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**TOWN OF DUBACH
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 12-1-04

TOWN OF DUBACH, LOUISIANA
FINANCIAL STATEMENTS
JUNE 30, 2004

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McGEHEE AND KEEN, LLC
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 1344
806 North Trenton
Ruston, Louisiana 71273-1344

INDEPENDENT AUDITORS' REPORT

The Honorable Margaret Rogers, Mayor
and Town Council
Town of Dubach
P.O. Box 258
Dubach, Louisiana 71235

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 Dubach, 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 Dubach's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

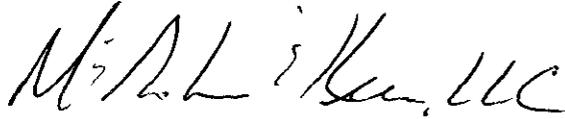
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Dubach, Louisiana, as of June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

The management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 29 through 30, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Dubach's basic financial statements. The supplemental schedule of per diem payments and schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedule of per diem payments and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "McGehee and Keen, LLC".

McGehee and Keen, LLC
Certified Public Accountants
October 1, 2004

**REQUIRED SUPPLEMENTAL INFORMATION
(PART I)**

TOWN OF DUBACH
P.O. BOX 252
DUBACH, LOUISIANA 71235
PHONE: (318) 777-3321
FAX: (318) 777-8112

MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

The Town has adopted the reporting principles and methods of the Governmental Accounting Standards Board's (GASB) Statement No. 34. This statement requires a "management's discussion and analysis" (MD&A) to be presented in financial reports which include the basic financial statements. The MD&A provides an overview of the financial activities of the Town based upon currently known facts, decisions, and conditions. Our MD&A follows; please read it in conjunction with the financial statements which begin on page 10.

Basic Financial Statements

The basic financial statements include government-wide and fund financial statements. The government-wide statements consist of a Statement of Net Assets and a Statement of Activities and provide information about the financial activities of the Town as a whole. The government-wide statements present a long-term view of our finances. Fund financial statements consist of the respective fund's balance sheet and the fund's statement of revenues, expenditures and changes in fund balance, if applicable. The fund statements tell how the Town's services were financed in the short-term and what remains for future spending. The primary difference between the fund and government-wide statement presentation methods is that expenditures for capital assets are expensed in the fund financial statements but capitalized and depreciated in the government-wide statements.

Statement of Net Assets and Statement of Activities

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

These two statements report the Town's net assets and the changes in the net assets. You can think of net assets - the difference between assets and liabilities - as one way to measure the financial health, or financial position, of the Town. Increases/(decreases) in the Town's net assets are one indicator of whether its financial health is improving/(deteriorating). You will need to consider other nonfinancial factors, however, such as changes in the Town's tax base and the condition of the Town's roads, to assess the overall health of the Town.

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

Governmental Activities - Most of the Town's basic services are reported here, including the police, sanitation, highways and streets, cemetery, and general administration. Sales tax, occupational licenses, property taxes, franchise fees, charges for services, and grants finance most of these activities. Expenses primarily include salaries, depreciation, and utilities.

Business-Type Activities - The Town charges a fee to customers to help cover all or most of the cost of certain services it provides. The Town's water and sewer system are reported here. Charges for water and sewer services and grants finance most of these activities. Expenses primarily include salaries, repairs and maintenance, depreciation, and utilities.

Government-Wide Financial Analysis

As noted above, net assets may serve as a useful indicator of the Town's financial position. The GASB Statement 34 reporting model was utilized for the first time for the year ended June 30, 2004. It was not required under this statement to restate prior period operating results to provide comparative data to the current year's operations, but in future years when prior year information is available, a comparative analysis will be presented. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental and business-type activities.

Table 1
Total Net Assets

	Governmental Activities	Business- Type Activities	Total Primary Government
Current and Other Assets	\$ 428,238	\$ 246,865	\$ 675,103
Capital Assets	<u>342,696</u>	<u>1,691,304</u>	<u>2,034,000</u>
Total Assets	<u>770,934</u>	<u>1,938,169</u>	<u>2,709,103</u>
Liabilities	<u>26,808</u>	<u>123,633</u>	<u>150,441</u>
Net Assets:			
Investment in Capital Assets	342,696	1,691,304	2,034,000
Restricted	12,896	0	12,896
Unrestricted	<u>388,534</u>	<u>123,232</u>	<u>511,766</u>
Total Net Assets	<u>\$ 744,126</u>	<u>\$ 1,814,536</u>	<u>\$ 2,558,662</u>

The largest portion of the Town's net assets (80%) are invested in capital assets. Net assets invested in capital assets consist of land, buildings, water and sewer system, and equipment. The Town uses these capital assets to provide services to its citizens; consequently, these amounts are not available for future spending.

About 20% (\$511,766) of total net assets is unrestricted. Nearly all unrestricted net assets are composed of cash and investments as of June 30, 2004. Unrestricted net assets can be used to finance the day-to-day operations of the Town without constraints.

The remaining restricted net assets (less than 1%) represent resources that are restricted to the perpetual care of the cemetery.

Table 2
Change in Net Assets

	Governmental Activities	Business- Type Activities	Total Primary Government
Revenues			
Program Revenues:			
Charges for Services	\$ 40,114	\$ 106,972	\$ 147,086
Operating Grants and Contributions	44,159	515,194	559,353
Capital Grants and Contributions	55,721	500,441	556,162
General Revenues:			
Taxes	100,082	0	100,082
Licenses	38,202	0	38,202
Other	14,917	2,732	17,649
Total Revenues	<u>293,195</u>	<u>1,125,339</u>	<u>1,418,534</u>
Program Expenses			
General Government	92,125	0	92,125
Police	68,662	0	68,662
Highways and Streets	16,945	0	16,945
Sanitation	45,187	0	45,187
Cemetery	747	0	747
Water and Sewer	0	689,321	689,321
Total Expenses	<u>223,666</u>	<u>689,321</u>	<u>912,987</u>
<i>Excess Before Transfers</i>	69,529	436,018	505,547
Transfers	8,000	(8,000)	0
Increase (Decrease) in Net Assets	77,529	428,018	505,547
Net Assets-Beginning	<u>666,597</u>	<u>1,386,518</u>	<u>2,053,115</u>
Net Assets-Ending	<u>\$ 744,126</u>	<u>\$ 1,814,536</u>	<u>\$ 2,558,662</u>

Governmental activities increased the Town's net assets by about 15% (\$77,529) of the total growth in the net asset balance for the year ended June 30, 2004. Key elements of this increase are as follows:

- (1) The Town received a donation of \$25,000 for the construction of an amphitheater at James Lake Park.
- (2) First Guaranty donated the old Dubach State Bank Building and lot to the Town with an estimated fair market value of \$25,000.
- (3) The Governor's Office of Rural Development provided capital grant funds of \$5,721 to the Town for building improvements to the old Dubach State Bank Building.
- (4) Sales tax revenue increased about \$19,000 over the prior year, which is believed to be a temporary increase due primarily to construction.

Business-type activities increased net assets by about 85% (\$428,018), of the total growth in the net asset balance for the year ended June 30, 2004. Key elements of this increase are as follows:

- (1) The Town received grant proceeds of \$397,941 from a Community Development Block Grant for the purpose of constructing an elevated tank and other related equipment.

- (2) Grant proceeds of \$100,625 were received by the Town for the replacement of a sewer lift station.
- (3) The Town experienced about a \$67,000 operating loss for the current year. About \$10,800 of this loss was a result of a decrease in water sales, primarily due to a decrease in bulk water sales to contractors from the prior year. There was also about \$23,000 of this loss that can be attributed to unusually high repairs and maintenance expenses, which are believed to be *caused by problems associated with the construction projects and the age of the water and sewer system equipment*. There was also an increase in salaries for overtime related to repairs and maintenance of about \$5,000.

The Town has experienced an operating loss in its business-type activities (i.e., water and sewer fund) for the last three years as operating expenses have increased, but revenues have remained fairly constant. The Council is monitoring this situation closely to determine if a rate increase may be needed to help provide sufficient revenue to cover operating expenses.

Fund Financial Statements

As of our year end on June 30, 2004, the governmental funds reported a fund balance of \$400,903, which is about a 4% (\$15,295) growth in the total fund balance. Included in this year's total change in fund balance is a surplus of \$4,317 in the Town's general fund and a surplus of \$10,804 in the Town's garbage fund. The key elements for this increase are as follows:

- (1) The Town had an increase in sales tax revenue of \$19,000, as described above.
- (2) There was an increase of about \$5,400 in the Town's portion of monies received from the Lincoln Parish 1/2% sales tax dedicated to garbage disposal. Annual increases and decreases in the tax remaining after expenses at the parish landfill are common.
- (3) General Fund capital outlay expenditures increased about \$8,800, which were almost entirely for improvements to the donated bank building not covered by the state grant received.

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

General Fund Budgetary Highlights

We amend our budget when we determine there are unexpected differences between actual and anticipated revenues and/or expenditures. Our final amended budget was adopted just prior to year end. The differences between the original and final amended budget were a 28% (\$37,800) increase in revenues and a 53% (\$81,200) increase in expenditures. The change in budgeted revenues was primarily a \$17,328 increase in grant revenue, representing a 100% change, and a \$25,000 increase in donations, representing a 100% change. The increase in budgeted expenditures was primarily due to an increase of \$55,000 in capital outlay. This increase included the amphitheater construction project, improvements to the bank building, improvements to the community center, lights for the nature trail bridge, and equipment purchased. Other adjustments were made to various accounts to adjust to actual expenditures, such as repairs and maintenance of town property, audit fees, travel and seminars, mosquito control, and miscellaneous amounts. There were no other significant general fund budget adjustments.

The only significant variance of actual results compared to the general fund amended budget, as reported on page 29, was an increase in revenue of 27% (\$46,369) over budgeted amounts. The budget had projected sales tax to remain consistent with the prior year, however sales tax increased 42% (\$18,864), as described above. There was a \$15,085 variance for Entergy bills collected by the Town that were offset with a corresponding expenditure once remitted to Entergy, so it had no net effect. Other differences included accounts such as franchise taxes, licenses, grant revenue, and fines.

Capital Assets

The Town invested \$740,070 in capital assets for the fiscal year ending June 30, 2004. This investment included amounts funded by grants of \$506,162, donations of \$50,000, \$23,904 funded by the general fund, and \$160,004 funded by the utility fund. For the upcoming year, we plan to complete the construction projects that are in progress at June 30, 2004, which we estimate will cost \$11,711, of which \$7,225 will be paid by grants, \$1,386 will be reimbursed by donations, and the remaining balance funded by the utility fund. We also plan to purchase a police car for about \$20,000 using grant funds, contributions, and funds from the general fund. There are no plans to issue debt to finance the purchase of any other future project. More detailed information about the Town's capital assets is presented in the notes to the financial statements.

Next Year's Budget and Rates

We considered many factors when setting the budget for the year ending June 30, 2005. Anticipated general fund revenues are \$145,000, which is about 35% (\$78,400) less than the actual 2004 amounts. This budgetary decrease is primarily due to 2004 grant revenue and donations not expected to recur in the 2005 year. We also anticipate sales tax will return to normal levels next year, as discussed above. General fund expenditures are expected to be \$156,700, a 28% (\$60,300) decrease from the 2004 actual amounts. This budgetary decrease is primarily due to a decrease in anticipated capital outlay expenditures. Anticipated garbage fund revenues are \$45,500, which is about 23% (\$13,000) less than the actual 2004 amounts. This decrease is primarily due to anticipated lower receipts in the Town's portion of the 1/2% tax.

The Town's franchise fees increased from 2% to 4% in the next year. This should increase franchise fees, but the budget information for the next year does not reflect an increase for this anticipated change. Also, the Town is making plans to purchase a police car, as discussed above, that was not included in the budget information for the next year.

Business-type activities are expected to continue to be underfunded, as discussed above, unless rates are increased. The budget for the governmental funds (i.e., the general fund and garbage fund) also projects a deficit for 2005.

Requests for Additional Information

This financial report is designed to provide citizens and taxpayers with a general overview of the finances of the Town of Dubach and to show accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town of Dubach at 7833 Annie Lee Street, Dubach, LA 71235. The phone number for the Town is (318) 777-3321.

GOVERNMENT WIDE FINANCIAL STATEMENTS

TOWN OF DUBACH, LOUISIANA
STATEMENT OF NET ASSETS
JUNE 30, 2004

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
ASSETS			
Cash	\$ 68,070	\$ 55,261	\$ 123,331
Investments	321,408	95,005	416,413
Receivables--Net	31,311	10,828	42,139
Due from Other Governments	11,969	49,957	61,926
Internal Balances	(7,275)	7,275	0
Prepaid Insurance	2,755	446	3,201
Restricted Assets			
Cash-Customers' Deposits	0	3,992	3,992
Investments-Customers' Deposits	0	24,101	24,101
Capital Assets--Net	<u>342,696</u>	<u>1,691,304</u>	<u>2,034,000</u>
TOTAL ASSETS	<u>770,934</u>	<u>1,938,169</u>	<u>2,709,103</u>
LIABILITIES			
Accounts Payable	23,505	8,388	31,893
Contracts Payable	0	85,571	85,571
Accrued Expenses	3,303	1,580	4,883
Customers' Deposits	<u>0</u>	<u>28,094</u>	<u>28,094</u>
TOTAL LIABILITIES	<u>26,808</u>	<u>123,633</u>	<u>150,441</u>
NET ASSETS			
Invested in Capital Assets	342,696	1,691,304	2,034,000
Restricted for--			
Perpetual Care of Cemetery	12,896	0	12,896
Unrestricted	<u>388,534</u>	<u>123,232</u>	<u>511,766</u>
TOTAL NET ASSETS	<u>\$ 744,126</u>	<u>\$ 1,814,536</u>	<u>\$ 2,558,662</u>

See accompanying notes to financial statements.

TOWN OF DUBACH, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES:							
General Government	\$ 92,125	\$ 12,948	\$ 6,002	\$ 55,721	\$ (17,454)	\$ 0	\$ (17,454)
Police	68,662	1,357	3,600	0	(63,705)	0	(63,705)
Highways and Streets	16,945	2,809	0	0	(14,136)	0	(14,136)
Sanitation	45,187	22,200	34,436	0	11,449	0	11,449
Cemetery	747	800	121	0	174	0	174
TOTAL GOVERNMENTAL ACTIVITIES	<u>223,666</u>	<u>40,114</u>	<u>44,159</u>	<u>55,721</u>	<u>(83,672)</u>	<u>0</u>	<u>(83,672)</u>
BUSINESS-TYPE ACTIVITIES:							
Water and Sewer	689,321	106,972	515,194	500,441	0	433,286	433,286
TOTAL PRIMARY GOVERNMENT	<u>\$ 912,987</u>	<u>\$ 147,086</u>	<u>\$ 559,353</u>	<u>\$ 556,162</u>	<u>(83,672)</u>	<u>433,286</u>	<u>349,614</u>
GENERAL REVENUES:							
Taxes							
Ad Valorem					16,609	0	16,609
Sales and Use					63,864	0	63,864
Franchise					19,609	0	19,609
Licenses					38,202	0	38,202
Investment Earnings					10,904	2,732	13,636
Other Revenue					4,013	0	4,013
SPECIAL ITEMS							
Collection of Energy Payments					15,085	0	15,085
Remitted Energy Payments					(15,085)	0	(15,085)
TRANSFERS					<u>8,000</u>	<u>(8,000)</u>	<u>0</u>
TOTAL GENERAL REVENUES, SPECIAL ITEMS, AND TRANSFERS					<u>161,201</u>	<u>(5,268)</u>	<u>155,933</u>
CHANGE IN NET ASSETS					77,529	428,018	505,547
NET ASSETS-BEGINNING					<u>666,597</u>	<u>1,386,518</u>	<u>2,053,115</u>
NET ASSETS-ENDING					<u>\$ 744,126</u>	<u>\$ 1,814,536</u>	<u>\$ 2,558,662</u>

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

TOWN OF DUBACH, LOUISIANA
BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General Fund	Garbage Fund	Other Governmental Fund Permanent Fund	Total Governmental Funds
ASSETS				
Cash	\$ 16,765	\$ 47,968	\$ 3,337	\$ 68,070
Investments	238,250	70,287	12,871	321,408
Receivables--Net	30,866	445	0	31,311
Receivable from Other Governments	8,318	3,651	0	11,969
Due from Other Funds	6,715	0	0	6,715
Prepaid Insurance	1,584	1,171	0	2,755
TOTAL ASSETS	<u>\$ 302,498</u>	<u>\$ 123,522</u>	<u>\$ 16,208</u>	<u>\$ 442,228</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES:				
Accounts Payable	\$ 21,778	\$ 1,727	\$ 0	\$ 23,505
Accrued Expenses	2,048	1,255	0	3,303
Due to Other Funds	6,720	7,270	0	13,990
Deferred Revenue	527	0	0	527
TOTAL LIABILITIES	<u>31,073</u>	<u>10,252</u>	<u>0</u>	<u>41,325</u>
FUND BALANCES:				
<i>Reserved for--</i>				
Perpetual Care of Cemetery	0	0	12,896	12,896
<i>Unreserved, Reported In--</i>				
General Fund	271,425	0	0	271,425
Special Revenue Fund	0	113,270	0	113,270
Permanent Fund	0	0	3,312	3,312
TOTAL FUND BALANCE	<u>271,425</u>	<u>113,270</u>	<u>16,208</u>	<u>400,903</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 302,498</u>	<u>\$ 123,522</u>	<u>\$ 16,208</u>	<u>\$ 442,228</u>

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004**

Total Fund Balances-Governmental Funds \$ 400,903

Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 342,696

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. 527

Net Assets of Governmental Activities **\$ 744,126**

See accompanying notes to financial statements.

TOWN OF DUBACH, LOUISIANA
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES--GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	<u>General Fund</u>	<u>Garbage Fund</u>	<u>Other Governmental Fund Permanent Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes				
Ad Valorem	\$ 16,082	\$ 0	\$ 0	\$ 16,082
Sales and Use	63,864	0	0	63,864
Franchise	19,609	0	0	19,609
Licenses	38,202	0	0	38,202
Intergovernmental				
Right-of-Way Maintenance	2,809	0	0	2,809
Hotel Tax	3,674	0	0	3,674
State Grants	8,049	0	0	8,049
Supplemental Pay-Police	3,600	0	0	3,600
Town's Portion of 1/2% Tax	0	34,436	0	34,436
Charges for Services	0	21,860	0	21,860
Fines	1,357	0	0	1,357
Investment Earnings	9,105	1,799	121	11,025
Other Revenues				
Donation for Amphitheater	25,000	0	0	25,000
Rent	9,420	0	0	9,420
Royalties	4,013	0	0	4,013
Miscellaneous	<u>3,528</u>	<u>340</u>	<u>800</u>	<u>4,668</u>
TOTAL REVENUES	<u>208,312</u>	<u>58,435</u>	<u>921</u>	<u>267,668</u>
EXPENDITURES				
General Government	82,575	0	0	82,575
Police	66,864	0	0	66,864
Highways and Streets	12,931	0	0	12,931
Sanitation	0	42,631	0	42,631
Cemetery	0	0	747	747
Capital Outlay	<u>54,625</u>	<u>0</u>	<u>0</u>	<u>54,625</u>
TOTAL EXPENDITURES	<u>216,995</u>	<u>42,631</u>	<u>747</u>	<u>260,373</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(8,683)</u>	<u>15,804</u>	<u>174</u>	<u>7,295</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	13,000	0	0	13,000
Operating Transfers Out	<u>0</u>	<u>(5,000)</u>	<u>0</u>	<u>(5,000)</u>
TOTAL OTHER FINANCING SOURCES	<u>13,000</u>	<u>(5,000)</u>	<u>0</u>	<u>8,000</u>
SPECIAL ITEMS				
Collected for Entergy	15,085	0	0	15,085
Remitted to Entergy	<u>(15,085)</u>	<u>0</u>	<u>0</u>	<u>(15,085)</u>
TOTAL SPECIAL ITEMS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
EXCESS OF REVENUES, SPECIAL ITEMS AND OTHER SOURCES OVER EXPENDITURES	4,317	10,804	174	15,295
FUND BALANCE-BEGINNING	<u>267,108</u>	<u>102,466</u>	<u>16,034</u>	<u>385,608</u>
FUND BALANCE-ENDING	<u>\$ 271,425</u>	<u>\$ 113,270</u>	<u>\$ 16,208</u>	<u>\$ 400,903</u>

See accompanying notes to financial statements.

TOWN OF DUBACH, 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

NET CHANGE IN FUND BALANCES-GOVERNMENTAL FUNDS \$ 15,295

**Amounts Reported for Governmental Activities in the Statement of
 Activities are Different Because:**

Governmental Funds report capital outlays as expenditures.
 However, in the Statement of Activities the cost of those assets
 is allocated over their estimated useful lives and reported as
 depreciation expense. This is the amount by which capital
 outlays exceeded depreciation in the current period. 36,707

Revenue in the statement of activities that do not provide current
 resources and are not reported in the funds:

Received donation of Dubach State Bank building 25,000

Accrued revenue for ad valorem taxes that were not received
 within sixty days of year end 527

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 77,529**

TOWN OF DUBACH, LOUISIANA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2004

	<u>Water and Sewer Enterprise Fund</u>
ASSETS	
CURRENT ASSETS:	
Cash	\$ 55,261
Investments	95,005
Accounts Receivable--Net of Allowance of \$1,205	10,494
Due from State DOTD	49,957
Due from Other Funds	7,275
Accrued Interest	334
Prepaid Insurance	<u>446</u>
TOTAL CURRENT ASSETS	<u>218,772</u>
NON-CURRENT ASSETS:	
Restricted Assets	
Cash-Customers' Deposits	3,992
Investments-Customers' Deposits	<u>24,101</u>
Total Restricted Assets	<u>28,093</u>
<i>Capital Assets--Net of Accumulated Depreciation</i>	<u>1,691,304</u>
TOTAL NON-CURRENT ASSETS	<u>1,719,397</u>
TOTAL ASSETS	<u>1,938,169</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	8,388
Contracts Payable	85,571
Accrued Payroll	708
Accrued Vacation	820
Sales Tax Payable	<u>52</u>
TOTAL CURRENT LIABILITIES	<u>95,539</u>
NON-CURRENT LIABILITIES	
Customers' Deposits Payable	<u>28,094</u>
TOTAL NON-CURRENT LIABILITIES	<u>28,094</u>
TOTAL LIABILITIES	<u>123,633</u>
NET ASSETS	
Invested in Capital Assets	1,691,304
Unrestricted	<u>123,232</u>
TOTAL NET ASSETS	<u>\$ 1,814,536</u>

See accompanying notes to financial statements.

TOWN OF DUBACH, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Water and Sewer Enterprise Fund</u>
OPERATING REVENUES	
Water Sales	\$ 67,986
Sewer Fees	33,188
Delinquent Fees	7,443
<i>Connecting and Re-connecting Fees</i>	1,425
Grant Revenue	2,967
Miscellaneous	<u>293</u>
TOTAL OPERATING REVENUES	<u>113,302</u>
OPERATING EXPENSES	
Bad Debts	3,363
Depreciation	44,571
Insurance	5,562
Legal and Accounting Fees	5,510
Miscellaneous	454
Operations and Maintenance of System	38,946
Office Supplies, Postage, and Printing	2,468
Outside Services	6,000
Safe Drinking Water Fee	1,143
Salaries	51,621
Sewer Pond Inspection	1,137
Taxes-Payroll	4,033
Truck Allowance	1,450
Utilities	<u>14,167</u>
TOTAL OPERATING EXPENSES	<u>180,425</u>
OPERATING LOSS	<u>(67,123)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest Income	2,732
Reimbursement from State for Utility Relocation Costs	512,227
Utility Relocation Costs for State Highway Project	<u>(512,259)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>2,700</u>
LOSS BEFORE CONTRIBUTIONS AND TRANSFERS	(64,423)
CAPITAL CONTRIBUTIONS	500,441
TRANSFERS OUT	<u>(8,000)</u>
CHANGE IN NET ASSETS	428,018
TOTAL NET ASSETS-BEGINNING	<u>1,386,518</u>
TOTAL NET ASSETS-ENDING	<u>\$ 1,814,536</u>

See accompanying notes to financial statements.

TOWN OF DUBACH, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Water and Sewer Enterprise Fund</u>
Cash Flows From Operating Activities	
Cash Received from Customers and Users	\$ 111,615
Proceeds from Operating Grant	2,967
Cash Payments for Goods and Services	(83,525)
Cash Payments to Employees	<u>(53,113)</u>
Net Cash Used By Operating Activities	<u>(22,056)</u>
Cash Flows From Noncapital Financing Activities	
Operating Transfers to Other Funds	(14,192)
Cash Received from State for Utility Relocation Costs	476,168
Cash Payments for Utility Relocation Costs	<u>(475,623)</u>
Net Cash Used By Noncapital Financing Activities	<u>(13,647)</u>
Cash Flows From Capital Financing Activities	
Capital Contributions	525,590
Purchase of Land	(9,575)
Purchase of Fixed Assets	(18,599)
Payment of Construction Costs	<u>(607,204)</u>
Net Cash Used By Capital Financing Activities	<u>(109,788)</u>
Cash Flows From Investing Activities	
Proceeds from Sale of Investments	262,314
Purchase of Investments	(119,106)
Interest Received	<u>3,432</u>
Net Cash Provided By Investing Activities	<u>146,640</u>
Net Increase In Cash	1,149
Cash At Beginning Of Year	<u>58,104</u>
Cash At End Of Year	<u>\$ 59,253</u>
Reconciliation Of Operating Loss To Net Cash Provided By Operating Activities:	
Operating Loss	\$ (67,123)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities--	
Depreciation	44,571
(Increase) Decrease in Net Accounts Receivable	3,711
(Increase) Decrease in Prepaid Insurance	(174)
Increase (Decrease) in Accrued Expenses	(315)
Increase (Decrease) in Accounts Payable	(3,657)
Increase (Decrease) in Customers' Deposits	<u>931</u>
Total Adjustments	<u>45,067</u>
Net Cash Provided By Operating Activities	<u>\$ (22,056)</u>

See accompanying notes to financial statements.

TOWN OF DUBACH, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

The Town of Dubach, Louisiana, was incorporated in 1898, under the provisions of the Lawrason Act. The Town operates under a Mayor-Council form of government with four council members. Services provided by the Town include police protection, sanitation, and street maintenance. The Town also operates a water distribution system and sewer system for about 400 customers.

The accompanying basic financial statements of the Town of Dubach, Louisiana, are prepared in accordance with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles for state and local governments through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town are discussed below.

In June, 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*. Certain of the significant changes in the Statement include the following:

For the first time the financial statements include:

- (1) A Management's Discussion and Analysis (MD &A) section providing an analysis of the overall financial position and results of operations for the Town of Dubach.
- (2) Financial statements prepared using full accrual accounting for all of the activities of the Town of Dubach.

A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements). The Town has elected to implement the general provisions of the Statement in the current year and chose not to retroactively report infrastructure assets (i.e., general infrastructure assets acquired or constructed prior to July 1, 2003, are not reported in the financial statements).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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 of Dubach is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. As used in GASB Statement No. 14, fiscally independent means that the municipality may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. Component units can be identified by financial accountability and whether exclusion would create misleading or incomplete financial statements. No component units were identified for the Town of Dubach.

TOWN OF DUBACH, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basic Financial Statements--Government-Wide Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's police protection, highways and streets, sanitation, cemetery, and general administrative services are classified as governmental activities. The Town's water and sewer services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column. They are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts--invested in capital assets, restricted net assets, and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net costs of each of the Town's functions and business-type activities. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating grants, and capital grants. Program revenues must be directly associated with the function or a business-type activity. The net costs (by function or business-type activity) are normally covered by general revenue (taxes, intergovernmental revenues, interest income, etc.). The Town does not allocate indirect costs.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

C. Basic Financial Statements--Fund Financial Statements

The financial transactions of the Town of Dubach are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following funds are used by the Town of Dubach:

Governmental Funds--The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town of Dubach:

General Fund

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

Special Revenue Funds

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

Permanent Fund

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for the purposes that support the reporting government's programs.

TOWN OF DUBACH, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Funds--The focus of proprietary fund measurement is upon determination of operating income, changes in net asset, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:

Enterprise Funds

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements (i.e., the timing), regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, interest income, royalties, rent, and intergovernmental revenues. Sales tax collected and held by the sales tax collection agency at year end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

The Town reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

TOWN OF DUBACH, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Deposits and Investments

Cash and cash equivalents consist of cash on hand, demand deposits, interest-bearing demand deposits, and short-term time deposits with original maturities of three months or less from date of acquisition.

Under state law, the Town of Dubach may invest funds in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities. Investments are reported at fair value.

F. Restricted Assets

Restricted assets represent resources that must be expended in a specific manner. The "customers' deposits" account is used to report proceeds from customers' meter deposits. A corresponding liability is presented to record these funds held by the enterprise fund. In situations where it is permissible to spend restricted resources, the Town typically depletes the available restricted resources before consuming unrestricted resources.

G. Compensated Absences

Employees earn either one or two weeks of vacation time each year, depending upon years of service. Employees earn 12 days of sick leave each year. Vacation can be accumulated. There was \$2,601 in accrued vacation benefits at year end. There was no accumulated and vested sick leave benefits at year end.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

H. Use of Estimates

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

I. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" on the fund financial statements balance sheets, as well as all other outstanding balances between funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

TOWN OF DUBACH, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Ad valorem tax and proprietary fund receivables are shown net of an allowance for uncollectible amounts. *Estimated uncollectible amounts are recognized as a reduction in revenue in the general fund and as bad debt expense in the proprietary fund through an allowance established based upon collection experience and other factors which indicate possible uncollectibility.*

Ad Valorem taxes are levied on a calendar year basis and become delinquent on December 31. The Town bills and collects its own Ad Valorem taxes. For the 2003 Ad Valorem Taxes, one rate of tax was levied on property within the corporate limits, as follows:

7.25 mills for the general maintenance of the Town. This millage was approved by the Town Council September 15, 2003. This millage is the maximum millage that can be assessed without the approval of voters.

For the year ended June 30, 2004, taxes of \$14,752 were levied on property. Taxes receivable at June 30, 2004 consisted of the following:

Taxes Receivable	\$ 570
Allowance for Uncollectible Taxes	<u>(43)</u>
Net Ad Valorem Taxes Receivable	<u>\$ 527</u>

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

First Guaranty	\$ 907
Bell South	<u>1,493</u>
Total	<u>\$ 2,400</u>

The qualified electors of the Town of Dubach authorized a one cent sales and use tax levy to be dedicated and used for the purpose of providing funds for any lawful corporate purpose of the Town.

The qualified electors of Lincoln Parish authorized a half cent sales and use tax levy to be dedicated and used for the purpose of solid waste disposal. The proceeds of the sales tax, after paying reasonable and necessary cost and expenses of collecting and administering the tax and cost of operating and maintaining parish-wide solid waste disposal facilities and necessary equipment in connection therewith, is allocated and divided between the Lincoln Parish Police Jury and the incorporated municipalities of the parish according to a formula based upon the ratio that the population of each municipality or entity bears to the total population of the parish as shown by the most recent federal decennial census. The proceeds are restricted for use in the operation and maintenance of solid waste collection facilities, including equipment, furnishings, and other property in connection therewith.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost, except that general infrastructure capital assets consisting of streets, bridges, sidewalks, and drainage systems acquired before July 1, 2003, are excluded from capital assets. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the

TOWN OF DUBACH, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. All capital assets, other than land, are depreciated using the straight-line method over the following estimated useful lives:

Buildings and Building Improvements	30 years
Water and Sewer Systems	10-50 years
Machinery and Equipment	3-20 years
Improvements other than Buildings	30 years

K. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

L. Prepaid Insurance

Payments made to insurance companies for insurance coverage that will benefit periods beyond June 30, 2004, are recorded as prepaid items in the asset section of the fund financial statements balance sheet.

M. Budget Information

The Town of Dubach prepared operating budgets on its General Fund and Special Revenue Fund for the year ended June 30, 2004. The proposed budgets were published in the official journal and made available for public inspection. A public hearing for the proposed budgets was held on June 16, 2003, and the budgets were adopted by the mayor and council members. The budgets were legally amended prior to year end. The budgets presented anticipated revenues and expenditures on a basis consistent with generally accepted accounting principles. Budgetary amounts were monitored by management and amended as deemed necessary. Appropriations lapse at year-end and must be reappropriated for the following year to be expended.

NOTE 2 - CASH AND INVESTMENTS

At June 30, 2004, the Town has cash and restricted cash (book balances) totaling \$127,323 and investments and restricted investments (book balances) totaling \$440,514, as follows:

	<u>Cash</u>	<u>Investments</u>
Cash on Hand	\$ 450	\$ 0
Demand Deposits	124,397	0
Time Deposits	<u>2,476</u>	<u>440,514</u>
Total	<u>\$ 127,323</u>	<u>\$ 440,514</u>

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

TOWN OF DUBACH, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

The Town maintains its cash accounts in various banks. Each bank provides Federal Deposit Insurance Corporation (FDIC) coverage of \$100,000 for all demand deposits and \$100,000 for all time deposits (time deposits are defined as any interest bearing account). At June 30, 2004, the Town has \$573,621 in deposits (collected bank balances). These deposits are secured from risk by \$400,000 of federal deposit insurance and \$173,621 of pledged securities held by custodial banks in the name of the fiscal agent banks.

NOTE 3 - RECEIVABLES

The receivables of \$42,139 at June 30, 2004, are as follows:

	<u>General Fund</u>	<u>Garbage Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
Taxes				
Ad Valorem, net of allowance of \$43	\$ 527	\$ 0	\$ 0	\$ 527
Sales and Use	14,546	0	0	14,546
Franchise	5,354	0	0	5,354
Accounts	0	110	10,494	10,604
Due from Donor	9,067	0	0	9,067
Other	<u>1,372</u>	<u>335</u>	<u>334</u>	<u>2,041</u>
Total	<u>\$ 30,866</u>	<u>\$ 445</u>	<u>\$ 10,828</u>	<u>\$ 42,139</u>

NOTE 4 - DUE FROM OTHER GOVERNMENTS

The amounts due from other governments of \$61,926 at June 30, 2004, are as follows:

	<u>General Fund</u>	<u>Garbage Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
Right-of-Way Maintenance	\$ 1,405	\$ 0	\$ 0	\$ 1,405
Hotel Tax	1,192	0	0	1,192
State Grant	5,721	0	0	5,721
Town's Portion of 1/2% Tax	0	3,651	0	3,651
Reimbursement from Louisiana Department of Transportation and Development for Utility Relocation Costs on State Highway Project	<u>0</u>	<u>0</u>	<u>49,957</u>	<u>49,957</u>
Total	<u>\$ 8,318</u>	<u>\$ 3,651</u>	<u>\$ 49,957</u>	<u>\$ 61,926</u>

NOTE 5 - INTERFUND RECEIVABLE/PAYABLE

Interfund receivable/payable balances resulting from interfund transactions are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 6,715	\$ 6,720
Special Revenue Fund-Garbage Fund	0	7,270
Utility Fund	<u>7,275</u>	<u>0</u>
Totals	<u>\$ 13,990</u>	<u>\$ 13,990</u>

The funds periodically submit reimbursements to the other funds, however, no significant reductions in the interfund balances are expected within the next year.

TOWN OF DUBACH, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 6 - RESTRICTED ASSETS--PROPRIETARY FUND TYPE

Restricted assets were applicable to the following at June 30, 2004:

Customers' Deposits \$ 28,094

NOTE 7 - CAPITAL ASSETS

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

	<u>Beginning</u> <u>Balance</u> <u>07/01/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u> <u>06/30/04</u>
Governmental Activities:				
Capital Assets				
Land	\$ 61,947	\$ 5,000	\$ 0	\$ 66,947
Construction in Progress	30,696	46,294	30,696	46,294
Buildings and Building Improvements	152,218	20,000	0	172,218
Improvements Other than Buildings	53,353	35,329	0	88,682
Machinery and Equipment	<u>133,646</u>	<u>3,698</u>	<u>0</u>	<u>137,344</u>
Total Capital Assets	<u>431,860</u>	<u>110,321</u>	<u>30,696</u>	<u>511,485</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	74,014	4,200	0	78,214
Improvements Other than Buildings	2,743	2,811	0	5,554
Machinery and Equipment	<u>74,114</u>	<u>10,907</u>	<u>0</u>	<u>85,021</u>
Total Accumulated Depreciation	<u>150,871</u>	<u>17,918</u>	<u>0</u>	<u>168,789</u>
Governmental Capital Assets, Net	<u>\$ 280,989</u>	<u>\$ 92,403</u>	<u>\$ 30,696</u>	<u>\$ 342,696</u>
Business-Type Activities:				
Capital Assets				
Land	\$ 7,907	\$ 9,575	\$ 0	\$ 17,482
Construction in Progress	206,788	520,462	0	727,250
Water and Sewer Systems	1,866,365	128,739	0	1,995,104
Machinery and Equipment	<u>6,363</u>	<u>1,669</u>	<u>0</u>	<u>8,032</u>
Total	<u>2,087,423</u>	<u>660,445</u>	<u>0</u>	<u>2,747,868</u>
Less Accumulated Depreciation for:				
Water and Sewer Systems	1,006,103	44,110	0	1,050,213
Machinery and Equipment	<u>5,890</u>	<u>461</u>	<u>0</u>	<u>6,351</u>
Total Accumulated Depreciation	<u>1,011,993</u>	<u>44,571</u>	<u>0</u>	<u>1,056,564</u>
Business-Type Capital Assets, Net	<u>\$ 1,075,430</u>	<u>\$ 615,874</u>	<u>\$ 0</u>	<u>\$ 1,691,304</u>

Depreciation expense of \$17,918 for the year ended June 30, 2004, was charged to the following governmental functions:

General Government	\$ 9,550
Police	1,798
Highways and Streets	4,014
Sanitation	<u>2,556</u>
Total Governmental Depreciation Expense	<u>\$ 17,918</u>

TOWN OF DUBACH, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 8 - OPERATING LEASE

The Town leased a building for \$25 per month from the Lincoln Parish School Board through a cooperative endeavor agreement. The agreement is for five years beginning July 30, 2001. Rent expense for the year ended June 30, 2004, is \$300.

NOTE 9 - ON-BEHALF PAYMENTS

Employees of the Town of Dubach's Police Department received salary supplements of \$3,600 from the State of Louisiana for the year ended June 30, 2004. There were no fringe benefits paid on this supplemental salary.

NOTE 10 - INTERFUND TRANSFERS

Interfund receivable/payable balances resulting from interfund transactions are as follows:

	Transfers In	Transfers Out
General Fund	\$ 13,000	\$ 0
Garbage Fund	0	5,000
Utility Fund	0	8,000
Totals	\$ 13,000	\$ 13,000

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 11 - COMMITMENTS

The Town of Dubach has three active construction projects as of June 30, 2004. Two of these projects are in governmental activities, and are for the construction of an amphitheater at James Lake Park and for improvements to the bank building. There are no commitments with contractors for either one of these projects.

The construction project in the business-type activities is for the construction of an elevated tank and other related items. At year end, the commitments with contractors for this project are as follows:

	Charges Incurred	Remaining Commitment
Denmon Engineering Company, Inc.	\$ 78,700	\$ 0
Charles Ates Construction, Inc.	360,730	0
Caldwell Tanks, Inc.	258,000	0
Frye Magee and Associates, Inc.	29,800	3,100
Total	\$ 727,230	\$ 3,100

The Town is also involved in a project, in cooperation with the State of Louisiana Department of Transportation and Development, to relocate a sewer lift station to accommodate the State's highway project. The Town is approved to receive reimbursement from the State for the costs related to the project. At year end, the commitments with contractors for this project are as follows:

	Charges Incurred	Remaining Commitment
Riley Engineering Company of Louisiana, Inc.	\$ 24,860	\$ 23,190
Trenchless Construction, Inc.	0	127,276
Total	\$ 24,860	\$ 150,466

**REQUIRED SUPPLEMENTAL INFORMATION
(PART II)**

TOWN OF DUBACH, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
--BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
REVENUES				
Taxes				
Ad Valorem	\$ 15,000	\$ 16,000	\$ 16,082	\$ 82
Sales and Use	40,000	45,000	63,864	18,864
Franchise	20,000	14,000	19,609	5,609
Licenses	28,000	29,500	38,202	8,702
Intergovernmental				
Right-of-Way Maintenance	2,800	2,800	2,809	9
Hotel Tax	3,000	2,400	3,674	1,274
State Grants	0	17,328	8,049	(9,279)
Supplemental Pay-Police	3,600	3,600	3,600	0
Fines	2,000	1,100	1,357	257
Investment Earnings	6,000	6,000	9,105	3,105
Other Revenues				
Donation for Amphitheater	0	25,000	25,000	0
Rent	9,000	7,800	9,420	1,620
Royalties	2,000	2,800	4,013	1,213
Miscellaneous	7,800	3,700	3,528	(172)
TOTAL REVENUES	<u>139,200</u>	<u>177,028</u>	<u>208,312</u>	<u>31,284</u>
EXPENDITURES				
General Government	68,578	91,378	82,575	8,803
Police	68,548	71,998	66,864	5,134
Highways and Streets	14,200	14,200	12,931	1,269
Capital Outlay	2,000	57,000	54,625	2,375
TOTAL EXPENDITURES	<u>153,326</u>	<u>234,576</u>	<u>216,995</u>	<u>17,581</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(14,126)</u>	<u>(57,548)</u>	<u>(8,683)</u>	<u>48,865</u>
OTHER FINANCING SOURCES				
Operating Transfers In	8,000	13,000	13,000	0
TOTAL OTHER FINANCING SOURCES	<u>8,000</u>	<u>13,000</u>	<u>13,000</u>	<u>208,312</u>
SPECIAL ITEMS				
Collected for Entergy	0	0	15,085	15,085
Remitted to Entergy	0	0	(15,085)	(15,085)
TOTAL SPECIAL ITEMS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
EXCESS OF REVENUES, OTHER SOURCES, AND SPECIAL ITEMS OVER (UNDER) EXPENDITURES	(6,126)	(44,548)	4,317	257,177
FUND BALANCE-BEGINNING	<u>217,791</u>	<u>217,791</u>	<u>267,108</u>	<u>49,317</u>
FUND BALANCE-ENDING	<u>\$ 211,665</u>	<u>\$ 173,243</u>	<u>\$ 271,425</u>	<u>\$ 306,494</u>

TOWN OF DUBACH, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
--BUDGET AND ACTUAL - GARBAGE FUND
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
REVENUES				
Charges for Services	\$ 21,000	\$ 21,000	\$ 21,860	\$ 860
Intergovernmental				
Town's Portion of 1/2% Tax	24,000	29,000	34,436	5,436
Investment Earnings	1,000	500	1,799	1,299
Other Revenues				
Miscellaneous	<u>150</u>	<u>150</u>	<u>340</u>	<u>190</u>
TOTAL REVENUES	<u>46,150</u>	<u>50,650</u>	<u>58,435</u>	<u>7,785</u>
EXPENDITURES				
Sanitation	45,100	47,950	42,631	5,319
Capital Outlay	<u>0</u>	<u>225</u>	<u>0</u>	<u>225</u>
TOTAL EXPENDITURES	<u>45,100</u>	<u>48,175</u>	<u>42,631</u>	<u>5,544</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,050</u>	<u>2,475</u>	<u>15,804</u>	<u>13,329</u>
OTHER FINANCING SOURCES				
Operating Transfers Out	<u>0</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>0</u>
TOTAL OTHER FINANCING SOURCES	<u>0</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>58,435</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	1,050	(2,525)	10,804	13,329
FUND BALANCE-BEGINNING	<u>95,166</u>	<u>95,166</u>	<u>102,466</u>	<u>7,300</u>
FUND BALANCE-ENDING	<u>\$ 96,216</u>	<u>\$ 92,641</u>	<u>\$ 113,270</u>	<u>\$ 20,629</u>

OTHER REPORTS

McGEHEE AND KEEN, LLC
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 1344
806 North Trenton
Ruston, Louisiana 71273-1344

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

The Honorable Margaret Rogers, Mayor
and Board of Aldermen
Town of Dubach
P.O. Box 258
Dubach, Louisiana 71235

We have audited the financial statements of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Dubach, Louisiana, as of and for the year ended June 30, 2004, which collectively comprise the Town of Dubach's basic financial statements and have issued our report thereon dated October 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town of Dubach's financial statements are free of material misstatement, we performed tests of 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 no instances of noncompliance required to be reported under Government Auditing Standards.

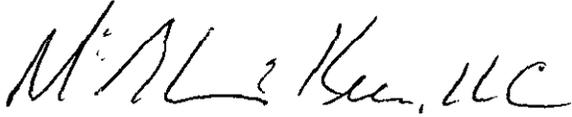
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Dubach's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions 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 a reportable condition. 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 judgement, could adversely affect the Town of Dubach's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. This reportable condition is described in the accompanying schedule of findings and questioned costs as finding #2004-1.

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 consider the reportable condition described above to be a material weakness.

PAGE TWO

This report is intended solely for the information of the Town of Dubach, the Division of Administration for the Office of Community Development, the Louisiana Governor's Office of Rural Development, Louisiana Retirement Development Commission, and the Legislative Auditor of Louisiana 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.

A handwritten signature in black ink, appearing to read "McGehee & Keen, LLC". The signature is written in a cursive, flowing style.

McGehee and Keen, LLC
Certified Public Accountants
October 1, 2004

TOWN OF DUBACH, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

We have audited the financial statements of the Town of Dubach, Louisiana, as of and for the year ended June 30, 2004, and have issued our report thereon dated October 1, 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. The following is a summary of our audit observations on internal control, tests of compliance, and findings related to the financial statements that are required to be reported in accordance with Government Auditing Standards:

Section 1 Summary of Auditors' Reports

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 Statements Yes No

Section 2 Financial Statement Findings

Finding 2004-1. Separation of Duties. The Town of Dubach's Office has too few personnel involved in the accounting system to have adequate separation of duties for internal control.

TOWN OF DUBACH, LOUISIANA
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2004

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

FINDINGS

2004-1. Separation of Duties. Too few personnel involved in the accounting system to have adequate separation of duties for internal control.

MANAGEMENT'S RESPONSES

It would not be cost-effective to hire additional personnel to provide adequate separation of duties for internal control for this size workload.

SECTION II MANAGEMENT LETTER

No findings.

TOWN OF DUBACH, LOUISIANA
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

FINDINGS

MANAGEMENT'S RESPONSES

2003-1. Separation of Duties. Too few personnel involved in the accounting system to have adequate separation of duties for internal control.

Unresolved. See Finding 2004-1.

SECTION II MANAGEMENT LETTER

No findings.

OTHER SUPPLEMENTAL SCHEDULES

TOWN OF DUBACH, LOUISIANA
SCHEDULE OF PER DIEM PAYMENTS TO COUNCIL MEMBERS
FOR THE YEAR ENDED JUNE 30, 2004

<u>Council Members</u>	<u>Amount</u>
Mary Alice Billberry	\$ 475
L.L. Carrico	625
Hattie Graham	625
Davie Powell	625
Ronald Roberson	150
R.C. Sparks	<u>625</u>
Total	<u>\$ 3,125</u>

TOWN OF DUBACH, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

Federal Grantor/ Pass-Through Grantor Program Title	Grant Effective Date	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Federal Awards Expended
U.S. Department of Housing and Urban Development:					
Passed Through					
Louisiana Division of Administration					
Community Development Block Grant	5-03-02	14.228	584072	\$ 600,000	\$ 397,941
Community Development Block Grant	2-28-03	14.228	594577	115,390	<u>100,625</u>
Total U.S. Department of Housing and Urban Development				<u>498,566</u>	<u>\$ 498,566</u>
Total Expenditures of Federal Awards					<u>\$ 498,566</u>