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TOWN OF BASILE, LOUISIANA

Financial Report

Year Ended June 30, 2003

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Release Date 1-26-05

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VIGE TUJAGUE

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Independent Auditor's Report

The Honorable Berline Sonnier, Mayor,
and Members of the Board of Alderman
Town of Basile, 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 Basile, Louisiana, as of and for the year ended June 30, 2004, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Basile, Louisiana's management. Our responsibility is to express an opinion of these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, 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 Basile, Louisiana, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 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.

In accordance with Government Auditing Standards, we have also issued our report dated August 26, 2004 on our consideration of the Town of Basile, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations. 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 Town of Basile, Louisiana has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Basile, Louisiana's basic financial statements. The other supplementary information on pages 33 through 47 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for the portion marked (unaudited) on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vige & Tujague

Vige & Tujague
August 26, 2004

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

TOWN OF BASILE, LOUISIANA

Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and interest-bearing deposits	\$ 104,170	\$ 73,495	\$ 177,665
Receivables, net	22,881	81,389	104,270
Other assets	<u>-</u>	<u>18,023</u>	<u>18,023</u>
Total current assets	<u>127,051</u>	<u>172,907</u>	<u>299,958</u>
Noncurrent assets:			
Restricted assets:			
Cash and interest-bearing deposits	834	108,518	109,352
Capital assets, net	<u>1,105,483</u>	<u>3,175,132</u>	<u>4,280,615</u>
Total noncurrent assets	<u>1,106,317</u>	<u>3,283,650</u>	<u>4,389,967</u>
Total assets	<u>1,233,368</u>	<u>3,456,557</u>	<u>4,689,925</u>
LIABILITIES			
Current liabilities:			
Accounts and other payables	23,130	38,835	61,965
Compensated absences	8,033	-	8,033
Current portion of bonds payable	-	13,276	13,276
Current portion of lease payable	<u>579</u>	<u>3,036</u>	<u>3,615</u>
Total current liabilities	<u>31,742</u>	<u>55,147</u>	<u>86,889</u>
Noncurrent liabilities:			
Compensated absences payable	11,770	-	11,770
Customers deposits payable	-	69,707	69,707
Bonds payable	-	844,231	844,231
Lease payable	<u>1,158</u>	<u>4,801</u>	<u>5,959</u>
Total noncurrent liabilities	<u>12,928</u>	<u>918,739</u>	<u>931,667</u>
Total liabilities	<u>44,670</u>	<u>973,886</u>	<u>1,018,556</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,104,580	2,317,625	3,422,205
Restricted for debt service	-	88,518	88,518
Unrestricted	<u>84,118</u>	<u>76,528</u>	<u>160,646</u>
Total net assets	<u>\$1,188,698</u>	<u>\$2,482,671</u>	<u>\$3,671,369</u>

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

TOWN OF BASILE, LOUISIANA
Statement of Activities
For the Year Ended June 30, 2004

Activities	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 226,893	\$ 36,355	\$ 13,711	\$ -	\$ (176,827)	-	\$ (176,827)
Public safety:							
Police	358,776	16,822	-	-	(341,954)	-	(341,954)
Fire	6,412	-	-	-	(6,412)	-	(6,412)
Streets	125,091	6,496	-	-	(118,595)	-	(118,595)
Parks and recreation	10,821	150	-	-	(10,671)	-	(10,671)
Interest on long-term debt	2,548	-	-	-	(2,548)	-	(2,548)
Total governmental activities	730,541	59,823	13,711	-	(657,007)	-	(657,007)
Business-type activities:							
Gas	302,370	439,380	-	-	-	137,010	137,010
Water	211,179	326,324	1,082	-	-	116,227	116,227
Sewer	167,078	176,584	14,721	-	-	24,227	24,227
Total business-type activities	680,627	942,288	15,803	-	-	277,464	277,464
Total	\$ 1,411,168	\$ 1,002,111	\$ 29,514	\$ -	\$ (657,007)	\$ 277,464	\$ (379,543)

General revenues:

Taxes -	
Property taxes, levied for general purposes	61,125
Sales and use taxes, levied for general purposes	173,013
Franchise and chain store taxes	48,535
Grants and contributions not restricted to specific programs - state sources	-
Special items	
Other government-donation	607,690
Interest and investment earnings	4,945
Miscellaneous	132
Transfers	422,822
Total general revenues and transfers	1,318,262
Changes in net assets	661,255
Net assets - July 1, 2003	527,443
Net assets - June 30, 2004	\$ 1,188,698

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

FUND FINANCIAL STATEMENTS (FFS)

TOWN OF BASILE, LOUISIANA

Balance Sheet
Governmental Funds
June 30, 2004

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total 2004</u>
ASSETS				
Cash	\$18,609	\$85,561	\$ -	\$104,170
Receivables:				
Taxes	172	-	-	172
Allowance for uncollectible taxes	(67)	-	-	(67)
Other	10,541	-	-	10,541
Restricted assets				
Cash – demand accounts	834	-	-	834
Total assets	<u>\$30,089</u>	<u>\$85,561</u>	<u>\$ -</u>	<u>\$115,650</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$11,637	\$ -	\$ -	\$ 11,637
Accrued liabilities	7,993	-	-	7,993
Deferred revenue	3,500	-	-	3,500
Total liabilities	<u>23,130</u>	<u>-</u>	<u>-</u>	<u>23,130</u>
Fund balances:				
Unreserved, undesignated	6,959	85,561	-	92,520
Total fund balance	<u>6,959</u>	<u>85,561</u>	<u>-</u>	<u>92,520</u>
Total liabilities and fund balance	<u>\$30,089</u>	<u>\$85,561</u>	<u>\$ -</u>	<u>\$115,650</u>

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

TOWN OF BASILE, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
For the Year Ended June 30, 2004

Total fund balances for governmental funds at June 30, 2004		\$ 92,520
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	\$ 17,700	
Buildings, net of \$300,097 accumulated depreciation	957,739	
Equipment & other, net of \$247,996 accumulated depreciation	<u>130,044</u>	1,105,483
Sales tax which were not measurable at year end and not considered available as current financial resources at year end		12,235
Long-term liabilities at June 30, 2004:		
Compensated absences (including amounts due within one year)	(19,803)	
Leases payable (including amounts due within one year)	<u>(1,737)</u>	<u>(21,540)</u>
Total net assets of governmental activities at June 30, 2004		<u>\$ 1,188,698</u>

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

TOWN OF BASILE, LOUISIANA
Statement of Revenues, Expenditures, and
Changes in Fund Balances –
Governmental Funds
Year Ended June 30, 2004

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total 2004</u>
Revenues:				
Taxes	\$109,660	\$173,013	\$ -	\$282,673
Licenses and permits	36,355	-	-	36,355
Intergovernmental	13,711	-	-	13,711
Fines and forfeits	18,559	-	-	18,559
Miscellaneous	9,986	-	-	9,986
Total revenues	<u>188,271</u>	<u>173,013</u>	<u>-</u>	<u>361,284</u>
Expenditures:				
Current –				
General government	215,203	-	-	215,203
Public safety:				
Police	340,399	-	-	340,399
Fire	3,939	-	-	3,939
Streets and drainage	114,122	-	-	114,122
Parks	8,763	-	-	8,763
Capital outlay	19,530	-	-	19,530
Debt service				
Principal retirement	-	-	32,026	32,026
Interest charges	-	-	2,548	2,548
Total expenditures	<u>701,956</u>	<u>-</u>	<u>34,574</u>	<u>736,530</u>
Excess (deficiency) of revenues over expenditures	<u>(513,685)</u>	<u>173,013</u>	<u>(34,574)</u>	<u>(375,246)</u>
Other financing sources (uses)				
Proceeds from capital lease	1,737	-	-	1,737
Operating transfers in	539,294	-	34,574	573,868
Operating transfers out	<u>(34,574)</u>	<u>(116,472)</u>	<u>-</u>	<u>(151,046)</u>
Total other financing Sources (uses)	<u>506,457</u>	<u>(116,472)</u>	<u>34,574</u>	<u>424,559</u>
Net changes in fund balances	(7,228)	56,541	-	49,313
Fund balances, beginning	<u>14,187</u>	<u>29,020</u>	<u>-</u>	<u>43,207</u>
Fund balances, ending	<u>\$ 6,959</u>	<u>\$ 85,561</u>	<u>\$ -</u>	<u>\$92,520</u>

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

TOWN OF BASILE, 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

Total net changes in fund balances at June 30, 2004 per Statement of Revenues, Expenditures and Changes in Fund Balances		\$49,313
The change in net assets reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay which is considered expenditures on Statement of Revenues, Expenditures and Changes in Fund Balances	19,530	
Depreciation expense for the year ended June 30, 2004	<u>(49,927)</u>	(30,397)
Less: Proceeds from capital lease		(1,737)
Add: Excess of compensated absences used over compensated absences earned		4,360
Add: Donation of capital assets		607,690
Add: Payments on long term debt		<u>32,026</u>
Total changes in net assets at June 30, 2004 per Statement of Activities		<u>\$661,255</u>

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

TOWN OF BASILE, LOUISIANA
Proprietary Funds
Statement of Net Assets
June 30, 2004

ASSETS

Cash	\$ 73,495
Receivables:	
Accounts receivable	65,586
Other	15,803
Restricted assets	
Cash – demand accounts	88,518
Interest-bearing deposits, at cost	20,000
Land	12,008
Utility property plant and equipment	4,957,012
Accumulated depreciation	(1,793,888)
Other assets	<u>18,023</u>
Total assets	<u>3,456,557</u>

LIABILITIES

Liabilities:	
Accounts payable	35,407
Current portion of leases payable	3,036
Accrued liabilities	3,428
Payable from restricted assets -	
Current portion of revenue bonds	13,276
Long-term debt –	
Leases payable	4,801
Payable from restricted assets-	
Customers' deposits	69,707
Revenue bonds payable	<u>844,231</u>
Total liabilities	<u>973,886</u>

NET ASSETS

Investment in general fixed assets, net of related debt	2,235,910
Restricted for debt service	88,518
Unrestricted	<u>158,243</u>
Total net assets	<u>\$2,482,671</u>

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

TOWN OF BASILE, LOUISIANA
Proprietary Fund
Statement of Revenues, Expenses, and Changes
in Fund Net Assets
Year Ended June 30, 2004

	2004
Operating revenues:	
Charges for services –	
Gas sales	\$ 431,181
Water sales	320,802
Sewer service charges	173,574
Connection charges	5,381
Delinquent charges	11,350
Miscellaneous revenues	<u>13,268</u>
Total operating revenues	<u>955,556</u>
 Operating expenses:	
Gas department	255,733
Water department	136,411
Sewer department	84,990
General and administrative	56,028
Depreciation	<u>107,471</u>
Total operating expenses	<u>640,633</u>
 Operating income	 <u>314,923</u>
 Nonoperating revenues (expenses):	
Interest income	356
Interest expense	(38,900)
Miscellaneous	(1,094)
Grant revenue	<u>15,803</u>
Total nonoperating revenues (expenses)	<u>(23,835)</u>
 Income before operating transfers	 <u>291,088</u>
 Operating transfers in (out):	
Operating transfers in	10,558
Operating transfers out	<u>(433,380)</u>
Total operating transfers	<u>(422,822)</u>
 Change in net assets	 (131,734)
 Net assets, beginning	 <u>2,614,405</u>
 Net assets, ending	 <u>\$2,482,671</u>

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

TOWN OF BASILE, LOUISIANA

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

	<u>2004</u>
Cash flows from operating activities:	
Receipts from customers	\$940,711
Payments to suppliers	(442,057)
Payments to employees	(97,030)
Other receipts	<u>13,268</u>
Net cash provided (used) by operating activities	<u>414,892</u>
Cash flows from noncapital financing activities:	
Cash received from other funds	10,558
Cash paid to other funds	(433,380)
Grant funds not received	<u>(15,803)</u>
Net cash provided (used) by noncapital financing activities	<u>(438,625)</u>
Cash flows from capital and related financing activities:	
Principal paid on revenue bonds payable	(12,693)
Principal paid on capital lease	(1,272)
Interest and fiscal charges paid on revenue bonds and notes payable	(38,900)
Other non operating (costs)	(1,094)
Proceeds from meter deposits (net)	1,972
Proceeds from lease	7,062
Proceeds from grant	15,803
Acquisition of property, plant and equipment	<u>(7,061)</u>
Net cash provided (used) by capital and related financing activities	<u>(36,183)</u>
Cash flows from investing activities:	
Interest on investments	<u>356</u>
Net cash provided by investing activities	<u>356</u>
Net increase (decrease) in cash and cash equivalents	(59,560)
Cash and cash equivalents, beginning of period	<u>241,573</u>
Cash and cash equivalents, end of period	<u>\$ 182,013</u>

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

TOWN OF BASILE, LOUISIANA

Comparative Statement of Cash Flows
 Proprietary Funds (continued)
 For the Year Ended June 30, 2004

	<u>2004</u>
Reconciliation of operating income to net cash used by operating activities:	
Operating income	\$314,923
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	107,471
Changes in current assets and liabilities:	
Increase in accounts receivable	(1,577)
(Increase) decrease in inventory	(4,611)
Decrease in bond issuance costs	436
Increase (decrease) in accounts payable	6,113
Increase (decrease) in accrued liabilities	<u>(7,863)</u>
Net cash provided (used) by operating activities	<u>\$414,892</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:	
Cash and cash equivalents, beginning of period –	
Cash – unrestricted	\$152,838
Cash – restricted	68,735
Interest-bearing deposits – restricted	<u>20,000</u>
Total cash and cash equivalents	<u>241,573</u>
Cash and cash equivalents, end of period –	
Cash – unrestricted	73,495
Cash – restricted	88,518
Interest-bearing deposits – restricted	<u>20,000</u>
Total cash and cash equivalents	<u>182,013</u>
Net increase (decrease)	<u>\$ (59,560)</u>

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

TOWN OF BASILE, LOUISIANA
Notes to Financial Statements

(1) Summary of Significant Accounting Policies

The Town of Basile, located in southwest Louisiana, was incorporated on March 10, 1991, under the provisions of the Lawrason Act. The town operates under a Mayor-Board of Aldermen form of government which are five Alderman and one Mayor elected by the citizens and are compensated for their services. The town has a population of approximately 2000 and has 48 employees. Basile is located in southwest Louisiana.

The accounting and reporting practices of the Town of Basile conform to generally accepted accounting principles of the United States of America as applicable to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions on or before November 30, 1989 have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the industry audit guide, Audits of State and Local Governmental Units, published by the American Institute of Certified Public Accountants.

For the fiscal year ended June 30, 2004, the Town implemented the new financial reporting requirements of GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments. As a result, an entirely new financial presentation format has been implemented.

The following is a summary of certain significant accounting policies:

A. Financial reporting Entity

This report includes all funds which are controlled by or dependent on the town executive and legislative branches (the Mayor and Board of Alderman). Control by or dependence on the Town was determined on the basis of financial accountability, budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility. The town has no component units.

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

The statement of net assets and statement of activities display information about the Town of Basile, the primary government, as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the Town and for each function of the Town’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The accounts of the Town of Basile are organized on the basis of funds each of which is considered a separate accounting entity. Fund accounting is designed to

TOWN OF BASILE
Notes to Financial Statements (Continued)

demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which spending activities are controlled. The various funds are grouped in the financial statements in this report, into four generic fund types and two broad fund categories. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined

The major funds of the Town are described below:

Governmental Funds –

General Fund

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

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

Additionally, the Town reports the following fund types:

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Proprietary Fund

Enterprise Fund

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

TOWN OF BASILE, LOUISIANA
Notes to Financial Statements (Continued)

purposes. The Town of Basile's enterprise fund is the utility fund. It accounts for the provision of water, gas, and sewer services to residents of the Town.

Proprietary funds are reported in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting. This standard requires that all applicable GASB pronouncements, Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989 be applied to proprietary activities unless they (FASB Statements and Interpretations, ARB Opinions, and ARBs) conflict with or contradict GASB pronouncements.

GASB Statement No. 20 also states that for proprietary activities management may elect to apply all FASB Statement and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. Proprietary activities under control of the City will not elect to apply FASB Statements and Interpretations issued after November 30, 1989, unless they are adopted by GASB.

C. Measurement Focus/Basis of Accounting

Measurement focus is term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net assets and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets

Basis of Accounting

In the government-wide statement of net assets and statement of activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

TOWN OF BASILE, LOUISIANA
Notes to Financial Statements (Continued)

Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Sales taxes are considered "measurable" when collected by the collection agency and are recognized as revenue at that time. Ad valorem taxes are recognized as revenue in the year in which they are billed. Fees and non tax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Available means collectible within the current period or soon enough thereafter to pay current liabilities.

Those revenues susceptible to accrual are property taxes, grant revenues and interest revenue.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred except that accumulated unpaid vacation and sick pay are not accrued and principal and interest on general long-term debt are recognized when due. Purchases of various operating supplies are regarded as expenditures at the time purchased.

The proprietary fund is accounted for using the accrual basis of accounting, whereby revenues are recognized when they are earned and expenses are recognized when incurred.

Bad debts are written off when accounts became worthless.

Transfers between funds that are not expected to be repaid are accounted for as other financing sources (uses). These transactions are recorded when the transfers occur.

Program revenues

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the Town's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Town's general revenues.

Allocation of indirect expenses

The Town reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions, but are reported separately in the Statement of Activities. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town has elected not to capitalize public domain ("infrastructure") fixed assets consisting of certain improvements other than buildings, including roads, bridges, sidewalks, and drainage improvements. All capital assets are

TOWN OF BASILE, LOUISIANA
Notes to Financial Statements (Continued)

stated at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are stated at their estimated fair value on the date donated. Estimated amounts are immaterial in relation to total fixed assets. The town maintains a threshold level of \$5,000 or more for capitalizing capital assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Equipment	5 years
Vehicles	7 years
Utility system and improvements	25-50 years

E. Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The Town Clerk prepares a proposed budget and submits same to Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of a resolution prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles of the United States of America. Budgeted amounts are as originally adopted or as amended from time to time by the Board of Aldermen. The budget was amended prior to the fiscal year and June 30, 2004.

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Town as an extension of formal budgetary integration in the funds.

TOWN OF BASILE, LOUISIANA
Notes to Financial Statements (Continued)

G. Cash and Cash Equivalents

Cash includes amounts in demand deposit, interest – bearing demand, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less when purchased. Under state law, the municipality may deposit funds in demand deposits, interest – bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

H. Interest-bearing Deposits

Interest-bearing deposits are stated at cost, which approximates market.

I. Statement of Cash Flows

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

J. Short Term Interfund Receivables / Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

K. Prepaid Items

Payments made to vendors for services that will benefit period beyond June 30, 2004, are recorded as prepaid items.

L. Vacation and Sick Leave

The costs of leave privileges, computed in accordance with GASB Codification, is recognized as a current year expenditure in the governmental funds when leave is actually taken or when employees (or heirs) are paid for accrued leave upon retirement or death, while the cost of leave privileges not requiring current resources is recorded in the general long-term obligations account group.

Vacation must be taken in the year accrued and cannot be carried over. A maximum of three weeks of sick leave may be carried over for one year and is payable at termination of employment. The liability the Town might have in this regard at June 30, 2004, totals \$19,803.

M. Restricted Assets

Restricted assets include cash and interest-bearing deposits of the proprietary fund that are legally restricted as to their use. The restricted assets are related to the revenue bond accounts and utility meter deposits.

N. Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

TOWN OF BASILE, LOUISIANA
Notes to Financial Statements (Continued)

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of the revenue bonds payable and utility meter deposits payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

O. Equity Classifications

In the government-wide statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consist of net assets with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

P. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character:
Proprietary Fund – By Operating and Nonoperating

TOWN OF BASILE, LOUISIANA
Notes to Financial Statements (Continued)

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Q. Capitalization of Interest Expense

It is the policy of the Town of Basile to capitalize material amounts of interest resulting from borrowing in the course of the construction of fixed assets. At June 30, 2004 the amount of interest capitalized for construction of assets in the Utility Fund totaled zero.

(2) Changes in Accounting Principles and Restatement of Prior Year Fund Equity

As a result of implementing Statement 34, the following adjustments were required to restate beginning net assets for the governmental activities:

Total fund balances/fund equity, as previously reported	\$ 43,207
Statement 34 adjustments:	
Additional governmental fund revenue accruals	12,235
Capital assets, net of depreciation	528,190
General long-term debt	(32,026)
Compensated absences	(24,163)
	<u>\$ 527,443</u>

(3) Deposits with Financial Institutions

Cash includes amounts in demand deposits and time deposits. Cash equivalents include amounts in time deposits and those investments with a maturity of 90 days or less. The bank balances of cash are usually covered by federal depository insurance or by collateral held by the Town's fiscal agent in the Town's name. At June 30, 2004 the town had cash in bank in the amount of \$269,128 and insurance and security pledges of \$438,334.

(4) Ad Valorem Taxes

Ad Valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October and are actually billed to the taxpayers in November or December. Billed taxes become delinquent on January 1, of the following year. Revenues from ad valorem taxes are budgeted in the year billed. The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of Evangeline Parish. Most taxes are collected by February of the ensuing year.

For the year ended June 30, 2004, taxes of 14.49 mills were levied on property with assessed valuations totaling \$4,120,420 and were dedicated to general corporate purposes.

TOWN OF BASILE, LOUISIANA
Notes to Financial Statements (Continued)

Total taxes levied were \$61,125. Taxes receivable at June 30, 2004, were \$172 and allowances for uncollectibles were \$67.

(5) Restricted Assets General And Proprietary Fund Type

Restricted Assets were applicable to the following at June 30, 2004

	2004
<i>Proprietary Fund:</i>	
Utility Deposits – Time Certificate of Deposit	\$ 20,000
Revenue Bond Contingency Account – cash	24,532
Water Reserve Fund	25,758
Water Depreciation & Contingency	17,527
Gas Contingency Fund	<u>20,701</u>
Total restricted assets	<u>\$108,518</u>

(6) Capital Assets

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

	Balance 7/01/03	Additions	Deletions	Balance 6/30/04
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 17,700	\$ -	\$ -	\$ 17,700
<i>Other capital assets:</i>				
Buildings	648,702	609,134	-	1,257,836
Equipment/Other	<u>390,641</u>	<u>18,086</u>	<u>111,451</u>	<u>297,276</u>
Totals	<u>1,057,043</u>	<u>627,220</u>	<u>111,451</u>	<u>1,572,812</u>
Less accumulated depreciation				
Buildings	283,870	16,227	-	300,097
Equipment/Other	<u>244,983</u>	<u>33,700</u>	<u>111,451</u>	<u>167,232</u>
Total accumulated depreciation	<u>528,853</u>	<u>49,927</u>	<u>111,451</u>	<u>467,329</u>
Governmental activities, capital assets, net	<u>\$ 528,190</u>	<u>\$577,293</u>	<u>\$ -</u>	<u>\$1,105,483</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 12,008	\$ -	\$ -	\$ 12,008
<i>Other capital assets:</i>				
Water system	2,012,057	-	-	2,012,057
Gas system	835,373	-	-	835,373
Furniture and equipment	70,887	7,062	7,393	70,556
Sewer system	<u>2,027,968</u>	<u>11,058</u>	<u>-</u>	<u>2,039,026</u>
Totals	<u>4,958,293</u>	<u>18,120</u>	<u>7,393</u>	<u>4,969,020</u>
Less accumulated depreciation				
Water system	425,193	41,540	-	466,732
Gas system	333,839	13,408	-	347,247
Furniture and equipment	65,795	3,662	-	62,065
Sewer system	<u>868,983</u>	<u>48,861</u>	<u>7,393</u>	<u>917,844</u>
Total accumulated depreciation	<u>1,693,810</u>	<u>107,471</u>	<u>7,393</u>	<u>1,793,888</u>
Business type activities, capital assets, net	<u>\$3,264,483</u>	<u>\$ (89,351)</u>	<u>\$ -</u>	<u>\$3,175,132</u>

TOWN OF BASILE, LOUISIANA
Notes to Financial Statements (Continued)

Depreciation expense was charged to governmental activities as follows:

General governmental	\$ 16,050
Police	18,377
Fire	2,473
Streets	10,969
Recreation	<u>2,058</u>
Total depreciation expense	<u>\$ 49,927</u>

Depreciation expense was charged to business-type activities as follows:

Gas	\$ 14,629
Water	42,761
Sewer	<u>50,081</u>
Total depreciation expense	<u>\$107,471</u>

(7) Changes in Long-Term Debt

The following is a summary of debt transactions in the proprietary fund of the Town of Basile, Louisiana for the year ended June 30, 2004:

	<u>Payable at</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Retirements</u>	<u>Payable at</u> <u>June 30, 2004</u>
Revenue bonds	<u>\$ 870,200</u>	<u>\$ -0-</u>	<u>\$ 12,693</u>	<u>\$ 857,507</u>

Bonds payable at June 30, 2004, is comprised of the following individual issues:

Revenue bonds:

\$670,000 Water Revenue Bonds dated 3/27/95; due in monthly installments of \$3,044.52, which includes interest through March 27, 2035; interest at 4 1/2% per annum \$ 607,224

\$276,400 Water Revenue Bonds dated 3/27/95; due in monthly installments of \$1,254.86, which include interest through March 27, 2035; interest at 4 1/2% per annum 250,283

Total Bonds Payable	<u>\$ 857,507</u>
Less Current Portion	(13,276)
Net Bonds Payable	<u>\$ 844,231</u>

The annual requirements to amortize all debt outstanding as of June 30, 2004, including interest payments of \$725,418, are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Total</u>	<u>Principal</u> <u>Payments</u>	<u>Interest</u> <u>Payments</u>
2005	\$ 51,593	\$13,276	\$38,317
2006	51,593	13,886	37,707
2007	51,593	14,524	37,069
2008	51,593	15,191	36,402
2009	51,593	15,889	35,704

TOWN OF BASILE, LOUISIANA
Notes to Financial Statements (Continued)

2010 – 2014	257,965	91,090	166,875
2015 – 2019	257,965	114,026	143,939
2020 – 2024	257,965	142,738	115,227
2025 – 2029	257,965	178,678	79,287
2030 – 2034	257,965	223,669	34,296
2035	35,135	34,540	595
	<u>\$1,582,925</u>	<u>\$ 857,507</u>	<u>\$725,418</u>

The following is a summary of debt transactions in the general fund of the Town of Basile, Louisiana for the year ended June 30, 2004:

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2004</u>
Note Payable	\$ 32,026	\$ -0-	\$ 32,026	\$ -0-

The note payable was due to Basile State Bank, original amount \$46,257, due in three annual installments of \$16,139, interest at 6% per annum. The loan was secured by general fund revenue.

(8) Dedication of Proceeds and Flow of Funds

A. Dedication of Proceeds and Flow of Funds – 1% Sales and Use Tax Dated 7/21/80

Proceeds of this 1% sales and use tax levied by the Town of Basile (2003 – 2004 collections - \$86,506) are dedicated for any lawful corporate expenditures, including the funding into bonds.

B. Dedication of Proceeds and Flow of Funds – 1% Sales and Use Tax Dated 4/12/75

Proceeds of this 1% sales and use tax levied by the Town of Basile (2003 – 2004 collections \$85,561;) are dedicated to the following purposes:

Constructing, acquiring, extending, improving, and/or maintaining drainage facilities, streets, street lighting facilities, bridges, sidewalks, waterworks, sewers and sewerage disposal works; recreational facilities, public parks, public buildings and fire department stations and equipment, including fire engines and payment of salaries for fire department personnel; and maintaining and operating the municipal police department and garbage collection and disposal facilities, including the purchase of equipment therefore; acquiring industrial plant sites and purchasing or constructing within the municipality or adjoining areas or areas outside of the corporate limits of the municipality, but within the Parish of Evangeline, industrial plant buildings and other necessary property, appurtenances or equipment, therefore, or for any one or more of said purposes; and such tax to be subject to funding into bonds.

(9) Flow of Funds; Restrictions on Use – Utilities Revenues

Water Utility Bonds:

Under the terms of the bond indenture on outstanding Water Utility Bonds, dated March 27, 1995, all income and revenues (hereinafter referred to as revenue) of every nature, earned or derived from operation of the Utility System are pledged and dedicated to the retirement of said bonds, and are to be set aside into the following special funds:

TOWN OF BASILE, LOUISIANA
Notes to Financial Statements (Continued)

Out of the revenue there shall be set aside from time to time into an Operation and Maintenance Fund, amounts sufficient to provide for the payment of the reasonable and necessary expense of operating and maintaining the system.

Each month, there will be set aside into a fund called the Water Revenue Bond and Interest (Sinking) Fund, an amount constituting 1/12 of the next maturing installment of principal and Interest on the outstanding bonds. Such transfers shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments.

There shall be also set aside into a Bond Reserve Fund, an amount of \$215 per month until there shall have been accumulated in the Reserve Account an amount equal to the maximum principal and interest requirements in any one maturity year. Such amounts may be used only for the payments of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Bond and Interest Sinking Fund and as to which there would otherwise be default.

Funds will also be set aside into a Depreciation and Contingency Fund at the rate of \$458 per month. Money in this fund may be used for the making of extensions, additions, improvements, renewals, and replacements to the system which are necessary to keep the system in operating condition and for which money is not available as a maintenance and operating expense. Money in this fund may also be used to pay principal or interest on the bonds falling due at any time there is not sufficient money for payment in the other bond funds.

All of the revenues received in any fiscal year and not required to be paid in such fiscal year into any of the above noted funds shall be regarded as surplus and may be used for any lawful corporate purpose.

The Town of Basile was in compliance with all significant limitations and restrictions for this bond indenture at June 30, 2004.

(10) Utility Customer Deposits

The accounts of the Town include a liability for utility customer deposits of \$69,707. As of June 30, 2004, the Town has a certificate of deposit with a balance of \$20,000.00 specifically set aside for customer meter deposits.

(11) Employee Retirement

All employees of the Town of Basile belong to the Social Security Retirement System. The Town and its employees contribute a percentage of each employee's salary to the System (7.65% contributed by the Town, 7.65% by the employee). The Town's contribution during the year ended June 30, 2004, amounted to \$37,384.

Municipal Employee's Retirement System

Substantially all full-time employees except police of the Town of Basile are eligible to be covered under the Municipal Employee's Retirement System of Louisiana (Plan B), a multiple-employer, Public Employee Retirement System (PERS), controlled and administered by a separate board of trustees. The payroll for employees of the Town of Basile, Louisiana by the System for the year ended June 30, 2004, was \$206,338. The town's total payroll was \$474,275.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan B., employees who retire at or after age 60 with at least 10 years of creditable service or at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2 percent of their final-average monthly salary for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3 percent for each year retirement precedes age 60, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100 percent of final-average salary. Final-average salary is the employee's average salary over the 36

TOWN OF BASILE, LOUISIANA
Notes to Financial Statements (Continued)

consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Funding Policy. Under Plan B, members are required by state statute to contribute 5.0 percent of their annual covered salary and the Town of Basile is required to contribute at an actuarially determined rate. The current rate is 7.75 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town of Basile are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Basile's contributions to the System under Plan B for the year ended June 30, 2004 was \$10,917 equal to the required contributions for each year.

(12) Natural Gas Contract

The Town of Basile, under contract is required to purchase its natural gas from Louisiana Mutual Gas Corporation unless or until terminated either by seller or buyer upon twelve months prior written notice. The Town purchased natural gas for the year ended June 30, 2004 in the amount of \$181,955 of which \$9,437 was owed for purchases for the month of June 30, 2004.

(13) Segment Information for the Enterprise Fund

The Town of Basile maintains one Enterprise fund with three departments which provide gas, water, and sewer services. Segment information for the year ended June 30, 2004, was as follows:

	Gas <u>Department</u>	Water <u>Department</u>	Sewer <u>Department</u>	Total <u>Enterprise Fund</u>
Operating revenues	\$451,803	\$326,722	\$177,031	\$955,556
Operating expenses	<u>289,038</u>	<u>197,848</u>	<u>153,747</u>	<u>640,633</u>
Operating income	<u>\$162,765</u>	<u>\$128,874</u>	<u>\$ 23,284</u>	<u>\$314,923</u>

(14) Compensation of Town Officials

A detail of compensation paid to the mayor and Board of Alderman for the year ended June 30, 2004, follows:

Berline Boone Sonnier, Mayor	\$ 15,600
Aldermen:	
Frank Ceasar	2,500
Greg Jenkins	800
Jessica G. Denette	1,750
Rodney Bellon	1,500
Randall V. Miller	1,000
John Jenkins	2,550
Ronnie Denette	<u>2,550</u>
	<u>\$ 28,250</u>

TOWN OF BASILE, LOUISIANA
Notes to Financial Statements (Continued)

(15) Federally Assisted Funds

The town participated in a number of federally assisted programs. These programs are audited in accordance with Government Auditing Standards.

(16) Operating Lease

The town has entered into an operating lease which contains cancellation provisions and are subject to annual appropriations. The operating lease entered into was for the use of a copy machine for the general operations of the town. The terms of the lease call for 60 monthly payments of \$231 beginning November 4, 1999. Lease expense totaled \$2,771 for the year ended June 30, 2004. Future minimum rental payments are as follows:

June 20, 2005	<u>\$924</u>
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(17) Concentration of Risks

Concentration of risks with respect the town is subject to the conditions of the limited geographical area of the town.

(18) Estimates

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

(19) Capital Lease

General Fund:

The town is currently obligated under capital lease agreements for computer equipment for the police department. The terms of the lease call for three annual payments of \$579 beginning May 20, 2005. Future minimum lease payments are as follows:

<u>Year ended</u> <u>June 30,</u>	<u>Amount</u>
2005	\$ 579
2006	579
2007	579

Utility Fund:

The town is currently obligated under capital lease agreements for computer equipment. The terms of the lease call for 36 monthly payments of \$253 beginning November 19, 2003. Lease expense totaled \$1,271 for the year ended June 30, 2004. Future minimum lease payments are as follows:

<u>Year ended</u> <u>June 30,</u>	<u>Amount</u>
2005	\$3,036
2006	3,036
2007	1,765

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BASILE, LOUISIANA
 General Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2004

	<u>Budget</u>		<u>Actual</u>	Variance – Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$111,000	\$111,000	\$109,660	\$ (1,340)
Licenses and permits	33,000	37,000	36,355	(645)
Intergovernmental	14,000	14,800	13,711	(1,089)
Fines and forfeits	20,000	20,000	18,559	(1,441)
Miscellaneous	<u>10,000</u>	<u>11,800</u>	<u>9,986</u>	<u>(1,814)</u>
Total revenues	<u>188,000</u>	<u>194,600</u>	<u>188,271</u>	<u>(6,329)</u>
Expenditures:				
Current –				
General government	197,100	232,200	215,203	16,997
Public safety:				
Police	347,900	344,000	340,399	3,601
Fire	4,100	4,000	3,939	61
Streets and drainage	104,352	106,952	114,122	(7,170)
Parks	5,600	5,800	8,763	(2,963)
Capital outlay	<u>44,000</u>	<u>9,000</u>	<u>19,530</u>	<u>(10,530)</u>
Total expenditures	<u>703,052</u>	<u>701,952</u>	<u>701,956</u>	<u>(4)</u>
Excess (deficiency) of				
Revenues over				
Expenditures	(515,052)	(507,352)	(513,685)	(6,333)
Other financing sources (uses):				
Proceeds from capital lease	-	-	1,737	1,737
Operating transfers in	530,000	571,000	539,294	(31,706)
Operating transfers out	<u>-</u>	<u>-</u>	<u>(34,574)</u>	<u>(34,574)</u>
Total other financing				
Sources (uses)	<u>530,000</u>	<u>571,000</u>	<u>506,457</u>	<u>(64,543)</u>
Excess (deficiency) of				
revenues and other				
sources over expenditures				
and other uses	14,948	63,648	(7,228)	(70,876)
Fund balances, beginning	<u>14,000</u>	<u>14,000</u>	<u>14,187</u>	<u>187</u>
Fund balances, ending	<u>\$ 28,948</u>	<u>\$ 77,648</u>	<u>\$ 6,959</u>	<u>\$(70,689)</u>

TOWN OF BASILE, LOUISIANA
Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2004

	<u>Budget</u>		<u>Actual</u>	Variance – Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	<u>\$190,000</u>	<u>\$190,000</u>	<u>\$173,013</u>	<u>\$ (16,987)</u>
Total revenues	<u>190,000</u>	<u>190,000</u>	<u>173,013</u>	<u>(16,987)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>190,000</u>	<u>190,000</u>	<u>173,013</u>	<u>(16,987)</u>
Other financing sources (uses):				
Operating transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating transfers out	<u>(190,000)</u>	<u>(190,000)</u>	<u>(116,472)</u>	<u>73,528</u>
Total other financing sources (uses)	<u>(190,000)</u>	<u>(190,000)</u>	<u>(116,472)</u>	<u>73,528</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>-</u>	<u>-</u>	<u>56,541</u>	<u>56,541</u>
Fund balances, beginning	<u>15,000</u>	<u>15,000</u>	<u>29,020</u>	<u>14,020</u>
Fund balances, ending	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 85,561</u>	<u>\$ 70,561</u>

TOWN OF BASILE, LOUISIANA
 General Fund
 Budgetary Comparison Schedule of Revenues
 Year Ended June 30, 2004

	<u>Budget</u>		<u>Actual</u>	Variance – Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Taxes:				
Ad valorem	\$ 60,000	\$ 60,000	\$ 61,125	\$ 1,125
Franchise	51,000	51,000	48,535	(2,465)
Total taxes	<u>111,000</u>	<u>111,000</u>	<u>109,660</u>	<u>(1,340)</u>
Licenses and permits – occupational	<u>33,000</u>	<u>37,000</u>	<u>36,355</u>	<u>(645)</u>
Intergovernmental:				
State of Louisiana –				
Beer tax	7,000	6,000	5,593	(407)
Video poker	7,000	8,800	8,118	(682)
Total intergovernmental	<u>14,000</u>	<u>14,800</u>	<u>13,711</u>	<u>(1,089)</u>
Fines and forfeits	<u>20,000</u>	<u>20,000</u>	<u>18,559</u>	<u>(1,441)</u>
Miscellaneous:				
Other	<u>10,000</u>	<u>11,800</u>	<u>9,986</u>	<u>(1,814)</u>
Total miscellaneous	<u>10,000</u>	<u>11,800</u>	<u>9,986</u>	<u>(1,814)</u>
Total revenues	<u>\$188,000</u>	<u>\$194,600</u>	<u>\$188,271</u>	<u>\$ (6,329)</u>

TOWN OF BASILE, LOUISIANA
General Fund
Budgetary Comparison Schedule of Expenditures
Year Ended June 30, 2004

	Budget		2004	Variance – Favorable (Unfavorable)
	Original	Final		
General government:				
Advertising and legal notices	\$ 3,000	\$ 4,000	\$ 5,351	\$ (1,351)
Dues and subscriptions	1,500	4,000	1,233	2,767
Education and travel	5,000	10,000	9,722	278
Group insurance	1,000	2,500	1,100	1,400
Insurance	50,000	60,000	49,426	10,574
Miscellaneous	9,800	10,300	8,276	2,024
Office expenses	7,500	6,000	8,851	(2,851)
Payroll taxes and retirement	9,400	13,000	13,250	(250)
Professional fees	8,000	11,000	9,083	1,917
Salaries	96,400	103,400	100,696	2,704
Utilities and telephone	5,500	8,000	8,215	(215)
Total general government	<u>197,100</u>	<u>232,200</u>	<u>215,203</u>	<u>16,997</u>
Public safety:				
Police department -				
Education and travel	4,000	4,000	4,249	(249)
Gas, oil and maintenance	16,000	15,000	14,875	125
Group insurance	900	-	1,059	(1,059)
Miscellaneous	-	-	4,371	(4,371)
Payroll taxes	22,500	34,000	22,140	11,860
Repairs and maintenance supplies	13,000	10,000	9,713	287
Salaries	275,000	265,000	267,936	(2,936)
Uniforms	1,500	1,000	808	192
Utilities and telephone	15,000	15,000	15,248	(248)
Total police department	<u>347,900</u>	<u>344,000</u>	<u>340,399</u>	<u>3,601</u>
Fire department -				
General operations	3,100	3,000	3,075	(75)
Gas, oil and maintenance	1,000	1,000	864	136
Total fire department	<u>4,100</u>	<u>4,000</u>	<u>3,939</u>	<u>61</u>
Total public safety	<u>352,000</u>	<u>348,000</u>	<u>344,338</u>	<u>3,662</u>
Streets and drainage:				
Miscellaneous	52	52	3,599	(3,547)
Gas, oil and maintenance	20,000	15,500	16,223	(723)
Salaries	26,500	26,500	27,228	(728)
Supplies	4,000	2,000	2,121	(121)
Repairs and maintenance	30,000	43,000	43,901	(901)
Payroll taxes and retirement	5,800	1,900	3,044	(1,144)
Street lighting	18,000	18,000	18,006	(6)
Total streets and drainage	<u>104,352</u>	<u>106,952</u>	<u>114,122</u>	<u>(7,170)</u>
Park Expense	<u>5,600</u>	<u>5,800</u>	<u>8,763</u>	<u>(2,963)</u>
Capital outlay:				
Equipment & buildings	44,000	9,000	19,530	(10,530)
Total expenditures	<u>\$703,052</u>	<u>\$701,952</u>	<u>\$ 701,956</u>	<u>\$ (4)</u>

NONMAJOR GOVERNMENTAL FUNDS

TOWN OF BASILE, LOUISIANA
 Nonmajor Governmental Fund
 Balance Sheet
 June 30, 2004

ASSETS	<u>Debt Service</u>
Cash	\$ -
Investments	-
Total assets	<u>\$ -</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accrued liabilities	\$ -
Due to other funds	-
Total liabilities	<u>-</u>
Fund Balances:	
Reserved for debt service	-
Unreserved, undesignated	-
Total fund balance	<u>-</u>
Total liabilities and fund balance	<u>\$ -</u>

TOWN OF BASILE, LOUISIANA
 Nonmajor Governmental Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Year Ended June 30, 2004

	<u>Debt Service</u>
Revenues:	
Miscellaneous interest	\$ -
Expenditures:	
Debt service –	
Principle retirement	32,026
Interest charges	<u>2,548</u>
Total expenditures	<u>34,574</u>
Excess (deficiency) of revenues over expenditures	<u>(34,574)</u>
Other financing sources (uses):	
Transfers in	34,574
Transfers out	<u>-</u>
Total other financing sources (uses)	<u>34,574</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	-
Fund balance, beginning	<u>-</u>
Fund balance, ending	<u>\$ -</u>

TOWN OF BASILE, LOUISIANA
 Enterprise Fund
 Utility Fund
 Comparative Departmental Analysis of Operating Revenues and Expenses
 Years Ended June 30, 2004

	<u>Totals</u>
Operating revenues:	
Customer service charges	\$ 925,557
Connection charges	5,381
Delinquent charges	11,350
Miscellaneous	13,268
Total operating revenues	955,556
Operating expenses:	
Salaries	78,414
Payroll taxes and retirement	10,753
Insurance	22,414
Repairs, maintenance and supplies	80,332
Gas and water purchased	285,730
Dépreciation	107,471
Office expense	2,258
Telephone and utilities	27,616
Auto expenses and travel	1,460
Dues	1,195
Professional fees	7,108
Bad debts	1,710
Miscellaneous	14,172
Allocation of general and administrative expenses	-
Total operating expenses	640,633
Net operating income	314,923
Nonoperating revenues (expenses):	
Interest income	356
Interest expense	(38,900)
Miscellaneous	(1,094)
Grant revenue	15,803
Total nonoperating expenses	(23,835)
Income (loss) before operating transfers	\$ 291,088
Operating transfers in (out):	
Operating transfers in	10,558
Operating transfers out	(433,380)
Total operating transfers	(422,822)
Net income (loss)	(131,734)
Net assets, beginning	2,614,405
Net assets, ending	\$ 2,482,671

<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>General and Administrative</u>
\$ 431,181	\$ 320,802	\$ 173,574	-
2,637	1,776	968	-
5,562	3,746	2,042	-
<u>12,423</u>	<u>398</u>	<u>447</u>	<u>-</u>
<u>451,803</u>	<u>326,722</u>	<u>177,031</u>	<u>-</u>
50,160	13,962	14,292	-
7,512	2,119	1,122	-
-	-	-	22,414
9,989	13,868	48,315	8,160
181,955	103,775	-	-
13,408	41,540	48,861	3,662
-	-	-	2,258
4,104	2,251	21,261	-
-	-	-	1,460
-	-	-	1,195
-	-	-	7,108
-	-	-	1,710
2,013	436	-	11,723
<u>19,897</u>	<u>19,897</u>	<u>19,896</u>	<u>(59,690)</u>
<u>289,038</u>	<u>197,848</u>	<u>153,747</u>	<u>-</u>
<u>\$ 162,765</u>	<u>\$ 128,874</u>	<u>\$ 23,284</u>	<u>\$ -</u>

COMPLIANCE, INTERNAL CONTROL

AND

OTHER INFORMATION

VIGE & TUJAGUE

A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

151 N. 2ND STREET
P. O. BOX 1006
EUNICE, LOUISIANA 70535

SHIRLEY VIGE, JR., C.P.A.
FRANK G. TUJAGUE, C.P.A.

DOMINIQUE M. NOEL, C.P.A.

TELEPHONE:
337-457-9324
FAX:
337-457-8743

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 Berline Boone Sonnier
and Members of the Board of Alderman
Town of Basile, Louisiana

We have audited the financial statements of the Town of Basile as of and for the year ended June 30, 2004 and have issued our report thereon dated August 26, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Basile's financial Statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs as item #2004-1, #2004-2.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Town of Basile's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect The Town of Basile's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item: #2004-1 and #2004-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are material weaknesses.

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



Vige & Tujague
August 26, 2004

TOWN OF BASILE, LOUISIANA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

We have audited the financial statements of Town of Basile as of and for the year ended June 30, 2004, and have issued our report thereon dated August 26, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2004, resulted in an unqualified opinion.

Section I. Summary of Auditor's Reports

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

Internal Control

Material Weaknesses Yes No Reportable Conditions Yes No

Compliance

Compliance Material to Financial Statement Yes No

b. Federal Awards

Internal Control

Material Weaknesses Yes No Reportable Conditions Yes No

Section II. Financial Statement Findings

#2004-1 – Segregation of Duties

Findings: In reviewing the internal control structure, we noted inadequate segregation of duties existed in all areas of the financial cycle.

Cause: Inadequate segregation of duties exists due to the limited number of personnel performing the administrative functions. Due to the lack of resources, the town is unable to implement a segregated system of internal control.

Recommendation and response: Management is aware of and has evaluated this inadequacy and concluded that the related costs versus benefits to be achieved does not justify the additional personnel it would require to establish an adequate segregation. We are in agreement with the town that it would not be costs beneficial or possible with the limited resources available to create a segregated accounting environment.

#2004-2 Budgeting

Finding: The Town exceeded certain budget line items by greater than 5%.

Cause: The Towns accounting personnel did not have all year end adjustments in place when the budget was amended.

Recommendation &

Response: We recommend, and the town will comply, that all year end adjustment be posted or estimated as correctly as possible to ensure that this is not a reoccurring problem.

Section III. Summary of Other Audit Results

1. The auditor's report expresses an unqualified opinion of the financial statement of Town of Basile, Louisiana
2. There was no single audit required under OMB Circular A-133.
3. Town of Basile, Louisiana was considered a low risk auditee.

TOWN OF BASILE, LOUISIANA
Status of Prior Years
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

#2003-1 Segregation of Duties

Finding: Due to the small number of employees, the town did not have an adequate segregation of functions within the accounting system.

Recommendation: Based upon the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

Response: No response is considered necessary.

Status: No response required.

#2003-2 Budgeting

Finding: The Town exceeded certain budget line items by greater than 5%.

Recommendation: We recommend that all year end adjustments be posted or estimated as correctly as possible to ensure that this is not a reoccurring problem.

Response: The Town will comply with this recommendation.

Status: This finding was repeated for June 30, 2004.

#2003-3 Utility Fund – Sales Tax

Finding: The Town failed to adjust the amount of sales taxes to be collected on residential and commercial consumption of water and gas for the periods after December 31, 2002. The State of Louisiana reduced the amount of sales tax it charges on water and gas consumption to be effective on January 1, 2003: Residential customers, from 4% to 2%; Commercial customers from 4.0% to 3.9%. The town also had errors on the sales tax returns remitted to the State during the same period. The effect of the errors are summarized as follows: amount due to customers, \$5,434; amount due to State \$2,535.

Cause: Sales tax rates in the Utility Fund computer system were not updated after the change in rates charged by the State of Louisiana on the consumption of water and gas.

Recommendation: We recommend that the town stay up to date on changes in the sales tax rates charged by the State of Louisiana and to put safeguards in place to insure that the changes are made to the Utility Fund computer billing system. We also recommend that sales tax reports be checked by another person in the department before remittance.

Response: The Town of Basile has corrected the sales tax rate error and will issue credits or refunds to all customers that were affected. The sales tax reports have been amended and remittance to the state has been made. Procedures have been put in place to insure that future changes to the sales tax rates will be entered on the utility billing system. Sales tax reports will be reviewed by department personnel prior to filing with the state.

Status: This finding was cleared at June 30, 2004.

TOWN OF BASILE, LOUISIANA
Schedule of Mayor and Alderman Compensation
Year Ended June 30, 2004

<u>Name</u>	<u>Office</u>	<u>Compensation</u>
Berline Boone Sonnier	Mayor	\$15,600
Frank Ceasar	Alderman	2,500
Ronald Denette	Alderman	800
John Jenkins	Alderman	1,000
Gregory Jenkins	Alderman	2,550
Randall V. Miller	Alderman	2,550
Jessica G. Denette	Alderman	1,750
Rodney Bellon	Alderman	1,500
		<u>\$28,250</u>

TOWN OF BASILE, LOUISIANA
 Schedule of Meters and Rates and Accounts Receivable
 Year Ended June 30, 2004

Total Water Meters

Meters ¾"	821
Meters 2"	10
Meters 8"	<u>1</u>
TOTAL	832

Water Rates

Effective 7/01/01 to 10/31/01

11.50 First 2000 Gallons
 1.50 Per Thousand After

Effective 11/01/01 to 6/30/04

Residential rates 13.50 First 2000 Gallons 2.00 Per Thousand After
 Commercial Rates 15.00 First 200 Gallons 3.00 Per Thousand After

Customer Deposits

Renters: 125 – Gas
 80 – Water

Homeowners: 75 – Gas
 80 – Water

Amounts Receivable (Water, Gas, Sewer)

<u>Days</u>	<u>Amounts</u>	<u>No. of Amounts</u>
0-30	\$64,220	805
31-60	276	8
61-90	253	5
Over -90	<u>837</u>	17
	<u>\$65,586</u>	

TOWN OF BASILE, LOUISIANA
 Schedule of Insurance
 Year Ended June 30, 2004

<u>Insurance</u>	<u>Coverage</u>	<u>Limits</u>	<u>Policy Period</u>
Western Surety Company	Employee Dishonesty Bond	\$ 45,000	1/03/04 – 1/03/05
LA Risk Management Agency	Auto	\$500,000	5/01/04 – 5/01/05
LA Risk Management Agency	Commercial Premises General Medical Liability Fire	\$500,000 \$ 10,000 \$ 50,000	5/01/04 – 5/01/05
LA Risk Management Agency	Police Comprehensive Liability	\$500,000	5/01/04 – 5/01/05
LA Risk Management Agency	Public Officials Errors / Omissions	\$500,000	5/01/04 – 5/01/05
LA Risk Management Agency	Workers Compensation	Statutory	1/01/04 – 1/01/05
American International South	Commercial – Building Property Contents	\$444,000 \$ 45,000	2/25/04 – 2/25/05
	80% Coinsurance		2/25/04 – 2/25/05

TOWN OF BASILE

MAYOR
MS. BERLINE B. SONNIER

3211 RAILROAD STREET
P.O. BOX 308
BASILE, LA 70515-0308
PHONE: 337-432-6693
FAX: 337-432-5448
MRS. VICKIE BRISCOE, CLERK

BOARD OF ALDERMEN
Ronald Denette
Rodney Bellon
John Jenkins
Mrs. Jessica Denette
Frank Ceasar

VIGE AND TUJAGUE, CPA'S
P. O. BOX 1005
EUNICE, LA 70535

RE: Management Response

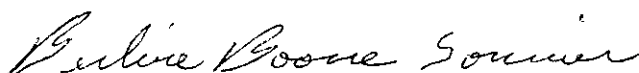
The following are our responses to your recommendations we received in the Town's Audited Financial Statement as of June 30, 2004.

2004-1 Segregation of Duties

We are aware of and have evaluated this inadequacy and concluded that the related costs vs benefits to be achieved does not justify the additional personnel it would require to establish an adequate segregation of duties. However, we will try to segregate duties as much as possible with the existing staff.

2004-2 Budgeting

In the future we will take greater care in adjusting our financial statements at year end in order to properly amend the budget to not vary from actual amounts by greater than 5%.


Berline Boone Sonnier, Mayor