

TOWN OF COLFAX, LOUISIANA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 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

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December 8, 2004

Independent Auditors' Report

The Honorable Joe Borland, Mayor
and the Board of Aldermen
Town of Colfax, 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 Colfax, 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 Colfax's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

-Members-

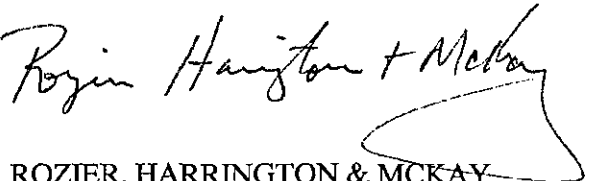
American Institute of Certified Public Accountants • Society of Louisiana CPAs

The Honorable Joe Borland, Mayor
and the Board of Aldermen
December 8, 2004

The management's discussion and analysis and budgetary comparison information listed in the accompanying table of contents are not a required part of the 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 inquires of management regarding the methods of measurement and presentation of the required supplemental 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 Colfax's basic financial statements. The general fund schedule of expenses – budget and actual and the combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The general fund schedule of expense – budget and actual and the combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respected in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 8, 2004, on our consideration of the Town of Colfax'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.


ROZIER, HARRINGTON & MCKAY
Certified Public Accountants

Town of Colfax

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

This section of the Town of Colfax's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year ended June 30, 2004. Because the Town is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will provide additional explanations of the Town's financial position and results of operations.

Overview of Financial Statements

The basic financial statements include government-wide financial statements and fund financial statements. These two types of financial statements present the Town's financial position and results of operations from differing perspectives which are described as follows:

Government –Wide Financial Statements

The government-wide financial statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. These report all revenues and expenses regardless of when cash is received or paid. Furthermore, the government-wide statements include all of the Town's assets (including infrastructure acquired after July 1, 2004) and all of the Town's liabilities (including long-term debt).

The government-wide financial statements are divided into two categories, which are described as follows:

- **Governmental Activities** – Expenses incurred in connection with providing basic services including police protection, fire protection, culture, recreation, public works, and general administration are reported as governmental activities. The governmental activities are financed by taxes, license fees, fines, court cost, interest, grants, and contributions.
- **Business-Type Activities** – Expenses associated with providing utility services are recovered through fees paid by the customers that utilize these services. These activities are operated in a manner similar to commercial enterprises. Accordingly, activities associated with the utility system and sanitation services are reported as business type activities.

Fund Financial Statements

Fund financial statements provide detailed information regarding the Town's most significant activities and are not intended to provide information for the Town as a whole. Funds are accounting devices that are used to account for specific sources of funds. The Town has two types of funds that are described as follows:

- **Governmental Funds** – These funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial

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MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

statements. However, unlike government-wide financial statements, the governmental funds use a modified accrual basis of accounting that provides a short-term view of the Town's finances. Assets reported by governmental funds are limited to amounts that are available for current needs. In addition, liabilities are limited to amounts that are expected to be paid from currently available assets.

- **Proprietary Fund** – These funds are used to account for activities that function in a manner similar to commercial enterprises, including activities associated with the Town's utility system and sanitation services. Proprietary fund financial statements typically provide a more detail presentation of the information reported in the business-type activities portion of the government-wide financial statements.

Financial Analysis of the Town as a Whole

A comparative analysis of government-wide data is presented as follows:

Net Assets

A condensed version of the government-wide Statement of Net Assets is presented as follows:

| | Govern- mental Activities | Business- Type Activities | Total |
|----------------------------------|--|--|---------------------|
| <u>Assets:</u> | | | |
| Current and other assets | \$ 231,932 | \$ 314,476 | \$ 546,408 |
| Capital assets | 359,645 | 1,665,965 | 2,025,610 |
| Total assets | <u>591,577</u> | <u>1,980,441</u> | <u>2,572,018</u> |
| <u>Liabilities:</u> | | | |
| Current and other liabilities | 31,836 | 120,993 | 152,829 |
| Internal balances | 5,908 | (5,908) | ---- |
| Long-term liabilities | 8,671 | 53,801 | 62,472 |
| Total liabilities | <u>46,415</u> | <u>168,886</u> | <u>215,301</u> |
| <u>Net Assets:</u> | | | |
| Invested in Capital Assets (Net) | 359,645 | 1,665,965 | 2,025,610 |
| Restricted for Capital Projects | 36,697 | ---- | 36,697 |
| Unrestricted | 148,820 | 145,590 | 294,410 |
| Total Net Assets | <u>\$ 545,162</u> | <u>\$ 1,811,555</u> | <u>\$ 2,356,717</u> |

As the presentation appearing above demonstrates, the largest portion of the Town's net assets (86.0%) are invested in capital assets. Net assets invested in capital assets consist of land, buildings, and equipment less any debt used to acquire the assets that remains outstanding. In addition, net

TOWN OF COLFAX

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

assets invested in capital assets also includes any infrastructure acquired after July 1, 2004. The Town uses these capital assets to provide services to its citizens; consequently, these amounts are not available for future spending. The remaining unrestricted net assets (14.0%) may be used to meet the Town's ongoing obligations to citizens and creditors.

Changes in Net Assets

A condensed version of the government-wide Statement of Changes in Net Assets is presented as follows:

| | <u>Governmental Activities</u> | <u>Business- Type Activities</u> | <u>Total</u> |
|---------------------------------------|------------------------------------|--|---------------------|
| <u>Revenues:</u> | | | |
| Program Revenue: | | | |
| Charges for Services | \$ 2,800 | \$ 939,451 | \$ 942,251 |
| Operating Grants and Contributions | 19,340 | ---- | 19,340 |
| Capital Grants and Contributions | 39,256 | 24,785 | 64,041 |
| General Revenue: | | | |
| Property Taxes | 62,250 | ---- | 62,250 |
| Sales Taxes | 247,736 | ---- | 247,736 |
| Franchise Taxes | 48,792 | ---- | 48,792 |
| Occupational Licenses | 83,962 | ---- | 83,962 |
| Payment in Lieu of Taxes | 10,243 | ---- | 10,243 |
| Miscellaneous | 27,651 | 2,709 | 30,360 |
| Total Revenue | <u>542,030</u> | <u>966,945</u> | <u>1,508,975</u> |
| <u>Program Expenses:</u> | | | |
| General Government | 277,036 | ---- | 277,036 |
| Public Safety | 114,875 | ---- | 114,875 |
| Streets, Drainage, and Recreation | 168,967 | ---- | 168,967 |
| Utility System | ---- | 889,873 | 889,873 |
| Sanitation | ---- | 57,908 | 57,908 |
| Total Expenses | <u>560,878</u> | <u>947,781</u> | <u>1,508,659</u> |
| Increase in Net Assets | | | |
| Before Transfers | (18,848) | 19,164 | 316 |
| Transfers | 110,763 | (110,763) | ---- |
| Change in Net Assets | <u>91,915</u> | <u>(91,599)</u> | <u>316</u> |
| Net Assets Beginning | <u>453,247</u> | <u>1,903,154</u> | <u>2,356,401</u> |
| Net Assets Ending | <u>\$ 545,162</u> | <u>\$ 1,811,555</u> | <u>\$ 2,356,717</u> |

TOWN OF COLFAX

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

Governmental activities increased the Town's net assets by \$91,915. The increase is attributable to resources transferred in from the business type activities.

Business-type activities decreased the Town's net assets by \$91,599. The decrease is attributable to the transfer of resources to governmental funds.

Financial Analysis of the Town's Funds

For the year ended June 30, 2004, activity in governmental funds included the general fund, administration on the aloha-rigolette project, and the start of construction on a new boat ramp. Both the aloha-rigolette project and the boat ramp project are accounted for in a capital projects fund. The only differences between amounts reported by the general fund and governmental activities reported in the government-wide financial statements are attributable to including fixed assets and long-term debt in the government-wide presentation.

Amounts reported for business-type activities in the Town's individual funds are identical to the business-type activities reported in the government-wide presentation.

General Fund Budget Highlights

The general fund is the only fund required by law to adopt a budget. The budget was amended as necessary. A summary of the general fund budget compared to actual amounts is presented as follows:

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|-----------------------|--------------|---------------------------|---|
| | Original | Final | | |
| Total Revenues | \$ 288,500 | \$ 509,000 | \$ 502,615 | \$ (6,385) |
| Total Expenditures | 636,150 | 665,500 | 549,959 | 115,541 |
| Excess (deficiency) of revenues over expenditures | (347,650) | (156,500) | (47,344) | 109,156 |
| Operating Transfers In (net) | 350,000 | 125,000 | 86,645 | (38,355) |
| Net Change in Fund Balances | \$ 2,350 | \$ (31,500) | \$ 39,301 | \$ 70,801 |

The significant increase in appropriations noted above is due to the citizens voting to unrestrict the sales tax income and allow the funds to be used for the governments general needs.

Capital Asset Administration

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

TOWN OF COLFAX

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

| | Governmental Activities | Business- Type Activities | Total |
|-------------------------------|------------------------------------|--|--------------|
| <u>Additions:</u> | | | |
| Equipment | \$ 25,017 | \$ 24,785 | \$ 49,802 |
| Improvements | 27,381 | ---- | 27,381 |
| Construction on Boat Ramp | 39,256 | ---- | 39,256 |
| Total Additions | 91,654 | 24,785 | 116,439 |
| Depreciation | (38,518) | (109,790) | (148,308) |
| Net Increase (Decrease) | 53,136 | (85,005) | (31,869) |
| Beginning Capital Asset (Net) | 306,509 | 1,750,970 | 2,057,479 |
| Ending Capital Assets (Net) | \$ 359,645 | \$ 1,665,965 | \$ 2,025,610 |

Highlights of the Town's capital asset administration are provided as follows:

- Equipment purchases for the governmental activities were primarily limited to the purchase of vehicles to better serve the citizens. The Town also purchased a boat to help with the administration of the aloha-rigolette project. Furthermore, equipment purchases for business-type activities were to update the telemetry system to enhance the Town's water distribution system.
- Improvements included a new pavillion at the park, an air conditioner for the civic center, and a sidewalk.
- The Town began major renovations to the boat ramp. Construction was not complete at year end and are expected to be completed in the subsequent year.

Factors Expected to Effect Future Operations

Events and conditions that are expected to have a significant influence on future operations are highlighted as follows:

- The Town will complete the boat ramp project as well as improve the parking and a covered picnic area at the boat ramp area.
- The Town received a recreational trails grant and will purchase land for a new Town park and walking trail.

Town of Colfax

STATEMENT OF NET ASSETS

June 30, 2004

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|---------------------|
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ 121,964 | \$ 236,139 | \$ 358,103 |
| Receivables (net) | 107,308 | 74,898 | 182,206 |
| Prepaid insurance | 2,660 | 3,439 | 6,099 |
| Non depreciable capital assets | 171,324 | 6,232 | 177,556 |
| Depreciable capital assets, net | <u>188,321</u> | <u>1,659,733</u> | <u>1,848,054</u> |
| Total assets | <u>591,577</u> | <u>1,980,441</u> | <u>2,572,018</u> |
| <u>LIABILITIES</u> | | | |
| Accounts payable | 21,472 | 28,584 | 50,056 |
| Accrued expenses | 10,364 | 2,429 | 12,793 |
| Internal balances | 5,908 | (5,908) | - |
| Deposits due others | - | 89,980 | 89,980 |
| Long-term liabilities | | | |
| Due in more than one year | <u>8,671</u> | <u>53,801</u> | <u>62,472</u> |
| Total liabilities | <u>46,415</u> | <u>168,886</u> | <u>215,301</u> |
| <u>NET ASSETS</u> | | | |
| Invested in capital assets, net of related debt | 359,645 | 1,665,965 | 2,025,610 |
| Restricted for Capital Projects | 36,697 | - | 36,697 |
| Unrestricted | <u>148,820</u> | <u>145,590</u> | <u>294,410</u> |
| Total net assets (deficit) | <u>\$ 545,162</u> | <u>\$ 1,811,555</u> | <u>\$ 2,356,717</u> |

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

Town of Colfax

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2004

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | | |
|--------------------------------------|------------------|-------------------------|--|--|----------------------------|---------------------------------|--------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants & Contributions | Governmental Activities | Business- Type Activities | Total |
| Governmental Activities: | | | | | | | |
| General Government | \$ 277,036 | \$ - | \$ 17,640 | \$ - | \$ (259,396) | \$ - | \$ (259,396) |
| Public Safety | 114,875 | 2,800 | 1,700 | - | (110,375) | - | (110,375) |
| Streets, Drainage, & Recreation | 168,967 | - | - | 39,256 | (129,711) | - | (129,711) |
| Total Governmental Activities | 560,878 | 2,800 | 19,340 | 39,256 | (499,482) | - | (499,482) |
| Business-Type Activities: | | | | | | | |
| Utility System | 889,873 | 868,911 | - | 24,785 | - | 3,823 | 3,823 |
| Sanitation | 57,908 | 70,540 | - | - | - | 12,632 | 12,632 |
| Total Business-Type Activities | 947,781 | 939,451 | - | 24,785 | - | 16,455 | 16,455 |
| Total Primary Government | \$ 1,508,659 | \$ 942,251 | \$ 19,340 | \$ 64,041 | (499,482) | 16,455 | (483,027) |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Ad Valorem | | | | | 62,250 | - | 62,250 |
| Sales Taxes | | | | | 247,736 | - | 247,736 |
| Franchise | | | | | 48,792 | - | 48,792 |
| Occupational Licenses | | | | | 83,962 | - | 83,962 |
| Payment in lieu of taxes | | | | | 10,243 | - | 10,243 |
| Miscellaneous | | | | | 27,651 | 2,709 | 30,360 |
| Transfers | | | | | 110,763 | (110,763) | - |
| Total General Revenues and Transfers | | | | | 591,397 | (108,054) | 483,343 |
| Change in Net Assets | | | | | 91,915 | (91,599) | 316 |
| Net Assets Beginning | | | | | 453,247 | 1,903,154 | 2,356,401 |
| Net Assets Ending | | | | | 545,162 | 1,811,555 | 2,356,717 |

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

Town of Colfax

Balance Sheet

Governmental Funds - June 30, 2004

| | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|--------------------------|---|---|
| <u>Assets</u> | | | |
| Cash and cash equivalents | \$ 118,367 | \$ 3,597 | \$ 121,964 |
| Receivables (net) | 68,052 | 39,256 | 107,308 |
| Prepaid Insurance | <u>2,660</u> | <u>-</u> | <u>2,660</u> |
| Total assets | <u>\$ 189,079</u> | <u>\$ 42,853</u> | <u>\$ 231,932</u> |
| <u>Liabilities and fund equity</u> | | | |
| <u>Liabilities:</u> | | | |
| Accounts and other payables | \$ 15,316 | \$ 6,156 | \$ 21,472 |
| Accrued expenses | 10,364 | - | 10,364 |
| Due to other funds | <u>5,908</u> | <u>-</u> | <u>5,908</u> |
| Total liabilities | <u>31,588</u> | <u>6,156</u> | <u>37,744</u> |
| <u>Fund equity:</u> | | | |
| Unreserved - Reported In | | | |
| General Fund | 157,491 | - | 157,491 |
| Capital Projects Fund | <u>-</u> | <u>36,697</u> | <u>36,697</u> |
| Total fund equity | <u>157,491</u> | <u>36,697</u> | <u>194,188</u> |
| Total liabilities and fund equity | <u>\$ 189,079</u> | <u>\$ 42,853</u> | <u>\$ 231,932</u> |

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

Town of Colfax

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets **Year Ended June 30, 2004**

| | |
|---|-------------------|
| Total Fund Balances - Governmental Funds | \$ 194,188 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 359,645 |
| Long term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Fund Balance Sheet | <u>(8,671)</u> |
| Net Assets of Governmental Activities | <u>\$ 545,162</u> |

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

Town of Colfax

Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds - Year Ended June 30, 2004

| | General | Other Governmental Funds | Total Governmental Funds |
|--|-----------------|--------------------------------|--------------------------------|
| <u>Revenues:</u> | | | |
| Taxes: | | | |
| Ad valorem | \$ 62,250 | \$ - | \$ 62,250 |
| Sales tax | 247,736 | - | 247,736 |
| Licenses and permits: | | | |
| Occupational licenses | 83,962 | - | 83,962 |
| Franchise | 48,792 | - | 48,792 |
| Other permits | 1,118 | - | 1,118 |
| Intergovernmental: | | | |
| State funds | 19,340 | - | 19,340 |
| Local funds | - | 39,256 | 39,256 |
| Beer tax | 5,786 | - | 5,786 |
| Payment in lieu of taxes | 10,243 | - | 10,243 |
| DMV | 8,550 | - | 8,550 |
| Other | 14,838 | 159 | 14,997 |
| Total revenues | 502,615 | 39,415 | 542,030 |
| <u>Expenditures:</u> | | | |
| Current: | | | |
| General government | 276,124 | - | 276,124 |
| Public safety | 103,207 | - | 103,207 |
| Streets, drainage, and recreation | 120,730 | 22,775 | 143,505 |
| Capital outlays | 49,898 | 41,756 | 91,654 |
| Total expenditures | 549,959 | 64,531 | 614,490 |
| Excess (deficiency) of revenues over expenditures | (47,344) | (25,116) | (72,460) |

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

Town of Colfax

Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds - Year Ended June 30, 2004

| | General | Other Governmental Funds | Total Governmental Funds |
|---|-------------------|--------------------------------|--------------------------------|
| Excess (deficiency) of revenues over expenditures | <u>(47,344)</u> | <u>(25,116)</u> | <u>(72,460)</u> |
| <u>Other financing sources (uses):</u> | | | |
| Operating transfers in | 149,253 | 40,600 | 189,853 |
| Operating transfers out | <u>(62,608)</u> | <u>(16,482)</u> | <u>(79,090)</u> |
| Total other financing sources (uses) | <u>86,645</u> | <u>24,118</u> | <u>110,763</u> |
| Excess (deficiency) of revenues and other financing sources over expenditures and other uses | 39,301 | (998) | 38,303 |
| Fund balance - beginning of year | <u>118,190</u> | <u>37,695</u> | <u>155,885</u> |
| Fund balance - end of year | <u>\$ 157,491</u> | <u>\$ 36,697</u> | <u>\$ 194,188</u> |

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

Town of Colfax

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

Year Ended June 30, 2004

Net change in fund balances of Governmental Funds \$ 38,303

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

Governmental funds report capital outlays as expenditures. However, in the *statement of activities the cost of those assets is allocated over estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.*

53,137

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures by governmental funds.

475

Change in net assets of governmental activities

\$ 91,915

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

Town of Colfax

Statement of Net Assets

Proprietary Funds - Year Ended June 30, 2004

| | <u>Business-Type Activities</u> | | |
|---|---------------------------------|-------------------|---------------------|
| | <u>Utility System</u> | <u>Sanitation</u> | <u>Total</u> |
| <u>Assets</u> | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 236,139 | \$ - | \$ 236,139 |
| Receivables (net) | 67,609 | 7,289 | 74,898 |
| Prepaid Insurance | 2,781 | 658 | 3,439 |
| Due to other funds | - | 5,908 | 5,908 |
| Total current assets | <u>306,529</u> | <u>13,855</u> | <u>320,384</u> |
| Noncurrent Assets: | | | |
| Capital Assets | 6,232 | - | 6,232 |
| Depreciable capital assets, net | <u>1,659,733</u> | <u>-</u> | <u>1,659,733</u> |
| Total noncurrent assets | <u>1,665,965</u> | <u>-</u> | <u>1,665,965</u> |
| Total assets | <u>1,972,494</u> | <u>13,855</u> | <u>1,986,349</u> |
| <u>Liabilities and fund equity</u> | | | |
| <u>Liabilities:</u> | | | |
| Current Liabilities: | | | |
| Accounts and other payables | 28,212 | 372 | 28,584 |
| Accrued expenses | 2,429 | - | 2,429 |
| Deposits due others | 89,980 | - | 89,980 |
| Compensated Absences | <u>52,269</u> | <u>1,532</u> | <u>53,801</u> |
| Total liabilities | <u>172,890</u> | <u>1,904</u> | <u>174,794</u> |
| <u>Net Assets:</u> | | | |
| Invested in capital assets, net of related debt | 1,665,965 | - | 1,665,965 |
| Unrestricted | <u>133,639</u> | <u>11,951</u> | <u>145,590</u> |
| Total net assets | <u>\$ 1,799,604</u> | <u>\$ 11,951</u> | <u>\$ 1,811,555</u> |

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

Town of Colfax

Statement of Revenues, Expenditures, and Changes in Fund Net Assets Proprietary Funds - Year Ended June 30, 2004

| | Business-Type Activities | | |
|--|--------------------------|------------------|---------------------|
| | Utility System | Sanitation | Total |
| <u>Operating Revenues:</u> | | | |
| Charges for services: | | | |
| Gas sales | \$ 458,809 | \$ - | \$ 458,809 |
| Water sales | 256,879 | - | 256,879 |
| Sewer charges | 129,394 | - | 129,394 |
| Sanitation charges | - | 70,540 | 70,540 |
| Delinquent charges | 20,047 | - | 20,047 |
| Miscellaneous | 3,782 | - | 3,782 |
| Total operating revenues | 868,911 | 70,540 | 939,451 |
| <u>Operating Expenses:</u> | | | |
| Natural gas purchases | 249,578 | - | 249,578 |
| Salaries and wages | 270,634 | 41,063 | 311,697 |
| Materials, supplies, and maintenance | 87,124 | 3,041 | 90,165 |
| Office and postage | 9,336 | - | 9,336 |
| Payroll taxes | 23,818 | 3,148 | 26,966 |
| Vehicle and travel | 10,351 | 4,429 | 14,780 |
| Insurance | 37,348 | 5,444 | 42,792 |
| Professional fees | 9,449 | - | 9,449 |
| Sewer expense | 11,015 | - | 11,015 |
| Miscellaneous | 9,280 | 783 | 10,063 |
| Lease | 6,500 | - | 6,500 |
| Utilities and telephone | 52,594 | - | 52,594 |
| Depreciation | 109,790 | - | 109,790 |
| Bad debts | 3,056 | - | 3,056 |
| Total operating expenses | 889,873 | 57,908 | 947,781 |
| Operating income (loss) | (20,962) | 12,632 | (8,330) |
| <u>Non-operating revenues (expenses):</u> | | | |
| Interest income | 2,709 | - | 2,709 |
| Change in net assets before Contributions and transfers | (18,253) | 12,632 | (5,621) |
| <u>Contributions and Transfers:</u> | | | |
| Capital Grant Revenue | 24,785 | - | 24,785 |
| Operating Transfers In | 22,008 | - | 22,008 |
| Operating Transfers Out | (132,771) | - | (132,771) |
| Change in net assets | (104,231) | 12,632 | (91,599) |
| Total net assets - beginning | 1,903,835 | (681) | 1,903,154 |
| Total net assets - ending | \$ 1,799,604 | \$ 11,951 | \$ 1,811,555 |

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

Town of Colfax

Statement of Cash Flows

Proprietary Funds - Year Ended June 30, 2004

| | Business-Type Activities | | |
|---|--------------------------|----------------|-------------------|
| | Utility System | Sanitation | Total |
| <u>Cash flow from operating activities:</u> | | | |
| Cash received from customers | \$ 883,962 | \$ 63,251 | \$ 947,213 |
| Cash payments to suppliers of goods and services | (496,506) | (13,983) | (510,489) |
| Cash payments to employees for service | (268,071) | (43,360) | (311,431) |
| Net cash provided (used) by operating activities | 119,385 | 5,908 | 125,293 |
| <u>Cash flows from non-capital financing activities:</u> | | | |
| (Increase) decrease in due from other funds | - | (5,908) | (5,908) |
| (Decrease) increase in due to other funds | (12,888) | - | (12,888) |
| Operating transfers, net | (110,763) | - | (110,763) |
| Net cash provided (used) by non-capital financing activities | (123,651) | (5,908) | (129,559) |
| <u>Cash flows from capital and related financing activities:</u> | | | |
| Acquisition and construction of capital assets | (24,785) | - | (24,785) |
| Capital Grant Proceeds | 24,785 | - | 24,785 |
| Net cash provided (used) by capital and related financing activities | - | - | - |
| <u>Cash flows from investing activities:</u> | | | |
| Interest and other income | 2,709 | - | 2,709 |
| Net cash provided (used) by investing activities | 2,709 | - | 2,709 |
| Net increase (decrease) in cash | (1,557) | - | (1,557) |
| Beginning cash balance | 237,696 | - | 237,696 |
| Ending cash balance | 236,139 | - | 236,139 |
| Cash - restricted | - | - | - |
| Cash - unrestricted | \$ 236,139 | \$ - | \$ 236,139 |

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

Town of Colfax

Statement of Cash Flows (Continued)

Proprietary Funds - Year Ended June 30, 2004

| | <u>Business-Type Activities</u> | | |
|--|---------------------------------|------------------------|--------------------------|
| | <u>Utility System</u> | <u>Sanitation</u> | <u>Total</u> |
| <u>Reconciliation of operating income (loss) to net cash</u> | | | |
| Operating Income (loss) | \$ (20,962) | \$ 12,632 | \$ (8,330) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation | 109,790 | - | 109,790 |
| (Increase) decrease in accounts receivable | 14,053 | (7,289) | 6,764 |
| (Increase) decrease in prepaid expenses | (2,781) | (658) | (3,439) |
| (Decrease) increase in accounts payable | (3,694) | 372 | (3,322) |
| (Decrease) increase in payable for gas purchases | (4,400) | - | (4,400) |
| (Decrease) increase in meter deposits | 998 | - | 998 |
| (Decrease) increase in compensated absences | 26,381 | 851 | 27,232 |
| | | | |
| Net cash provided (used) by operating activities | <u>\$ 119,385</u> | <u>\$ 5,908</u> | <u>\$ 125,293</u> |

Supplemental disclosures of cash flow information:

For the years ended June 30, 2004 there were no investing, capital, and financing activities that did not result in cash receipts or payments.

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

TOWN OF COLFAX

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Colfax, Louisiana (the Town) was incorporated under the provisions of the Lawrason Act and operates under a Mayor-Board of Aldermen form of government. The Town provides various services including public safety (police and fire), streets and drainage, sanitation, recreation, public improvements, utility (gas, water, and sewerage), and general administrative services.

The accompanying policies of the Town of Colfax, Louisiana, conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies.

Financial Reporting Entity

As the municipal governing authority, for reporting purposes the Town is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (the Town), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 establishes criteria for determining which component units should be considered part of the Town of Colfax for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - The ability of the Town to impose its will on that organization, and/or
 - The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town.
2. Organizations for which the Town does not appoint a voting majority but are fiscally dependent on the Town.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based upon the above criteria, the Town of Colfax has no component units for the year ended June 30, 2004.

TOWN OF COLFAX

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Basic Financial Statements

The basic financial statements include both government-wide and fund financial statements. Both government-wide and fund financial statements categorize activities as either governmental activities or business-type activities, which are described as follows:

- Governmental activities involve government services that are normally supported by taxes and intergovernmental revenues.
- Business-type activities rely on fees and charges for support and operate in a manner similar to private sector enterprises.

The government-wide and fund financial statements present the Town's financial position and results of operations from differing perspectives which are described as follows:

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the Town as a whole. The effect of most interfund activity is eliminated from these financial statements. Furthermore, government-wide financial statements exclude any fiduciary activities which are reported in the fund financial statements.

Program revenues reported in the Statement of Activities consist of amounts that are directly associated with a governmental service or business-type activity. Program revenues include charges for services, fines, court cost, contributions associated with a particular function and most grants.

Fund Financial Statements

Funds are separate accounting entities that are designed to assist with demonstrating legal compliance and segregating transactions by activity. Separate financial statements are provided for governmental funds and proprietary funds. In addition, separate financial statements are presented for any fiduciary activities. Major individual funds are reported as separate columns in the fund financial statements. The Town's major funds are described as follows:

- Governmental Funds – The Town's only major governmental fund is its general fund. The general fund is the primary operating fund and is used to account for all governmental activities.
- Proprietary Funds
 - Utility System – The utility fund is used to account for the operation of the Town's water, sewer, and natural gas system which are supported by user charges.

TOWN OF COLFAX

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Sanitation – The sanitation fund is used to account for activity associated with collecting and disposing of garbage and trash. The operation of this fund is supported by user charges.

Proprietary fund revenues earned in exchange for providing services is reported as operating income and revenue from other sources is reported as non-operating. Since proprietary funds operate in a manner similar to business enterprises, these funds follow certain pronouncements that are developed by the Financial Accounting Standards Board (FASB) for business enterprises. However, the Town only applies those FASB pronouncements that were issued on or before November 30, 1989.

Basis of Accounting

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 measurements made, regardless of the measurement focus applied. The basis of accounting and measurement focus used for various financial statement presentations are described as follows:

| <u>Financial Statement Presentation</u> | <u>Basis of Accounting</u> | <u>Measurement Focus</u> |
|--|-----------------------------------|---------------------------------|
| Government-Wide Financial Statements | Accrual Basis | Economic Resources |
| Fund Financial Statements: | | |
| Governmental Funds | Modified Accrual Basis | Current Financial Resources |
| Proprietary Funds | Accrual Basis | Economic Resources |
| Fiduciary Funds | Accrual Basis | Economic Resources |

Under the accrual basis of accounting and the economic resources measurement focus, revenues are recorded when earned and expenses are recorded when a liability is incurred.

Under the modified accrual basis of accounting and the current financial resources measurement focus revenue is recognized when it is considered measurable and available. Revenue is considered available if it is collected within 60 days of year-end. In addition, expenses are generally recorded when a liability has been incurred; however, debt service, compensated absences, claims and judgements are recorded as expenses when payment is made. Furthermore, when the current financial resources measurement focus is used, amounts recorded as assets excluding capital assets and the acquisition of capital assets is treated as an expenditure. In addition, long-term debts are excluded from amounts reported as liabilities. Proceeds from issuing long-term debt is reported as an other financing source and repayment of long-term debt is reported as an expenditure.

Non-Exchange Transactions

Revenue from certain non-exchange transactions cannot be properly measured prior to collection. Furthermore, it is not practical to determine the probability of collection resulting from certain non-

TOWN OF COLFAX

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

exchange transactions such as traffic citations. Consequently, revenue from franchise taxes, fines, and court cost is not recognized until it is collected.

Use of Estimates

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

Restricted Assets

Restricted assets represent resources that must be expended in a specific manner. Restrictions of this nature are imposed by various contractual obligations including grant agreements and bond covenants. In situations where it is permissible to spend restricted resources, the Town typically depletes the available restricted resources before consuming unrestricted resources.

Budget Practices

The Mayor prepares an annual budget for the Town's general fund. This budget is submitted to the Board of Aldermen and an approved budget is adopted before the beginning of each fiscal year. Amended budgets are prepared prior to the conclusion of each fiscal year. The amended budgets are prepared and approved in the same manner as the original budget.

The general fund budget presents revenue and expenditures on a basis which is consistent with generally accepted accounting principles. No annual budget is required for the Town's Utility Fund.

Capital Assets

Capital assets are carried at historical cost or estimated historical cost including interest incurred during construction. Prior to July 1, 1989, there were few records supporting the cost; therefore, cost related to the Town's utility system were estimated based on information furnished by the Town's consulting engineers. Cost of buildings and equipment acquired prior to July 1, 1989, were estimated based on replacement cost.

Infrastructure capital assets consisting of streets, bridges, sidewalks, and drainage systems acquired before July 1, 2004, are excluded from capital assets. Depreciation associated with capital assets is computed using the straight-line method over the estimated useful lives of the assets.

Cash and Cash Equivalents

Amounts reported as cash and cash equivalents (restricted and unrestricted) include all cash on hand, cash in bank accounts, certificates of deposit, and highly liquid investments.

TOWN OF COLFAX

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Encumbrance Accounting

Purchase orders, contracts, and other commitments to engage in future expenditures are referred to as encumbrances. Since encumbrances do not represent liabilities or current expenditures, encumbrances are not reported in the accompanying financial statements.

Compensated Absences

Accumulated unpaid vacation and compensatory pay have been accrued when incurred in the Proprietary Funds (using the accrual basis of accounting). These amounts relating to the Governmental Funds have been presented in the government-wide financial statements.

Statement of Cash Flows

For the purposes of reporting cash flows, cash and cash equivalents includes all cash on hand, cash in bank, and certificates of deposit.

Interfund Transactions

Resources belonging to particular funds are commonly shared with other funds that need access to additional resources. When resources are provided without expectation of repayment, the transaction is reported as a transfer. Transfers are treated as a source of income by the recipient and as an expense or expenditure by the provider. If repayment is eventually expected to occur, interfund receivables and payables are recorded.

In preparing the government-wide financial statements, transfers are eliminated to present net transfers for governmental activities and business-type activities. In addition, interfund receivables and payables are eliminated to present a net internal balance for each type of activity.

New Financial Reporting Model

As required by GASB Statement 34, for the year ended June 30, 2004, the Town has implemented a new financial reporting model. The new financial reporting model has resulted in numerous changes to accounting methods and financial statement presentation. Due to the nature and volume of the changes, the financial statements for the year ended June 30, 2004, cannot be readily compared to reports issued for previous years.

NOTE 2 - CASH AND CASH EQUIVALENTS

At June 30, 2004, cash and cash equivalents totaled \$358,103 (book balance) and \$386,427 (bank balance). The book balance is considered unrestricted. The composition of these accounts is as follows:

TOWN OF COLFAX

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

| | Book Balance | Bank Balance |
|---------------------------------|-------------------------|-------------------------|
| Cash and Cash Equivalents | \$ 357,653 | \$ 386,427 |
| Petty cash | 450 | ---- |
| Total cash and cash equivalents | <u>\$ 358,103</u> | <u>\$ 386,427</u> |

Under state law, these deposits must be secured by federal deposit insurance or by the pledge of securities held by the bank. The securities pledged are held in the name of the pledging bank in a custodial bank that is mutually acceptable to both parties. At June 30, 2004, all deposits with financial institutions were fully covered by federal deposit insurance of \$100,000 and pledged securities with a market value of \$412,062.

Even though the pledged securities are considered uncollateralized (Category 3), State law imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten (10) days of being notified by the Town that the pledging bank has failed to pay deposited funds on demand.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2004, consisted of the following:

| | Governmental Activities | Business-Type Activities | Total |
|---|------------------------------------|-------------------------------------|-------------------|
| <u>Accounts Receivable</u> | | | |
| Charges for Services | \$ ---- | \$ 80,775 | \$ 80,775 |
| Franchise Taxes | 10,915 | ---- | 10,915 |
| Other | 22 | 1,013 | 1,035 |
| Total Accounts Receivables | <u>10,937</u> | <u>81,788</u> | <u>92,725</u> |
| <u>Due From Other Governmental Units</u> | | | |
| Sales Taxes | 38,442 | ---- | 38,442 |
| Grants | 17,640 | ---- | 17,640 |
| Cooperative Endeavor | 39,256 | ---- | 39,256 |
| Other | 1,033 | ---- | 1,033 |
| Total Due From Other Governmental Units | <u>96,371</u> | <u>----</u> | <u>96,371</u> |
| Total Receivables | 107,308 | 81,788 | 189,096 |
| Allowance for Doubtful Accounts | ---- | (6,890) | (6,890) |
| Net Receivables | <u>\$ 107,308</u> | <u>\$ 74,898</u> | <u>\$ 182,206</u> |

TOWN OF COLFAX

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 4 – LONG-TERM LIABILITIES

The following are liabilities due in more than one year:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|----------------------|------------------------------------|-------------------------------------|------------------|
| Compensated Absences | <u>\$ 8,671</u> | <u>\$ 53,801</u> | <u>\$ 62,472</u> |

Changes in the Town's long-term liabilities for the year ended June 30, 2004, is presented as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|-------------------|---------------------------|
| <u>Governmental Activities</u> | | | | |
| Compensated absences | \$ 9,146 | \$ ---- | \$ (475) | \$ 8,671 |
| <u>Business-Type Activities</u> | | | | |
| Compensated Absences | <u>26,568</u> | <u>27,233</u> | <u>----</u> | <u>53,801</u> |
| Total Long-Term Liabilities | <u>\$ 35,714</u> | <u>\$ 27,233</u> | <u>\$ (475)</u> | <u>\$ 62,472</u> |

NOTE 5 – AD VALOREM TAXES

Ad valorem taxes are assessed on a calendar year basis and are due on or before December 31 in the year the tax is levied. Property taxes are recognized in compliance with NCGA Interpretation 3 - (Revenue Recognition - Property Taxes) which states that such revenue is recorded when it becomes measurable and available. Available means due or past due and collected no longer than 60 days after the close of the current period.

For the year ended June 30, 2004, the Town levied 9.82 mills of ad valorem taxes totaling \$62,250 which were dedicated to the general corporate purposes of the Town.

NOTE 6 - FIXED ASSETS

Changes in the governmental and business-type capital assets are presented as follows:

TOWN OF COLFAX

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

| | Beginning Balance | Additions | Disposals | Ending Balance |
|--|------------------------------|--------------------|------------------|---------------------------|
| <u>Governmental Activities</u> | | | | |
| Non Depreciable Capital Assets | | | | |
| Land | \$ 132,068 | \$ ---- | \$ ---- | \$ 132,068 |
| Construction in Process | ---- | 39,256 | ---- | 39,256 |
| Total | <u>132,068</u> | <u>39,256</u> | <u>----</u> | <u>171,324</u> |
| Depreciable Capital Assets | | | | |
| Buildings | 47,076 | ---- | ---- | 47,076 |
| Infrastructure | 423,662 | 27,381 | ---- | 451,043 |
| Equipment | 218,878 | 25,017 | ---- | 243,895 |
| Accumulated Depreciation | <u>(515,175)</u> | <u>(38,518)</u> | <u>----</u> | <u>(553,693)</u> |
| Total | <u>174,441</u> | <u>13,880</u> | <u>----</u> | <u>188,321</u> |
| Total Governmental Activities | <u>\$ 306,509</u> | <u>\$ 53,136</u> | <u>\$ ----</u> | <u>\$ 359,645</u> |
| <u>Business-Type Activities</u> | | | | |
| Land | \$ 6,232 | \$ ---- | \$ ---- | \$ 6,232 |
| Depreciable Capital Assets | | | | |
| Sanitation Equipment | 38,754 | ---- | ---- | 38,754 |
| Utility Buildings | 5,280 | ---- | 2,500 | 2,780 |
| Utility Equipment | 228,393 | ---- | 67,169 | 161,224 |
| Utility Distribution System | 3,993,917 | 24,785 | 88,063 | 3,930,639 |
| Accumulated Depreciation | <u>(2,521,606)</u> | <u>(109,790)</u> | <u>(157,732)</u> | <u>(2,473,664)</u> |
| Total | <u>1,744,738</u> | <u>(85,005)</u> | <u>----</u> | <u>1,659,733</u> |
| Total Business-Type Activities | <u>\$ 1,750,970</u> | <u>\$ (85,005)</u> | <u>\$ ----</u> | <u>\$ 1,665,965</u> |

Depreciation expense reported by the various functions is presented as follows:

| | |
|---|------------------|
| <u>Governmental Activities</u> | |
| General Government | \$ 1,387 |
| Public Safety | 11,668 |
| Streets, Drainage, & Recreation | 25,463 |
| Total Depreciation -- Governmental Activities | <u>\$ 38,518</u> |

TOWN OF COLFAX

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Business-Type Activities

| | |
|---|-------------------|
| Utility System | \$ 109,790 |
| Total Depreciation – Business-Type Activities | <u>\$ 109,790</u> |

NOTE 7 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The following is a summary of accounts payable and accrued expenses at June 30, 2004:

| | <u>Governmental Activities</u> | | |
|--------------------|--------------------------------|------------------------|------------------|
| | <u>General Fund</u> | <u>Non-Major Funds</u> | <u>Total</u> |
| Payable to Vendors | \$ 15,316 | \$ 6,156 | \$ 21,472 |
| Accrued Expenses | 10,364 | ---- | 10,364 |
| Total | <u>\$ 25,680</u> | <u>\$ 6,156</u> | <u>\$ 31,836</u> |

| | <u>Business-Type Activities</u> | | |
|--------------------|---------------------------------|-------------------|------------------|
| | <u>Utility System</u> | <u>Sanitation</u> | <u>Total</u> |
| Payable to Vendors | \$ 28,212 | \$ 372 | \$ 28,584 |
| Accrued Expenses | 2,429 | ---- | 2,429 |
| Total | <u>\$ 30,641</u> | <u>\$ 372</u> | <u>\$ 31,013</u> |

NOTE 8 – COMPENSATION OF ELECTED OFFICIALS

Payments to the Board of Aldermen for the year ended June 30, 2004, were as follows:

| | <u>Position</u> | <u>Amount</u> |
|---------------------|-----------------|------------------|
| Edwin "Joe" Borland | Mayor | \$ 14,400 |
| Alan Futrell | Alderman | 4,200 |
| David Clark | Alderman | 4,200 |
| Lourain Lacour | Alderman | 4,200 |
| Lorraine Sapp | Alderman | 4,200 |
| Gerald Hamilton | Alderman | 4,200 |
| | | <u>\$ 35,400</u> |

TOWN OF COLFAX

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 9 - RISK MANAGEMENT

The Town of Colfax is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks of loss are covered by a comprehensive commercial insurance policy and participation in a public entity risk pool that operates as a common insurance program. Claims resulting from these risks have historically not exceeded insurance coverage.

NOTE 10 – CONDUIT DEBT

To provide for the construction of a warehouse/distribution facility, land and infrastructure improvements, the Town of Colfax issued \$2,300,000 of indebtedness to the Louisiana Department of Economic Development. This debt is a limited special obligation of the Town, payable solely from and secured by a pledge of rental income to be received from a lease agreement between the Town and Ditto Apparel of California, Inc. This debt does not constitute a debt or pledge of the faith and credit of the Town, and accordingly has not been reported in the accompanying financial statements.

At June 30, 2004, the balance of the debt outstanding aggregated \$1,900,000.

NOTE 11– INTERNAL BALANCES

As discussed in Note 1, interfund transactions arise when the general fund disburses funds on behalf of the sanitation fund. No significant reductions in the interfund transactions with the sanitation fund are expected with in the next year. The balance outstanding at June 30, 2004, for the interfund balances are summarized as follows:

| | <u>Interfund Receivables</u> | <u>Interfund Payables</u> |
|---|---|--------------------------------------|
| <u>Governmental Activities:</u> | | |
| General Fund | \$ ---- | \$ 5,908 |
| <u>Business-Type Activities:</u> | | |
| Sanitation Fund | 5,908 | ---- |
| Government-Wide Totals | <u>\$ 5,908</u> | <u>\$ 5,908</u> |

NOTE 12 - TRANSFERS

In the ordinary course of business, the Town routinely transfers resources between its funds for various reasons. A description of the transfers and the purpose for the transfers is presented as follows:

TOWN OF COLFAX

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

| | <u>Governmental Activities</u> | | |
|---|--------------------------------|------------------|-------------------|
| | <u>General Fund</u> | <u>Non-Major</u> | <u>Total</u> |
| <u>Transfers In</u> | | | |
| Transfer of excess utility revenues to the general fund | \$ 132,771 | \$ ---- | \$ 132,771 |
| Transfers of money to fund various capital projects funds | ---- | 40,600 | 40,600 |
| Miscellaneous Transfers | 16,482 | ---- | 16,482 |
| Total Transfers In | <u>149,253</u> | <u>40,600</u> | <u>189,853</u> |
| <u>Transfers Out</u> | | | |
| Transfer of resources for items paid on behalf of other funds | 22,008 | ---- | 22,008 |
| Transfers of money to fund various capital projects funds | 40,600 | ---- | 40,600 |
| Miscellaneous Transfers | ---- | 16,482 | 16,482 |
| Total Transfers Out | <u>62,608</u> | <u>16,482</u> | <u>79,090</u> |
| Net Transfers | <u>\$ 86,645</u> | <u>\$ 24,118</u> | <u>\$ 110,763</u> |

| | <u>Business-Type Activities</u> | |
|---|---------------------------------|---------------------|
| | <u>Utility System</u> | <u>Total</u> |
| <u>Transfers In</u> | | |
| Transfer of resources for items paid on behalf of other funds | \$ 22,008 | \$ 22,008 |
| <u>Transfers Out</u> | | |
| Transfer of excess utility revenues to the general fund | 132,771 | 132,771 |
| Net Transfers | <u>\$ (110,763)</u> | <u>\$ (110,763)</u> |

Town of Colfax

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual

Year Ended June 30, 2004

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|-------------------|------------------|-------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes | | | | |
| Ad valorem | \$ 60,000 | \$ 61,000 | \$ 62,250 | \$ 1,250 |
| Sales taxes | - | 235,000 | 247,736 | 12,736 |
| License and permits | | | | |
| Occupational licenses | 45,000 | 45,000 | 83,962 | 38,962 |
| Franchise fees | 37,500 | 45,000 | 48,792 | 3,792 |
| Other permits | - | - | 1,118 | 1,118 |
| Charges for services | 79,000 | 78,000 | - | (78,000) |
| Intergovernmental | | | | |
| State funds | - | - | 19,340 | 19,340 |
| Beer taxes | 8,500 | 6,500 | 5,786 | (714) |
| Payment in lieu of taxes | 7,000 | 7,000 | 10,243 | 3,243 |
| DMV | - | - | 8,550 | 8,550 |
| Other | 51,500 | 31,500 | 14,838 | (16,662) |
| Total revenues | 288,500 | 509,000 | 502,615 | (6,385) |
| Expenses: | | | | |
| General government | 285,800 | 296,250 | 276,124 | 20,126 |
| Public Safety | 95,150 | 100,250 | 103,207 | (2,957) |
| Streets, Drainage, and Recreation | 101,000 | 122,500 | 120,730 | 1,770 |
| Sanitation | 54,200 | 46,500 | - | 46,500 |
| Capital Outlay | 100,000 | 100,000 | 49,898 | 50,102 |
| Total Expenses | 636,150 | 665,500 | 549,959 | 115,541 |
| Excess (deficiency) of revenues over expenditures | (347,650) | (156,500) | (47,344) | 109,156 |
| Other financing sources (uses): | | | | |
| Operating transfers in | 350,000 | 125,000 | 149,253 | 24,253 |
| Operating transfers out | - | - | (62,608) | (62,608) |
| Total other financing sources (uses) | 350,000 | 125,000 | 86,645 | (38,355) |
| Excess (deficiency) of revenues and other financing sources over expenditures and other uses | 2,350 | (31,500) | 39,301 | 70,801 |
| Fund balance - beginning of year | 134,601 | 118,190 | 118,190 | - |
| Fund balance - end of year | \$ 136,951 | \$ 86,690 | \$ 157,491 | \$ 70,801 |

Town of Colfax

General Fund

Schedule of Expenses - Budget and Actual

Year Ended June 30, 2004

| | <u>Budget Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-----------------------|----------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>General Government:</u> | | | | |
| Salary - Elected Officials | \$ 35,400 | \$ 35,400 | \$ 35,400 | \$ - |
| Salaries - office | 49,400 | 49,400 | 38,690 | 10,710 |
| Payroll Taxes | 21,500 | 21,500 | 16,308 | 5,192 |
| Equipment Maintenance | 20,000 | 22,000 | 33,158 | (11,158) |
| Gas and Oil | 20,000 | 22,000 | 16,753 | 5,247 |
| Office and Printing | 12,500 | 14,500 | 12,091 | 2,409 |
| Utilities and Phone | 45,000 | 48,000 | 46,943 | 1,057 |
| Insurance | 40,000 | 25,000 | 16,432 | 8,568 |
| Dues and Subscriptions | 1,500 | 1,200 | 2,061 | (861) |
| Miscellaneous | 17,500 | 12,500 | 6,678 | 5,822 |
| Professional Fees | 17,500 | 16,500 | 14,600 | 1,900 |
| Mayor's Expense | 500 | 4,250 | 6,906 | (2,656) |
| Other Labor | 1,000 | 6,000 | 4,948 | 1,052 |
| Travel and Seminar | 4,000 | 8,000 | 6,898 | 1,102 |
| Demolition and removal | - | - | 12,920 | (12,920) |
| Sales tax administration | - | 10,000 | 5,338 | 4,662 |
| Total General Government | 285,800 | 296,250 | 276,124 | 20,126 |
| <u>Public Safety:</u> | | | | |
| Police Department Salaries | 82,400 | 86,000 | 87,129 | (1,129) |
| Police Department Expenses | 12,000 | 13,500 | 16,078 | (2,578) |
| Fire Department Expenses | 750 | 750 | - | 750 |
| Total Public Safety | 95,150 | 100,250 | 103,207 | (2,957) |
| <u>Streets, Drainage, and Recreation:</u> | | | | |
| Streets and Drainage | | | | |
| Salaries | 82,000 | 86,000 | 88,726 | (2,726) |
| Supplies and Materials | 12,500 | 25,000 | 26,250 | (1,250) |
| Aloha-Rigolette Maintenance | - | 7,500 | - | 7,500 |
| Total Streets and Drainage | 94,500 | 118,500 | 114,976 | 3,524 |

Continued...

Town of Colfax

General Fund

Schedule of Expenses - Budget and Actual

Year Ended June 30, 2004

| | <u>Budget Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget |
|--|-----------------------|-------------------|---------------------------|-------------------------------|
| | <u>Original</u> | <u>Final</u> | | Positive (Negative) |
| <u>Streets, Drainage, and Recreation (cont.):</u> | | | | |
| Recreation | | | | |
| Pecan Festival Expenses | 3,500 | 1,000 | 2,599 | (1,599) |
| Festivals and Parades | 3,000 | 3,000 | - | 3,000 |
| Ball Parks/Recreation | - | - | 3,155 | (3,155) |
| Total Recreation | <u>6,500</u> | <u>4,000</u> | <u>5,754</u> | <u>(1,754)</u> |
| | | | | |
| Total Streets, Drainage, and Recreation | <u>101,000</u> | <u>122,500</u> | <u>120,730</u> | <u>1,770</u> |
| | | | | |
| <u>Sanitation:</u> | | | | |
| Salaries | 49,200 | 44,000 | - | 44,000 |
| Supplies and Materials | <u>5,000</u> | <u>2,500</u> | <u>-</u> | <u>2,500</u> |
| | | | | |
| Total Sanitation | <u>54,200</u> | <u>46,500</u> | <u>-</u> | <u>46,500</u> |
| | | | | |
| <u>Capital Outlay:</u> | | | | |
| Equipment | 60,000 | 60,000 | 49,898 | 10,102 |
| Other | <u>40,000</u> | <u>40,000</u> | <u>-</u> | <u>40,000</u> |
| | | | | |
| Total Capital Outlay | <u>100,000</u> | <u>100,000</u> | <u>49,898</u> | <u>50,102</u> |
| | | | | |
| Total Expenses | <u>\$ 636,150</u> | <u>\$ 665,500</u> | <u>\$ 549,959</u> | <u>\$ 115,541</u> |

Town of Colfax

Combining Balance Sheet

Non Major Governmental Funds

June 30, 2004

| | <u>Aloha Rigolette Project</u> | <u>Special Revenue Fund</u> | <u>RRWC Boat Ramp Improvements</u> | <u>Total Non-Major Funds</u> |
|---|--|---------------------------------|--|--------------------------------------|
| <u>Assets</u> | | | | |
| Cash and cash equivalents | \$ 3,597 | \$ - | \$ - | \$ 3,597 |
| Receivables (net) | <u>-</u> | <u>-</u> | <u>39,256</u> | <u>39,256</u> |
| Total assets | <u>\$ 3,597</u> | <u>\$ -</u> | <u>\$ 39,256</u> | <u>\$ 42,853</u> |
| <u>Liabilities and fund equity</u> | | | | |
| <u>Liabilities:</u> | | | | |
| Accounts and other payables | \$ - | \$ - | \$ 6,156 | \$ 6,156 |
| Total liabilities | <u>-</u> | <u>-</u> | <u>6,156</u> | <u>6,156</u> |
| <u>Fund equity:</u> | | | | |
| Unreserved - Reported In Capital Projects Fund | <u>3,597</u> | <u>-</u> | <u>33,100</u> | <u>36,697</u> |
| Total fund equity | <u>3,597</u> | <u>-</u> | <u>33,100</u> | <u>36,697</u> |
| Total liabilities and fund equity | <u>\$ 3,597</u> | <u>\$ -</u> | <u>\$ 39,256</u> | <u>\$ 42,853</u> |

Town of Colfax

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Non Major Governmental Funds Year Ended June 30, 2004

| | Aloha Rigolette Project | Special Revenue Fund | RRWC Boat Ramp Improvements | Total Non-Major Funds |
|---|-------------------------------|-------------------------|-----------------------------------|-----------------------------|
| <u>Revenues:</u> | | | | |
| Intergovernmental: | | | | |
| Local funds | \$ - | \$ - | \$ 39,256 | \$ 39,256 |
| Other | 159 | - | - | 159 |
| Total revenues | <u>159</u> | <u>-</u> | <u>39,256</u> | <u>39,415</u> |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| Streets, drainage, and recreation | 22,775 | - | - | 22,775 |
| Capital outlays | 2,500 | - | 39,256 | 41,756 |
| Total expenditures | <u>25,275</u> | <u>-</u> | <u>39,256</u> | <u>64,531</u> |
| Excess (deficiency) of revenues over expenditures | <u>(25,116)</u> | <u>-</u> | <u>-</u> | <u>(25,116)</u> |
| <u>Other financing sources (uses):</u> | | | | |
| Operating transfers in | 7,500 | - | 33,100 | 40,600 |
| Operating transfers out | - | (16,482) | - | (16,482) |
| Total other financing sources (uses) | <u>7,500</u> | <u>(16,482)</u> | <u>33,100</u> | <u>24,118</u> |
| Excess (deficiency) of revenues and other financing sources over expenditures and other uses | <u>(17,616)</u> | <u>(16,482)</u> | <u>33,100</u> | <u>(998)</u> |
| Fund balance - beginning of year | <u>21,213</u> | <u>16,482</u> | <u>-</u> | <u>37,695</u> |
| Fund balance - end of year | <u>\$ 3,597</u> | <u>\$ -</u> | <u>\$ 33,100</u> | <u>\$ 36,697</u> |

ROZIER, HARRINGTON & McKAY
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December 8, 2004

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

The Honorable Joe Borland, Mayor
and the Board of Aldermen
Town of Colfax, Louisiana

We have audited the financial statements of the Town of Colfax, Louisiana, as of and for the year ended June 30, 2004, and have issued our report thereon dated December 8, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town of Colfax, Louisiana'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 one instance of noncompliance that is required to be reported under *Government Auditing Standards*. This finding has been reported in the Schedule of Findings and Questioned Costs as Finding No. 2004-01

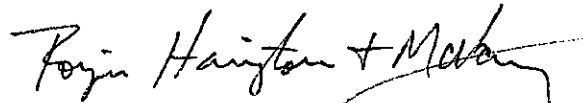
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Colfax, Louisiana'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned

The Honorable Joe Borland, Mayor
and the Board of Aldermen
December 8, 2004

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

This report is intended for the information of management. However, this report is a matter of public record, and its distribution is not limited.



ROZIER, HARRINGTON & MCKAY
Certified Public Accountants

TOWN OF COLFAX

Summary of Findings and Questioned Costs June 30, 2004

Part I - Summary of Auditor's Results:

- The Independent Auditor's Report on the general purpose financial statements for the Town of Colfax, Louisiana, as of June 30, 2004, and for the year then ended expressed an unqualified opinion.
- There were no reportable conditions noted in the audit.
- The results of the audit disclosed one instance of noncompliance that is considered to be material to the financial statements of the Town of Colfax, Louisiana.
- The Town was not required to have a Single Audit; therefore, none of the reporting required by OMB Circular A-133 was required.

Part II - Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards:

- **Finding No. 2004-01, Nepotism**
The Town paid the father of one council member \$27,000 for subcontract work related to repairs and renovations of a boat ramp. This may be a conflict of the nepotism laws.

Part III - Findings and Questioned Costs for Federal Awards Which Shall Include Audit Findings as Defined by OMB Circular A-133:

- N/A.

TOWN OF COLFAX

Management's Corrective Action Plan June 30, 2004

| SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS. | |
|---|--|
| <u>Finding No. 2004-01, Nepotism</u> The Town paid the father of one council member \$27,000 for subcontract work related to repairs and renovations of a boat ramp. This may be a conflict of the nepotism laws. | <u>Response</u> This contract was funded through a grant from the Red River Waterway Commission who approved all of the expenses. The Mayor solicited and received informal quotes and selected the lowest quote for this subcontract work. Because quotes were received from various contractors, no one thought there would be any such nepotism problems. In the future, we will be more careful and seek legal council approval before such contracts are let. |
| SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS | |
| No findings were reported in the schedule of findings and questions cost. | Response – N/A |
| SECTION III MANAGEMENT LETTER | |
| No findings were reported in the schedule of findings and questions cost. | Response – N/A |

TOWN OF COLFAX

Summary of Prior Year Findings and Questioned Costs June 30, 2004

| SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS. | |
|--|---|
| <u>Finding No. 2003-01, Budget Variances – General Fund</u> The Town adopted an amended budget for its general fund in accordance with state law; however, actual receipts plus projected revenue collections exceeded budgeted revenues by more than the variance allowable by state law. | <u>Resolved</u> Management has properly amended the current year budget and is in compliance with all laws and regulations. |
| SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS | |
| No findings were reported as a result of the previous audit. | Response – N/A |
| SECTION III MANAGEMENT LETTER | |
| No findings were reported as a result of the previous audit. | Response – N/A |