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TOWN OF VIVIAN, LOUISIANA

FINANCIAL STATEMENTS

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

Jim H. Stevens, Jr., CPA, LLC
Certified Public Accountant
Springhill, Louisiana 71075

Town of Vivian, Louisiana

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INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

The Honorable Stephen G. Taylor, Mayor
and the Members of the Board of Alderman of
The Town of Vivian, Louisiana

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Vivian, Louisiana, as of and for the year ended, June 30, 2004, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Vivian, Louisiana's management. My responsibility is to express an opinion on these financial statements based on my audit.

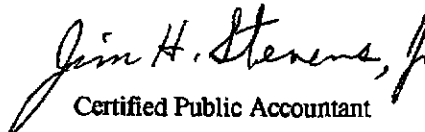
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Vivian, 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.

In accordance with *Government Auditing Standards*, I have also issued a report dated December 28, 2004, on my consideration of the Town of Vivian, Louisiana's internal control over financial reporting and my test of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

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

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


Certified Public Accountant

December 28, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Vivian, Louisiana
Management's Discussion and Analysis
June 30, 2004

This section of the Town of Vivian, Louisiana's (hereafter referred to as "Town") annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year that ended on June 30, 2004. Please read it in conjunction with the Town's financial statements, which follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information in the first year, and that GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the Town has elected to exclude the information in this report. Subsequent reports will include the comparative information.

Financial Highlights

In accordance with Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Town has started to depreciate capital assets resulting in a calculation of depreciation expense and accumulated depreciation as of June 30, 2004.

As of June 30, 2004, the assets of the Town exceeded its liabilities by \$7,157,699. Of this amount \$1,476,654 (20.63%) is reported as "unrestricted net assets" and represents the amount available to be used to meet the Town's ongoing obligations to its citizenry.

As of the close of the fiscal year 2004, the Town's governmental fund reported an ending fund balance of \$670,392, which is a decrease of \$346 (.05%).

During the year the Town paid \$14,000 on the settlement of a legal claim and owes \$28,000, which will be paid in two annual payments of \$14,000.

The Town's revenue bonds decreased by a \$170,000 principal payment.

The Town's general obligation bonds with an outstanding principal balance of \$1,220,000 were paid by a new refunding bond issue in the same amount, which will save approximately \$168,000 in interest over the life of the bonds.

The Town paid \$20,000 in principal on its outstanding Certificate of Indebtedness and paid off a bank note in the amount of \$13,307.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains additional required supplementary information (budgetary schedules) in addition to the basic financial statements. These components are described below:

Basic Financial Statements

The basic financial statements include two kinds of financial statements that present different views of the Town – the **Government-wide Financial Statements** and the **Fund Financial Statements**. These financial statements also include the **Notes to the Financial Statements** that explain some of the information in the financial statements and provide additional detail.

Government-wide Financial Statements

The government-wide financial statements provide a broad view of the Town's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the Town's financial position, which assists users in assessing the Town's economic condition at the end of the year. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting similar to methods used by most businesses. These statements report all revenues and expenses connected with the year even if cash has not been received or paid. The government-wide financial statements include two statements:

- The *statement of net assets* presents all of the Town's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the Town's net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.
- The *statement of activities* presents information showing how the Town's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Therefore, some revenues and some expenses that are reported in this statement will not result in cash flows until future years. This statement also presents a comparison between direct expenses and program revenues for each function of the Town.

Both of the above financial statements have separate sections for the two different types of Town activities. These activities are:

Governmental Activities – The activities in this section are mostly supported by taxes and intergovernmental revenues (grants). Most services normally associated with a town fall into this category, including general government, public safety, streets, and parks and recreation.

Business-type Activities – These functions are normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The business activity of the Town consists of the provision of water and sewer service to citizens.

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements. The funds of the Town can be divided into two categories. It is important to note that these fund categories use different accounting approaches and should be interpreted differently. The two categories of funds are:

- *Governmental funds*. The services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the year. Such information may be useful in evaluating the Town's near-term financing requirements. This approach is known as using

the flow of financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the Town's finances and assists in determining whether there will be adequate financial resources available to meet the current needs of the Town.

Because the focus of the governmental funds financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, users may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on the page immediately following each governmental financial statement.

The Town has six governmental funds, which are described as follows: Major funds which are presented in separate columns in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances.

General Fund

Special Revenue Fund:
Sales Tax Fund

Non-major funds which are combined into a separate column of the governmental funds financial statements:

Special Revenue Fund:
Vivian Industrial District
Debt Service Funds:
General Obligation Bonds – Series 2004
Certificate of Indebtedness
Capital Project Fund:
Capital Acquisition Fund

Internal Service Fund, which is reported in a separate column of the proprietary fund balance sheet. This fund is an agency fund and therefore does not have any revenues, expenditures or fund balance.

Accounts Payable Fund

The basic governmental funds financial statements can be found immediately following the government-wide financial statements.

Proprietary Fund Financial Statements – This fund is used to show activities that operate more like those of commercial enterprises. Because this fund charges fees for services provided to outside customers, including local governments, it is known as an enterprise fund. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

The Town has one enterprise fund (Water & Sewer Fund), which is considered a major proprietary fund for presentation purposes.

The basic proprietary fund financial statements can be found immediately following the governmental fund financial statements.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the funds financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for the General Fund as presented in the governmental fund financial statements. Annual budgets are prepared in accordance with the Generally Accepted Accounting Principles (GAAP).

Financial Analysis of Government-wide Activities

Net Assets

Net assets may serve over time as a useful indicator of the Town's financial position. The Town's combined net assets (governmental and business-type activities) totaled \$7,157,699 at the end of fiscal year 2004.

\$5,521,499 (77.14%) of the Town's net assets, reflects the Town's investment in capital assets such as land, buildings, equipment, and sewer improvements, less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to the citizens of Vivian; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of net assets \$155,837 (2.18%) is restricted by loan covenants for repayment of principal and interest on long-term debt. \$3,709 (.05%) of net assets represents prepaid insurance in government funds, which is restricted because it will not require additional cash resources.

The other portion of the Town's net assets, \$1,476,654 (20.63%) is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors at the discretion of the mayor and council of Vivian. \$893,826 (15.99%) of the unrestricted net assets of the Town consists of cash and cash equivalents and investments.

The following chart may be used to more fully understand the makeup of net assets:

	Governmental Activities	Business-Type Activities	Total
Current and other assets	1,735,645	1,028,564	2,764,209
Capital assets	4,406,789	3,269,097	7,675,886
Total assets	6,142,434	4,297,661	10,440,095
Current liabilities	859,924	833,513	1,693,437
Long-term liabilities	1,223,908	365,051	1,588,959
Total liabilities	2,083,832	1,198,564	3,282,396
Net assets			
Invested in capital assets, net of related debt	2,780,728	2,740,771	5,521,499
Restricted	3,709	155,837	159,546
Unrestricted	1,274,165	202,489	1,476,654
Total net assets	4,058,602	3,099,097	7,157,699

Changes in Net Assets

Approximately 37.56% (\$1,126,575) of the Town's total revenues of \$2,999,797 was derived through charges for services while approximately 50.67% (\$1,519,890) was derived from general revenues including taxes and interest. The Town received \$353,332 (11.77%) of its total revenues through program grants and contributions.

The largest expenses were for public safety, streets and drainage, and town services. In fiscal year 2004, governmental activity expenses exceeded program revenues resulting in the use of \$1,465,303 in general revenues, mostly taxes. Net expenses from business-type activities in fiscal year 2004 exceeded revenues by \$118,148.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenues			
Program Revenues			
Charges for services	377,940	748,635	1,126,575
General Revenues			
Taxes	1,111,923	45,629	1,157,552
Licenses and permits	108,990		108,990
Miscellaneous	119,302		119,302
Other governments	43,068		43,068
Oil and gas income	8,136		8,136
Intergovernmental	310,264		310,264
Interest	13,035	12,756	25,791
Franchise tax	100,119		100,119
Total revenues and transfers	<u>2,192,777</u>	<u>807,020</u>	<u>2,999,797</u>
Expenses			
General government	252,853	123,632	376,485
Public safety	623,815		623,815
Public services	800,724		800,724
Water and sewer services		723,953	723,953
Debt service	165,851	19,198	185,049
Total expenses	<u>1,843,243</u>	<u>866,783</u>	<u>2,710,026</u>
Increase in net assets before transfers	349,534	(59,763)	289,771
Transfers	12,817	(12,817)	
Change in net assets	362,351	(72,580)	289,771
Net assets - beginning of year	<u>2,086,779</u>	<u>3,171,677</u>	<u>5,258,456</u>
Net assets - end of year	<u>2,449,130</u>	<u>3,099,097</u>	<u>5,548,227</u>

Financial Analysis of the Individual Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund

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

As of the end of the current year, the Town's governmental fund, the general fund, reported an ending fund balance of \$670,392 a decrease of \$346 compared to the prior year. The General Fund is the chief operating fund of the Town.

The ending governmental fund balance has \$3,709, which is reserved for prepaid insurance and the balance is unreserved and available for spending in the coming year.

Proprietary Fund

The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. The Town's proprietary Fund (Water & Sewer Fund) reported operating expenses of \$847,585, which was \$98,950 in excess of its operating revenues of \$748,635. The proprietary fund reported a decrease of \$72,580 (2.30%) in net assets in the fiscal year ended 2004.

General Fund Budgetary Highlights

Formal budgetary integration is employed as a management control device during the fiscal year. The Budget policy of the Town complies with state law, as amended, and as set forth in Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA – R.S. 39:1301 et seq.).

The Town's budgets were amended because:

- Total expenditures were more than originally budgeted.
- Revenues were less than originally budgeted.

Expenditures were \$195,641 less than the amount originally budgeted.

Revenues available for expenditures were \$166,705 above the final budgeted amounts.

Capital Asset Administration

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2004 totaled \$12,114,556, less accumulated depreciation of \$4,438,670 leaving a book value of \$7,675,886. This investment in capital assets consists of land, buildings, equipment, and sewer improvements. The total increase in the Town's investment in capital assets for the current year was \$404,516 about 3.34% in terms of historical cost. Depreciation charges for the year totaled \$292,811.

Debt Administration

At year end the Town had \$540,000 in sewer revenue bonds outstanding, a decrease of \$170,000 (31.48%) compared to the prior year. Revenues derived or to be derived from the operation of the sewer system, after paying the reasonable and necessary expenses of operating and maintaining the system, are dedicated and pledged to the payment of the outstanding debt as set forth in the loan agreement. The Town is required to make monthly deposits into accounts restricted for the Bond Sinking Fund, the Bond Contingency Fund, and the Bond Reserve Fund as more fully described in Note 5.

Economic Factors and Next Years Budgets and Rates

The following economic factors were considered when the budget for the fiscal year ended June 30, 2005 was prepared:

- Revenues are expected to remain consistent with the prior year.
- Expenses are expected to remain consistent with the prior year.

Request for Information

This financial report is designed to provide a general overview of the finances of the Town and seeks to demonstrate the Town's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town of Vivian, P. O. Box 832, Vivian, Louisiana 71082 or by calling (318) 375-3856.

BASIC FINANCIAL STATEMENTS

Town of Vivian, Louisiana

Statement of Net Assets June 30, 2004

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	839,987	23,839	863,826
Investments		30,000	30,000
Receivables (net, where applicable, of allowance for uncollectibles):			
Accounts	126,403	102,376	228,779
Grants	43,068		43,068
Interest	343	439	782
Prepaid expenses	3,709	559	4,268
Due from other funds	722,135	455,003	1,177,138
Restricted Assets:			
Cash and cash equivalents		149,025	149,025
Investments		257,775	257,775
Fixed assets, net of accumulated depreciation	4,406,789	3,269,097	7,675,886
Deferred Charges		9,548	9,548
Total Assets	<u>6,142,434</u>	<u>4,297,661</u>	<u>10,440,095</u>
Liabilities			
Accounts payable	49,020		49,020
Accrued expenses	4,470	731	5,201
Compensated absences, current	14,813	5,807	20,620
Due to other governments		4,960	4,960
Due to other funds	636,621	574,109	1,210,730
Payable from restricted assets:			
Current portion of revenue bonds payable	155,000	170,000	325,000
Accrued interest-revenue bonds		2,495	2,495
Customer deposits		75,411	75,411
Long-term liabilities:			
Compensated absences	20,908	6,725	27,633
Bonds payable	1,175,000	358,326	1,533,326
Lawsuit payable	28,000		28,000
Total Liabilities	<u>2,083,832</u>	<u>1,198,564</u>	<u>3,282,396</u>
Net Assets			
Invested in capital assets, net of related debt	2,780,728	2,740,771	5,521,499
Reserved for prepaid insurance	3,709		3,709
Restricted for revenue bond retirement		155,837	155,837
Unrestricted	1,274,165	202,489	1,476,654
Total Net Assets	<u>4,058,602</u>	<u>3,099,097</u>	<u>7,157,699</u>

The notes to the financial statements are an integral part of this statement.

Town of Vivian, Louisiana

Statement of Activities
For the Year Ended June 30, 2004

Activities	Expenses	Program Revenues Fees, Fines and Charges for Services	Net (Expense) Revenue and Changes in Net Assets		Total
			Governmental Activities	Business-Type Activities	
Governmental:					
General government	252,853	126,652	(126,201)		(126,201)
Public safety:					
Police	623,815	64,244	(559,571)		(559,571)
Streets and drainage	328,569		(328,569)		(328,569)
Town services	204,950		(204,950)		(204,950)
Sanitation	186,539	187,044	505		505
Recreation	80,666		(80,666)		(80,666)
Debt Service:					
Principal retirement	33,291		(33,291)		(33,291)
Interest and fiscal charges	132,560		(132,560)		(132,560)
Total Governmental Activities	<u>1,843,243</u>	<u>377,940</u>	<u>(1,465,303)</u>	<u>-</u>	<u>(1,465,303)</u>
Business-Type:					
Utility				(118,148)	(118,148)
Total Business-Type Activities				<u>(118,148)</u>	<u>(118,148)</u>
Total Town of Vivian	<u>1,843,243</u>	<u>377,940</u>	<u>(1,465,303)</u>	<u>(118,148)</u>	<u>(1,583,451)</u>
General Revenues:					
Taxes			1,111,923	45,629	1,157,552
Licenses and permits			108,990		108,990
Miscellaneous			119,302		119,302
Other governments			43,068		43,068
Oil and gas income			8,136		8,136
Intergovernmental			310,264		310,264
Interest			13,035	12,756	25,791
Franchise tax			100,119		100,119
Transfers			12,817	(12,817)	
Total General Revenues and Transfers			<u>1,827,654</u>	<u>45,568</u>	<u>1,873,222</u>
Change in net assets			<u>362,351</u>	<u>(72,580)</u>	<u>289,771</u>
Net Assets - July 1, 2003			<u>3,696,251</u>	<u>3,171,677</u>	<u>6,867,928</u>
Net Assets - June 30, 2004			<u>4,058,602</u>	<u>3,099,097</u>	<u>7,157,699</u>

Town of Vivian, Louisiana

Balance Sheet
Governmental Funds
June 30, 2004

	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and cash equivalents	426,647	223,755	189,585	839,987
Receivables (net, where applicable, of allowances for uncollectibles):				
Accounts	48,959	75,925	1,519	126,403
Grants			43,068	43,068
Interest	343			343
Prepaid expenses	3,709			3,709
Due from other funds	703,711		18,424	722,135
Total Assets	<u>1,183,369</u>	<u>299,680</u>	<u>252,596</u>	<u>1,735,645</u>
Liabilities:				
Accounts payable	5,099	1,487	42,434	49,020
Accrued expenses	4,470			4,470
Compensated absences, current	14,813			14,813
Due to other funds	488,595	147,392	634	636,621
Total Liabilities	<u>512,977</u>	<u>148,879</u>	<u>43,068</u>	<u>704,924</u>
Fund Balance:				
Reserved for prepaid insurance	3,709			3,709
Unreserved/undesignated	666,683	150,801	209,528	1,027,012
Total Fund Balance	<u>670,392</u>	<u>150,801</u>	<u>209,528</u>	<u>1,030,721</u>
Total Liabilities and Fund Balance	<u>1,183,369</u>	<u>299,680</u>	<u>252,596</u>	<u>1,735,645</u>

The notes to the financial statements are an integral part of this statement.

Town of Vivian, Louisiana

**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2004**

Total Fund Balances - Governmental Funds		1,030,721
Cost of capital assets at June 30, 2004	5,875,661	
Less: accumulated depreciation as of June 30, 2004	<u>(1,468,872)</u>	4,406,789
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.		(1,330,000)
Compensated Absences		(20,908)
Lawsuit payable		<u>(28,000)</u>
Total Net Assets at June 30, 2004 - Governmental Activities		<u><u>4,058,602</u></u>

Town of Vivian, Louisiana

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

	General	Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	207,487	904,436		1,111,923
Oil and gas income	8,136			8,136
Licenses and permits	108,990			108,990
Other governments			43,068	43,068
Intergovernmental	310,264			310,264
Charges for services	187,044			187,044
Fines and forfeitures	64,244			64,244
Franchise tax	100,119			100,119
Interest	11,495	750	790	13,035
Rents			126,652	126,652
Miscellaneous	119,302			119,302
Total Revenues	<u>1,117,081</u>	<u>905,186</u>	<u>170,510</u>	<u>2,192,777</u>
Expenditures:				
Current:				
General government	319,548	9,046	43,333	371,927
Public safety	604,877			604,877
Public works	326,445			326,445
Town services	204,950			204,950
Recreation	90,150			90,150
Capital outlay	329,198		43,068	372,266
Debt service:				
Principal retirement	13,291		20,000	33,291
Interest and fiscal charges	273		132,287	132,560
Total Expenditures	<u>1,888,732</u>	<u>9,046</u>	<u>238,688</u>	<u>2,136,466</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(771,651)</u>	<u>896,140</u>	<u>(68,178)</u>	<u>56,311</u>
Other Financing Sources (Uses):				
Operating transfers in	784,122		137,652	921,774
Operating transfers (out)	(12,817)	(896,140)		(908,957)
Total Other Financing Sources (Uses)	<u>771,305</u>	<u>(896,140)</u>	<u>137,652</u>	<u>12,817</u>
Excess (Deficiency) of Revenues over Expenditures and Other Financing Sources (Uses)	<u>(346)</u>		<u>69,474</u>	<u>69,128</u>
Fund Balance at Beginning of Year	<u>670,738</u>	<u>150,801</u>	<u>140,054</u>	<u>961,593</u>
Fund Balance at End of Year	<u>670,392</u>	<u>150,801</u>	<u>209,528</u>	<u>1,030,721</u>

The notes to the financial statements are an integral part of this statement.

Town of Vivian, Louisiana

**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
June 30, 2004**

Net Change in Fund Balances - Governmental Funds	69,128
The change in net assets reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$409,390) exceeded depreciation (\$113,328) in the current period.	296,062
Less: Excess of compensated absences earned over compensated absences used	(2,839)
Change in net assets of governmental activities	<u><u>362,351</u></u>

Town of Vivian, Louisiana

Statement of Net Assets Proprietary Fund June 30, 2004

	Business-Type Activities - Enterprise Fund	Governmental Activities
	Water & Sewer Utility	Internal Service Fund
Assets		
Cash and cash equivalents	23,839	6,463
Investments	30,000	
Receivables (net, where applicable, of allowance for uncollectibles):		
Accounts	102,376	
Interest	439	
Prepaid expenses	559	
Due from other funds	455,003	33,592
Restricted Assets:		
Cash and cash equivalents	149,025	
Investments	257,775	
Fixed assets, net of accumulated depreciation	3,269,097	
Deferred Charges	9,548	
 Total Assets	4,297,661	40,055
 Liabilities		
Accounts payable		40,055
Accrued expenses	731	
Compensated absences, current	5,807	
Due to other governments	4,960	
Due to other funds	574,109	
Payable from restricted assets:		
Current portion of revenue bonds payable	170,000	
Accrued interest-revenue bonds	2,495	
Customer deposits	75,411	
Compensated absences, non-current	6,725	
Revenue bonds payable - net of current portion	358,326	
 Total Liabilities	1,198,564	40,055
 Net Assets		
Invested in capital assets, net of related debt	2,740,771	
Restricted for revenue bond retirement	155,837	
Unrestricted	202,489	
 Total Net Assets	3,099,097	-

The notes to the financial statements are an integral part of this statement.

Town of Vivian, Louisiana

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

	Business-Type Activities - Enterprise Fund
	Water & Sewer Utility
Operating Revenues:	
Water sales	437,835
Sewer user charges	251,750
Delinquent charges	24,136
Miscellaneous revenues	34,914
Total Operating Revenues	748,635
Operating Expenses:	
General and administrative expenses	123,632
Water department expenses	398,429
Sewer department expenses	146,041
Depreciation expense	179,483
Total Operating Expenses	847,585
Income (Loss) from Operations	(98,950)
Non-Operating Revenues (Expenses):	
Ad valorem taxes	45,629
Interest	12,756
Amortization - bond issue costs	(3,476)
Interest and fiscal charges - bonds	(15,722)
Total Non-Operating Revenues (Expenses)	39,187
Income (Loss) before Operating Transfers	(59,763)
Operating Transfers in (out):	
Operating transfers (out)	(12,817)
Total Operating Transfers in (out)	(12,817)
Change in Net Assets	(72,580)
Total Net Assets - Beginning (Restated)	3,171,677
Total Net Assets - Ending	3,099,097

The notes to the financial statements are an integral part of this statement.

Town of Vivian, Louisiana

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

Cash Flows From Operating Activities	
Receipts from Customers	749,885
Payments to Suppliers	<u>(680,895)</u>
Net cash Provided by Operating Activities	<u>68,990</u>
Cash Flows From Noncapital Financing	
Transfers from Other Funds	160
Customer Deposits	3,727
Ad Valorem Taxes	<u>45,629</u>
Net Cash Provided by Noncapital Financing	<u>49,516</u>
Cash Flows From Capital and Related Financing Activities	
Purchases of Capital Assets	(44,629)
Refund of Bond Issue Costs	167
Payments on Long-term Debt	(170,000)
Interest Paid	<u>(9,576)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(224,038)</u>
Cash Flows From Investing Activities	
Interest Received	<u>2,572</u>
Net Cash Used in Investing Activities	<u>2,572</u>
Net Increase in Cash and Cash Equivalents	(102,960)
Cash and Cash Equivalents - July 1, 2003	<u>275,824</u>
Cash and Cash Equivalents - June 30, 2004	<u>172,864</u>
Cash Flows From Operating Activities	
Operating Income (Loss)	(98,950)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities -	
Depreciation and Amortization	179,483
(Increase) Decrease in Accounts Receivable	(3,710)
(Increase) Decrease in Accrued Interest	74
(Increase) Decrease in Prepaid Interest	1,469
(Increase) Decrease in Due from Other Fund	11,911
(Increase) Decrease in Investments	(10,258)
Increase (Decrease) in Accounts Payable	(12,882)
Increase (Decrease) in Accrued Liabilities	(2,290)
Increase (Decrease) in Compensated Absences	1,834
Increase (Decrease) in Due to Other Governments	4,960
Increase (Decrease) in Due to Other Funds	1,066
Increase (Decrease) in Accrued Interest - Revenue Bonds	<u>(3,717)</u>
Net Cash Provided by Operating Activities	<u>68,990</u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

Town of Vivian, Louisiana

Notes to Financial Statements
June 30, 2004

1. Summary of Significant Accounting Policies:

The Town of Vivian, Louisiana was incorporated February 12, 1912, under the provisions of the Lawrason Act. The Town operates under the Mayor-Board of Aldermen form of government.

The Town of Vivian, Louisiana, complies with Generally Accepted Accounting Principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. GAAP as applicable to governments also conforms to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the *Louisiana Municipal Audit and Accounting Guide*, and to the industry audit guide, *Audits of State and Local Government Units*, published by the American Institute of Certified Public Accountants.

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

Following is a summary of certain significant accounting policies:

- A. Reporting Entity – In evaluating the Town as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Town may be financially accountable and, as such, should be included within the Town's financial statements. The Town (primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Town. Additionally, the primary government is required to consider 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. There were no entities that were determined to be component units of the Town of Vivian, Louisiana.
- B. Basis of Presentation. The accompanying basic financial statements of the Town have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Town implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Government*; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, in 2004.

Implementation of these standards required a change in the reporting format, additional footnote disclosures, and the inclusion of management's discussion and analysis as supplementary information. Implementation of these standards had no impact on the opening fund balances of the Town of Vivian.

Town of Vivian, Louisiana

Notes to Financial Statements
June 30, 2004

1. Summary of Significant Accounting Policies: (Continued)

- C. **Fund Accounting.** The Town uses funds to maintain its financial records during the year. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. The individual funds account for the governmental resources allocated to them for purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

The funds of the Town are classified into two categories: governmental and proprietary. 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 ten percent (10%) of the corresponding total for all funds of that category or type.
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least five percent (5%) of the corresponding total for all government and enterprise funds combined.

The funds are grouped into two fund types as described below:

Governmental Funds: Governmental funds account for all or most of the Town's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between the governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources which may be used to finance future period programs or operations. The following are the Town's 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 resources that are legally restricted to expenditures for specific purposes.

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.

Capital Projects Funds. Capital Projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and agency funds).

Proprietary Funds: Proprietary funds are used to account for ongoing organizations and activities that are similar to those often found in the private sector. The measurement focus is based upon determination of net income, financial position, and cash flows. The following is the Town's proprietary fund type:

Town of Vivian, Louisiana

Notes to Financial Statements

June 30, 2004

1. Summary of Significant Accounting Policies: (Continued)

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 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 purpose. The Town maintains an Enterprise fund for water and sewer utilities provided.

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

Measurement focus is a 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.

Governmental Fund Financial Statements – The amounts reflected in the Governmental Fund Financial Statements are accounted for using the "current financial resources" measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of the Town's operations.

The amounts reflected in the Governmental Fund Financial Statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred. The governmental funds use the following practices in recording revenues and expenditures:

Those revenues susceptible to accrual are sales taxes, property taxes, franchise taxes, interest revenue and charges for services. Fines, permits, and license revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are generally recognized under the modified accrual basis when a liability is incurred. Salaries and related benefits are recorded when employee services are provided to the Town. Capital outlays are reported at the time purchased. Modifications to the accrual basis of accounting include:

Employees vested sick and vacation leave is recorded as an expenditure when utilized. The amount of accumulated compensated absences unpaid at June 30, 2004, and not expected to be paid within one year, has been reported only in the government-wide financial statements.

Proprietary Fund Financial Statements – The financial statements of the proprietary fund are reported using the "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.

Town of Vivian, Louisiana

Notes to Financial Statements

June 30, 2004

1. Summary of Significant Accounting Policies: (Continued)

The amounts reflected in the Proprietary Fund Financial Statements use the accrual basis of accounting. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund equity is classified as net assets.

Government-wide Financial Statement (GWFS)

The Statement of Net Assets and the Statement of Activities include all the financial activities of the Town. Information contained in these statements reflects the "economic resources" measurement focus and the accrual basis of accounting. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues included in the Statement of Activities are (1) derived directly from charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function, (2) operating grants and contributions, and (3) capital grants and contributions. Program revenues reduce the cost of the function to be financed from the Town's general revenues. Taxes and other items not properly included in program revenues are reported instead as general revenues.

- E. Cash and Cash Equivalents. Cash includes cash on hand, amounts in demand deposits, interest-bearing demand deposits, and time deposits that are immediately available for use. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Town 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.
- F. Investments. Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the Town's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. GASB Statement No. 31 requires the Town to report investments at fair value in the balance sheet. Investments are reported at cost which approximates fair value.

Town of Vivian, Louisiana

Notes to Financial Statements
June 30, 2004

1. Summary of Significant Accounting Policies: (Continued)

G. Receivables. In the government-wide financial statement, receivables consist of all revenues earned at year-end and not yet received. Major receivables for the governmental activities include franchise taxes and sales and use taxes. Business-type activities report customer's sewer service charges and capital grant reimbursement as its major receivables. Uncollectible amounts due for ad valorem taxes and the customers' utility accounts receivable are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. The allowance for uncollectible customers' utilities is \$6,056 at June 30, 2003.

H. Capital Assets. Capital assets which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, lighting, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair value at the date of donation. The Town maintains the following threshold levels capitalizing assets:

Land	\$ 1
Land improvements	\$ 10,000
Buildings	\$ 10,000
Vehicles, machinery and equipment	\$ 5,000
Infrastructure	\$ 25,000

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

In accordance with GASB Statement No. 34, because of the costs involved in retroactively capitalizing infrastructure, the Town has elected an exception for local governments with annual revenues of less than \$10 million and will prospectively capitalize infrastructure from the date of implementation of GASB Statement No. 34 forward and will not retroactively capitalize infrastructure. The Town does not capitalize historical treasures or works of art.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of net assets. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings	20 - 40 years
Equipment	5 - 15 years
Water and sewer improvements	25 years
Outdoor and playground equipment	20 years

I. Restricted Assets. The Debt Service and Enterprise Funds, because of certain bond covenants, are required to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) that can be used only to service outstanding debt. The Enterprise Fund also restricts customer meter deposits.

Town of Vivian, Louisiana

Notes to Financial Statements
June 30, 2004

1. Summary of Significant Accounting Policies: (Continued)

J. Compensated Absences. In fiscal year ended June 30, 2000, the Town adopted a policy of paying accumulated sick leave and vacation leave upon termination or retirement. Employees are allowed to accumulate 1 ½ hours of sick leave for every 80 hours worked up to 39 hours per year with no limit on the number of hours allowed to accrue from year to year. Vacation leave is based on the employee's years of service. Vacation leave is not allowed to accumulate and is lost if not taken by the end of the calendar year. Therefore, the Town accrues sick leave and vacation leave when it is earned.

K. Interfund Transactions. Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of the expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. Prepaid Expenses. Payments made to vendors for services that will benefit periods beyond June 30, 2004 are recorded as prepaid expenses.

M. Long-term Debt. The accounting treatment of long-term debt depends upon 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.

All long-term debts to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. The Town's long-term debt consists of revenue bonds payable, customer's sewer deposits, and vested sick leave and vacation leave that are not expected to be liquidated with expendable available resources.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

N. Fund Equity. In the government-wide financial statements equity is classified as net assets and reported 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 borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – Consists of all other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Town of Vivian, Louisiana

Notes to Financial Statements
June 30, 2004

1. Summary of Significant Accounting Policies: (Continued)

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

- O. Encumbrances. The Town does not utilize encumbrance accounting. Management does not believe that the use of encumbrance accounting would provide any significant benefit for budgetary purposes.
- P. 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. Billed taxes become delinquent on January of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

The Caddo Parish Tax Assessor determines assessed values of property and generates bills for property taxes. The Town mails and collects the taxes.

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

2. Cash and Cash Equivalents:

Deposits. These deposits are stated at cost, which approximates market value. At June 30, 2004, the carrying amount of the Town's deposits was \$1,019,314 and the bank balance was \$1,119,870. Of the total bank balance \$217,057 was secured by federal deposit insurance and \$1,304,438 was covered by pledged securities held by the custodial bank in the name of the fiscal agent bank.

The Town's deposits are categorized to give an indication of the level of risk assumed by the Town at year end. Category 1 includes deposits that are insured or registered or for which the securities are held by the Town or its agent in the Town's name. Category 2 includes uninsured and unregistered deposits for which the securities are held by the counter party's trust department or agent in the Town's name. Category 3 includes uninsured and unregistered deposits for which the securities are held by the counter party or by its trust department or agent but not in the Town's name.

Collateral Description	Category			Carrying Value	Market Value
	1	2	3		
FDIC Insurance	217,057			217,057	217,057
Obligations of U. S. Treasury or Agencies			792,851	424,695	801,803
Obligations of the State of Louisiana and its subdivisions			511,587	377,862	521,748
Totals	<u>217,057</u>		<u>1,304,438</u>	<u>1,019,614</u>	<u>1,540,608</u>

Town of Vivian, Louisiana

Notes to Financial Statement
June 30, 2004

3. Investments:

The Town's investments are comprised of the following:

Bank certificates of deposits with maturities in excess of 90 days	287,775
Total	<u><u>287,775</u></u>

The Town's investments are categorized into these three categories of credit risk:

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

At June 30, 2003, the Town's investment balances are categorized following the categories listed in Note 1, as follows:

Collateral Description	Category			Carrying Value	Market Value
	1	2	3		
FDIC Insurance	30,000			30,000	30,000
U. S. Agencies			177,637	160,533	165,139
Obligations of the State of Louisiana and its subdivisions			144,432	97,242	134,271
Totals	<u>30,000</u>		<u>322,069</u>	<u>287,775</u>	<u>329,410</u>

4. Ad Valorem Taxes:

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Tax notices are prepared by the tax assessor and mailed by the Town in November. All unpaid taxes become delinquent on January 1 of the following year.

Revenues from ad valorem taxes are budgeted in the year billed. For the year ended June 30, 2004, taxes of \$237,897 were levied on property with assessed value totaling \$10,892,740 and were dedicated as follows:

General corporate purposes	14.86	mills
Street maintenance	2.79	mills
Sewer maintenance	2.79	mills
Water maintenance	1.40	mills
Total	<u>21.84</u>	<u>mills</u>

Town of Vivian, Louisiana

Notes to Financial Statement
June 30, 2004

5. Components of Restricted Assets:

Restricted assets in the Enterprise Fund consist of the following at June 30, 2004:

Description	Revenue Bond Sinking Fund	Revenue Bond Reserve Fund	Revenue Bond Contingency Fund	Customer Deposits	Total
Cash	49,174	1,672	50,911	47,268	149,025
Certificate of Deposit		226,575		31,200	257,775
Total	<u>49,174</u>	<u>228,247</u>	<u>50,911</u>	<u>78,468</u>	<u>406,800</u>

The ordinance authorizing the water and sewer system revenue bonds requires that the Town establish a sinking fund (Revenue Bond Sinking Fund), a reserve fund (Revenue Bond Reserve Fund), and a contingency fund (Capital Additions and Contingencies Fund) and make monthly payments in order to satisfy payments of principal and interest on all bonds payable. At June 30, 2004, the funds were in compliance with required deposits.

The amount of retained earnings restricted for revenue bond retirement is detailed as follows:

Revenue Bond Sinking Fund	49,174	
Revenue Bond Contingency Fund	50,911	
Revenue Bond Reserve Fund	<u>228,247</u>	328,332
Less		
Accrued revenue bond interest payable from restricted assets	2,495	
Current portion of revenue bonds payable from restricted assets	<u>170,000</u>	172,495
Retained earnings restricted		<u><u>155,837</u></u>

Town of Vivian, Louisiana

Notes to Financial Statements
June 30, 2004

6. Capital Assets:

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

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Governmental activities:				
Capital assets not being depreciated:				
Land	1,105,049	45,682		1,150,731
Capital assets being depreciated:				
Buildings and structures	3,285,335	280,506		3,565,841
Improvements other than buildings	205,939			205,939
Vehicles, machinery and equipment	919,451	33,699		953,150
Total capital assets being depreciated	4,410,725	314,205		4,724,930
Less accumulated depreciation for:				
Buildings and structures	623,691	75,489		699,180
Improvements other than buildings	80,335	5,573		85,908
Vehicles, machinery and equipment	651,518	32,266		683,784
Total accumulated depreciation	1,355,544	113,328		1,468,872
Total capital assets being depreciated, net	3,055,181	200,877		3,256,058
Total capital assets, net	4,160,230	246,559		4,406,789

Town of Vivian, Louisiana

Notes to Financial Statements
June 30, 2004

6. Capital Assets: (Continued)

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Business-type activities:				
Capital assets not being depreciated:				
Land	64,086			64,086
Capital assets being depreciated:				
Buildings and structures	20,370			20,370
Water system	2,864,163	39,129	4,905	2,898,387
Sewer system	3,024,715		6,250	3,018,465
Vehicles	149,967		29,850	120,117
Machinery and equipment	130,758	5,500	18,788	117,470
Total capital assets being depreciated	6,189,973	44,629	59,793	6,174,809
Less accumulated depreciation for:				
Buildings and structures	1,451	1,262		2,713
Water system	1,220,780	76,311	4,905	1,292,186
Sewer system	1,426,864	78,431	6,250	1,499,045
Vehicles	122,762	7,830	29,850	100,742
Machinery and equipment	78,251	15,649	18,788	75,112
Total accumulated depreciation	2,850,108	179,483	59,793	2,969,798
Total capital assets being depreciated, net	3,339,865	(134,854)		3,205,011
Total capital assets, net	3,403,951	(134,854)		3,269,097

Depreciation expense of \$113,328 for the year ended June 30, 2004, was charged to the following governmental functions:

General government	34,324
Industrial development	43,295
Public safety	18,936
Streets	2,125
Public services	10,516
Parks and recreation	4,132
Total	113,328

Town of Vivian, Louisiana

Notes to Financial Statements
June 30, 2004

7. Changes in Long-Term Debt:

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

	Business-type Activities	Governmental Activities	
	Revenue Bonds	General Obligation Bonds and Certificate of Indebtedness	Total
Long-term obligations at beginning of year	688,463	1,363,307	2,051,770
Additions		1,220,000	1,220,000
Deductions	(160,137)	(1,253,307)	(1,413,444)
Long-term obligations at end of year	528,326	1,330,000	1,858,326

Sewer revenue bond payable at June 30, 2004, is comprised of the following issue:

\$200,000 Certificate of Indebtedness, series 1998, dated January 25, 1999; due in annual installments of \$15,000 - \$25,000 through January 1, 2009, interest at 4.7% (payable from excess revenues)	110,000
--	---------

General obligation:

\$1,220,000 Refunding General Obligation Bonds - Series 2004 bonds dated April 15, 2004; due in annual installments of \$65,000 - \$85,000 through May 1, 2012, interest at 2.6% to 4.25% (secured by levy and collection of ad valorem taxes).	1,220,000
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Enterprise fund obligation:

\$710,000 Utilities Revenue Refunding Bonds dated April 1, 2003; due in annual installments of \$170,000 - \$190,000 through April 1, 2007; interest at 0.5% - 4.5%.	540,000
Less: unamortized deferred loss on early retirement of debt	(11,674)
	528,326

Town of Vivian, Louisiana

Notes to Financial Statements
June 30, 2004

7. Changes in Long-Term Debt: (Continued)

The annual requirements to amortize all debt outstanding as of June 30, 2004, including interest payments of \$256,656 are as follows:

Year Ending June 30	Notes Payable	General Obligation	Enterprise Fund Obligation	Total
2005	25,170	180,290	188,900	394,360
2006	24,230	177,807	192,950	394,987
2007	23,290	177,207	196,650	397,147
2008	27,350	177,883		205,233
2009	26,175	178,476		204,651
2010 - 2012		530,278		530,278
Total	126,215	1,421,941	578,500	2,126,656
Less: Interest	16,215	201,941	38,500	256,656
	<u>110,000</u>	<u>1,220,000</u>	<u>540,000</u>	<u>1,870,000</u>

8. Dedication of Proceeds and Flow of Funds – 2% Sales and Use Tax:

Proceeds of a 1% sales and use tax levied by the Town of Vivian, with collections for the year ended June 30, 2004 of \$448,070 are dedicated to the following purposes:

1. Providing funds in the amount of 25% of the proceeds of such tax each year for constructing, acquiring, improving and/or maintaining industrial parks and buildings and equipment to induce the location of industry in the Town.
2. Providing funds in the amount of 25% of the proceeds of such tax for such year to the General Fund of the Town to be used for any lawful corporate purpose.
3. The remaining proceeds are to be used for street improvements and/or recreational programs.

Proceeds of another 1% sales and use tax levied by the Town of Vivian, with collections for the year ended June 30, 2004 of \$448,070, are dedicated to the Police Department to be used for any lawful corporate purpose.

Town of Vivian, Louisiana

Notes to Financial Statements
June 30, 2004

9. Interfund Assets/Liabilities:

Due from/to other funds balances at June 30, 2004, were as follows:

	Due from Other Funds	Due to Other Funds
Governmental activities:		
Major funds:		
General Fund	703,711	488,595
Sales Tax Fund		147,392
Total major funds	703,711	635,987
Nonmajor funds:		
Vivian Industrial	18,424	
Capital Acquisition		634
Total nonmajor funds	18,424	634
Internal Service Fund:		
Accounts Payable Fund	33,592	
Total governmental funds	755,727	636,621
 Business-type activities:		
Proprietary funds:		
Enterprise Fund	455,003	574,109
Total	1,210,730	1,210,730

10. Interfund Operating Transfers:

Individual fund operating transfers for fiscal year 2004, were as follows:

	Transfers In	Transfers Out
Governmental activities:		
Major funds:		
General Fund	784,122	12,818
Sales Tax Fund		896,140
Total major funds	784,122	908,958
Nonmajor funds:		
Vivian Industrial	112,018	
Certificate of Indebtedness	25,635	
Total nonmajor funds	137,653	
Total governmental funds	921,775	908,958
 Business-type activities:		
Proprietary funds:		
Enterprise Fund		12,817
Total	921,775	921,775

Town of Vivian, Louisiana

Notes to Financial Statements
June 30, 2004

11. Pension Plan:

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

A. Municipal Employees Retirement System of Louisiana (System)

Plan Description. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All eligible employees of the municipality are members of Plan B.

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 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 after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2% of their final-average monthly salary in excess of \$100 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% for each year retirement precedes age 62, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100% of final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established and 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% of their annual covered salary and the Town is required to contribute an actuarially determined rate. The current rate is 6.25% of annual covered payroll. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries established and may be amended by state statute. As provided by R. S. 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's contribution to the System under Plan B for the year ending June 30, 2004, is \$31,373, equal to the required contribution.

Town of Vivian, Louisiana

Notes to Financial Statements
June 30, 2004

11. Pension Plan: (Continued)

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

Plan Description. All full-time police department employees engaged in law enforcement can elect to participate in the System. Covered employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service. Final-average salary is the employee average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

Funding Policy. Plan members are required by state statute to contribute 7.5% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 9.0% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by R. S. 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's contribution to the System for the year ending June 30, 2004, is \$14,916, equal to the required contribution.

12. On-Behalf Payments for Fringe Benefits and Salaries:

GASB Statement No. 24 requires that on-behalf payments be recognized as both revenue and expenditure by an employer governmental entity. In accordance with this Statement, the Town has recognized for the year ended June 30, 2004, \$23,070 in both miscellaneous revenue – state supplemental pay and public safety expenditures due to on-behalf payments for salaries.

13. Litigation, Claims and Subsequent Events:

Various claims and lawsuits are pending against the Town, of which the following is the most significant:

- A wrongful death suit with regards to an auto accident involving a police vehicle.

The Town plans to challenge the suit vigorously. No contingency for loss has been recorded on the books.

Town of Vivian, Louisiana

Notes to Financial Statements
June 30, 2004

13. Litigation, Claims and Subsequent Events: (Continued)

The Town 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. The Town carries commercial insurance for all named risks of loss, including workers' compensation and employee health and accident insurance.

In the opinion of management, the potential loss on these claims and lawsuits will not be significant to the Town's financial statements.

14. Contingent Liability:

The Town issued Industrial Development General Obligation Bonds, Series 1992 to induce an industry to locate in the Town. The bonds have been called and replaced by General Obligation Refunding Bonds, Series 2004 in the principal amount of \$1,220,000.

Principal and interest on the bonds are paid by the industry with such payments being recorded on the Town's books with a corresponding entry to rents received.

The industry has always paid the principal and interest in a timely manner; however, the bonds are secured by tax and other general revenues of the Town and would have to be paid by the Town upon default.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Vivian, Louisiana

Combined Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget (GAAP Basis) and Actual - Governmental Funds
For the Year Ended June 30, 2004

	General Fund				Sales Tax Fund				Variance Favorable (Unfavorable)
	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)	
	Original	Final			Original	Final			
Revenues:									
Taxes	192,500	207,732	207,487	(245)	795,000	824,560	904,436	79,876	
Oil and gas income	7,000	6,155	8,136	1,981					
Licenses and permits	106,250	109,210	108,990	(220)					
Intergovernmental	666,716	286,064	310,264	24,200					
Charges for services	186,250	162,141	187,044	24,903					
Fines and forfeitures	41,300	65,779	64,244	(1,535)					
Franchise taxes	99,000	103,000	100,119	(2,881)					
Interest	4,000	1,218	11,495	10,277	1,100	786	750	(36)	
Miscellaneous	68,500	88,917	119,302	30,385					
Total Revenues	1,371,316	1,030,216	1,117,081	86,865	796,100	825,346	905,186	79,840	
Expenditures:									
Current:									
General government	294,030	303,051	319,548	(16,497)	7,000	8,117	9,046	(929)	
Public safety	505,900	552,811	604,877	(52,066)					
Public works	307,700	310,955	326,445	(15,490)					
Town services	175,740	157,356	204,950	(47,594)					
Recreation	70,649	93,028	90,150	2,878					
Capital outlay	718,951	332,231	329,198	3,033					
Debt service:									
Principal retirement	13,156	13,291	13,291						
Interest and fiscal charges	273	273	273						
Total Expenditures	2,086,419	1,762,996	1,888,732	(123,736)	7,000	8,117	9,046	(929)	
Excess (Deficiency) of Revenues over Expenditures	(714,903)	(732,780)	(771,651)	(38,871)	789,100	817,229	896,140	78,911	
Other Financing Sources (Uses):									
Operating transfers in	684,000	719,000	784,122	65,122					
Operating transfers (out)	(13,055)	(11,528)	(12,817)	(1,289)	(782,000)	(822,000)	(896,140)	(74,140)	
Total Other Financing Sources (Uses)	670,945	707,472	771,305	63,833	(782,000)	(822,000)	(896,140)	(74,140)	
Excess (Deficiency) of Revenues over Expenditures and other Financing Sources (Uses)	(43,958)	(25,308)	(346)	24,962	7,100	(4,771)	150,801	4,771	
Fund Balance at Beginning of Year	670,738	670,738	670,738		150,801	150,801	150,801		
Fund Balance at Ending of Year	626,780	645,430	670,392	24,962	157,901	146,030	150,801	4,771	

The notes to the financial statements are an integral part of this statement.

Town of Vivian, Louisiana

Notes to Budgetary Comparison Schedule June 30, 2004

The proposed budget for the June 30, 2004, fiscal year was made available for public inspection at the office of the mayor in the Town Hall of Vivian on June 3, 2004. The proposed budget is prepared in accordance with the Generally Accepted Accounting Principles (GAAP).

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

1. The budget committee prepares a draft budget, which is submitted to the Mayor and Board of Aldermen no later than sixty 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 holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. The budget ordinance is structured such that revenues are budgeted by source and appropriations are budgeted by department and by principal object of expenditure. The Board of Aldermen may revise or amend the budget at its discretion during legally convened sessions. Amendments to the budget were made and adopted by the Board of Aldermen during the fiscal year ended June 30, 2004.
6. The Town utilizes formal budgetary integration as a management control device for all funds.

Through the budget, the Town allocates its resources and establishes its priorities. The annual budget assures the efficient and effective use of the Town's economic resources. It establishes the foundation of effective financial planning by providing resource planning, performance measures and controls that permit the evaluation and adjustment of the Town's performance.

The Budgetary Comparison Schedule – Budget (GAAP Basis) to Actual presents comparisons of the original and final legally adopted budget with the actual data.

OTHER SUPPLEMENTAL INFORMATION

Town of Vivian, Louisiana

Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2004

	<u>Special Revenue Fund Vivian Industrial District</u>	<u>Capital Project Fund Capital Acquisition</u>	<u>Total Non-Major Governmental Funds</u>
Assets:			
Cash and cash equivalents	189,585		189,585
Receivables (net, where applicable, or allowance for uncollectibles):			
Accounts	1,519		1,519
Grants		43,068	43,068
Due from other funds	18,424		18,424
Total Assets	<u>209,528</u>	<u>43,068</u>	<u>252,596</u>
Liabilities and Fund Balance:			
Liabilities:			
Accounts Payable		42,434	42,434
Due to other funds		634	634
Total Liabilities		<u>43,068</u>	<u>43,068</u>
Fund Balance:			
Unreserved	209,528		209,528
Total Liabilities and Fund Balance	<u>209,528</u>	<u>43,068</u>	<u>252,596</u>

Town of Vivian, Louisiana

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

	Special Revenue Fund	Debt Service Funds General Obligation Bonds - 2004	Certificate of Indebtedness	Capital Project Fund Capital Acquisition	Total Non-Major Governmental Funds
Revenues:					
Other governments				43,068	43,068
Interest	790			790	790
Rents		126,652			126,652
Total Revenues	<u>790</u>	<u>126,652</u>		<u>43,068</u>	<u>170,510</u>
Expenditures:					
Current:					
General government	43,333				43,333
Capital outlay				43,068	43,068
Debt service:					
Principal retirement			20,000		20,000
Interest and fiscal charges		126,652	5,635		132,287
Total Expenditures	<u>43,333</u>	<u>126,652</u>	<u>25,635</u>	<u>43,068</u>	<u>238,688</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(42,543)</u>		<u>(25,635)</u>		<u>(68,178)</u>
Other Financing Sources (Uses):					
Operating transfers in	112,017		25,635		137,652
Operating transfers (out)					
Total Other Financing Sources (Uses)	<u>112,017</u>		<u>25,635</u>		<u>137,652</u>
Excess (Deficiency) of Revenues over Expenditures and Other Financing Sources (Uses)	<u>69,474</u>				<u>69,474</u>
Fund Balance at Beginning of Year	<u>140,054</u>				<u>140,054</u>
Fund Balance at End of Year	<u>209,528</u>				<u>209,528</u>

The notes to the financial statements are an integral part of this statement.

Town of Vivian, Louisiana

**Schedule of Mayor and Aldermen's Expenses
For the Year Ended June 30, 2004**

During the year, the mayor and alderman were paid salaries and reimbursed for the Town related out of pocket expenses as follows:

	<u>Compensation</u>	<u>Reimbursed</u>	<u>Total</u>
Mayor Stephen Taylor	15,517	482	15,999
Mayor Ernie Avra	10,381		10,381
Alderman Roy C. Murry	1,800		1,800
Alderman Eddie Washington	3,050		3,050
Alderman Mike Irvin	3,050		3,050
Alderman Benny Beckman	3,050		3,050
Alderman Doug Beeman	3,050	593	3,643
Total Mayor and Council expenses	<u>39,898</u>	<u>1,075</u>	<u>40,973</u>

OTHER REPORTS

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

The Honorable Stephen G. Taylor, Mayor
and Board of Aldermen
Town of Vivian
Vivian, Louisiana

I have audited the general purpose financial statements of the Town of Vivian, Louisiana, as of and for the year ended June 30, 2004, as listed in the table of contents, and have issued my report thereon dated December 28, 2004. I conducted my 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, and the Louisiana Governmental Audit Guide.

Compliance

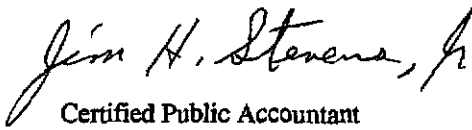
As part of obtaining reasonable assurance about whether the Town of Vivian, Louisiana's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which, could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2004-1.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Vivian, Louisiana's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted one matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the Town of Vivian, Louisiana's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 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. My 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. I believe the reportable conditions described above are material weaknesses.

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


Certified Public Accountant

December 28, 2004

Town of Vivian, Louisiana

**Schedule of Findings and Questioned Costs
June 30, 2004**

Section I - Summary of Auditor's Results

Financial Statements

Type of Report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? Yes

2004-1: The Town continues to be in violation of the budget laws.

2004-2 The Town does not maintain control over traffic tickets issued.

Reportable conditions identified not considered to be material weaknesses? No

Non-compliance material to the financial statements? Yes

2004-1: The Town continues to be in violation of the budget laws.

Federal Awards

Not Applicable

Section II - Financial Statement Findings

2004-1: Condition: The Town continues to be in violation of the budget laws as reported in finding 2003-1 from the prior year. Current expenditures and Operating Transfers Out exceeded budget in excess of 5% for both the General Fund and Sales Tax Fund.

Recommendation: I continue to recommend closer monitoring of the budget in comparison to actual amounts. This is a valuable management tool when properly used.

Management's Corrective Action Plan: We understand and agree with your recommendation. We have made changes to the monthly financial statements and feel they will be a useful monitoring tool in the future. We have also implemented a spreadsheet, which is updated monthly, which gives both monthly and year to date comparisons. We have established a budget committee which is responsible for establishing the budget and comparing budget to actual, but we have trouble amending the budget close enough to year-end for it to be as accurate as we would like.

Town of Vivian, Louisiana

Schedule of Findings and Questioned Costs

June 30, 2004

Section II - Financial Statement Findings (Continued)

2004-2: **Condition:** Ticket books are issued to police officers without recording who has the book. Also, there is no accounting for the pre-numbered tickets to determine that all tickets are accounted for through the court and bank deposits.

Recommendation: I recommend that the officers sign a receipt for books of tickets issued to them. I further recommend that an accounting record be established which verifies the disposition of all tickets by numerical sequence.

**Management's Corrective
Action Plan:** We agree with the recommendations and have established procedures to account for the books issued, and to account for the disposition for all tickets written.

Section III - Federal Award Findings and Questioned Costs

Not applicable.

Town of Vivian, Louisiana

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

There was one finding for the prior audit period ended June 30, 2003, which is as follows:

2003-1 Finding: The Town is in violation of Louisiana Budget Law. The Town is not adequately monitoring receipts and disbursements, and amending the budget prior to year-end.

Current Status: Although a budget committee and various new reports have been established to monitor revenues and expenditures on a monthly basis, the Town continues to be in violation as evidenced by excessive unfavorable variances.