of and for the year ended June 30, 2004, and have issued our report thereon dated December 14, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 14, 2004 resulted in an unqualified opinion.

A. Summary of Audit Results

1. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes No Reportable Yes No

Compliance

Compliance Material to Financial Statements Yes No

2. Federal Awards

Internal Control

Material Weaknesses Yes No Reportable Yes No

Type of Opinion On Compliance Unqualified Qualified
 For Major Programs Disclaimer Adverse

Are their findings required to be reported in accordance with Circular A-133, Section .510(a)?
 Yes No

3. Identification of Major Programs:

CFDA Number(s)

Name of Federal Program (or Cluster)

N/A

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 300,000

Is the auditee a "low-risk" auditee, as defined by OMB Circular A-133? Yes No

B. Financial Statements Findings

- 04-1. For the year ended June 30, 2004 actual expenditures exceeded budgeted expenditures by \$23,770 or 22% (more than 5%) for the General fund. According to LRS 39:1310, failing to amend the budget when necessary is a violation of the local government budget act.

Recommendation: Town monitor budget and actual figures monthly and amend as necessary.

Response: Town of Gibsland will monitor the budget and actual figures monthly and amend as necessary.

- 04-2. The previous Town clerk was paid for vacation and sick hours in excess of the Town's policy. The clerk was paid for 40 vacation hours for each of the years 1996, 1997, 1998, 1999, 2000, 2001, 2002, and 2003. The clerk was also paid for 304 hours of sick time. According to the Town's policy, vacation hours are on a "use or lose" basis; but sick hours may be accrued. The policy does not state that sick time can be "cashed out."

Recommendation: Town needs to examine current policies and procedures, revise as needed, and adopt immediately for current employees. Town should consult with attorney to determine next course of action.

Response: Town of Gibsland is currently researching policies and procedures and will revise as needed.

- 04-3. A check was written payable to Gibsland Bank and Trust in the amount of \$1,358.70 dated June 25, 2004 and posted to repairs and maintenance. The check was cashed for a personal money order for \$649 and the balance of \$709.70 in cash. The personal money order was cleared by "Consolidated Credit". A client number was referenced on the money order which was traced to a previous employee's personal credit account, who left the Town's employment as of July 31, 2004. Subsequent to year end, the Town clerk was also paid her regular salary for a biweekly pay period twice.

Recommendation: Town consult with attorney to determine next course of action.

Response: Town of Gibsland is currently consulting with the attorney to determine the next course of action.

- 04-4. The Town does not have adequate funds retained in reserve accounts of cash and equivalents to fund the reserve requirements according to the loan contracts. According to the loan representative the Town has not been approved to use any funds held in reserve and should be in compliance.

Recommendation: Town adhere to the reserve requirements as stated in the loan agreements. Also the Town should consult with the loan representative to discuss any funds used in prior years.

Response: Town of Gibsland is currently researching this problem and will consult with our loan representative to discuss the problems and the solutions.

C. Federal Award Findings and Questioned Costs

None

Town of Gibsland
Summary of Prior Year Findings
For the Year Ended June 30, 2004

A. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

None

B. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

None

C. MANAGEMENT LETTER

None

TOWN OF GIBSLAND
P.O. Box 309
Gibsland, LA 71028

CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2004

Town of Gibsland hereby submits the following corrective action plan as referenced in the Findings and Questioned Costs:

- 04-1. See Schedule of Findings and Questioned Costs - Section B.
- 04-2. See Schedule of Findings and Questioned Costs - Section B.
- 04-3. See Schedule of Findings and Questioned Costs - Section B.
- 04-4. See Schedule of Findings and Questioned Costs - Section B.