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ANNUAL FINANCIAL REPORT  
OF THE  
TOWN OF SUNSET, LOUISIANA  
FOR THE YEAR ENDED JUNE 30, 2004

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

Release Date 2-16-05

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Board of Aldermen  
Town of Sunset, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sunset, 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 Sunset, Louisiana's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sunset, Louisiana, as of June 30, 2004, and the respective changes in financial position and cash flows, 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, we have also issued our report dated December 14, 2004, on our consideration of the Town of Sunset, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The required supplementary information listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The Town of Sunset, Louisiana has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Sunset, Louisiana's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. The accompanying supplemental information statements and schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Town of Sunset, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Richard C. Urban, CPA

Opelousas, Louisiana  
December 14, 2004

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

TOWN OF SUNSET, LOUISIANA  
STATEMENT OF NET ASSETS -  
June 30, 2004

ASSETS	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Cash and cash equivalents	\$ 93,510	\$ 270,669	\$ 364,179
Investments	43,789	20,253	64,042
Receivables (net of allowances for uncollectibles)	38,207	50,832	89,039
Internal balances	11,782		11,782
Prepaid items		1,086	1,086
Restricted assets		86,676	86,676
Capital assets (net)	326,576	823,333	1,149,909
 TOTAL ASSETS	 513,864	 1,252,849	 1,766,713
<b>LIABILITIES</b>			
Accounts, salaries , and other payables	\$ 9,802	\$ 5,036	\$ 14,838
Internal balances		3,140	3,140
Payable from restricted assets		36,361	36,361
Matured bonds and interest payable		271,628	271,628
Bonds payable	70,000		70,000
 TOTAL LIABILITIES	 79,802	 316,165	 395,967
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	256,574	2,712,258	2,968,832
Restricted for debt service	16,086	15,300	31,386
Unrestricted	161,402	(1,790,874)	(1,629,472)
 TOTAL NET ASSETS	 434,062	 936,684	 1,370,746

The accompanying notes are an integral part of this statement.

TOWN OF SUNSET, LOUISIANA  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government:					
Governmental activities:					
General government	\$177,960	\$ 8,690	\$	\$	\$(169,270)
Public safety:					
Police	328,913	69,697			(259,216)
Fire	72,268	3,758			( 68,510)
Public services -street	203,814				(203,814)
Health and welfare	3,715				( 3,715)
Interest on long-term debt	<u>6,785</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 6,785)</u>
Total governmental activities	<u>793,455</u>	<u>82,145</u>	<u>-</u>	<u>-</u>	<u>(711,310)</u>
Business-type activities:					
Gas utilities	167,856	287,396			119,540
Water utilities	126,084	169,918		52,823	96,657
Sewer utilities	<u>251,915</u>	<u>125,213</u>	<u>-</u>	<u>-</u>	<u>(126,702)</u>
Total business-type activities	<u>545,855</u>	<u>582,527</u>	<u>-</u>	<u>52,823</u>	<u>89,495</u>
Total primary government	<u>\$1,339,310</u>	<u>\$664,672</u>	<u>-</u>	<u>52,823</u>	<u>\$(621,815)</u>

The accompanying notes are an integral part of this statement.

	Governmental <u>Activities</u>	<u>Primary Government</u> Business-type <u>Activities</u>	<u>Total</u>
Change in net assets:			
Net (expense) revenue	\$( <u>711,310</u> )	\$ <u>89,495</u>	\$( <u>621,815</u> )
General revenues:			
Taxes:			
Sales taxes	166,063		166,063
Property taxes	89,640		89,640
Franchise fees	101,770		101,770
Licenses and permits	88,643		88,643
Intergovernmental	82,084		82,084
Miscellaneous	29,643		29,643
Unrestricted investment income	1,190	684	1,874
Transfers	<u>142,866</u>	<u>(142,866)</u>	<u>-</u>
Total general revenues and transfers	<u>701,899</u>	<u>(142,182)</u>	<u>559,717</u>
Change in net assets	( 9,411)	( 52,687)	( 62,098)
Net assets - beginning	<u>443,473</u>	<u>989,371</u>	<u>1,432,844</u>
Net assets - ending	<u>434,062</u>	<u>936,684</u>	<u>1,370,746</u>

**FUND FINANCIAL STATEMENTS**

TOWN OF SUNSET, LOUISIANA  
BALANCE SHEET, GOVERNMENTAL FUNDS  
June 30, 2004

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 60,441	\$ 11,414	\$ 21,655	\$ 93,510
Investments	42,622		1,167	43,789
Property taxes receivable	1,750		34	1,784
Franchise fees receivable	23,144			23,144
Due from other governments	1,206			1,206
Other receivables	12,073			12,073
Due from other funds	<u>21,913</u>	<u>-</u>	<u>-</u>	<u>21,913</u>
Total assets	<u>163,149</u>	<u>11,414</u>	<u>22,856</u>	<u>197,419</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts, salaries, and other payables	\$ 9,802	\$	\$	\$ 9,802
Due to other funds	<u>-</u>	<u>-</u>	<u>10,131</u>	<u>10,131</u>
Total liabilities	<u>9,802</u>	<u>-</u>	<u>10,131</u>	<u>19,933</u>
 Fund balances:				
Reserved for debt service			16,086	16,086
Unreserved, reported in:				
General fund	153,347			153,347
Special revenue fund		11,414		11,414
Debt service fund	<u>-</u>	<u>-</u>	<u>( 3,361)</u>	<u>( 3,361)</u>
Total fund balances	<u>153,347</u>	<u>11,414</u>	<u>12,725</u>	<u>177,486</u>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 <u>163,149</u>	 <u>11,414</u>	 <u>22,856</u>	 <u>197,419</u>

See accompanying notes to financial statements.

TOWN OF SUNSET, LOUISIANA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE GOVERNMENT-WIDE  
FINANCIAL STATEMENT OF NET ASSETS  
June 30, 2004

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

Fund Balances, Total Governmental Funds	\$ 177,486
Capital assets of \$1,070,046, net of accumulated depreciation of (\$743,470), are not financial resources and, therefore, are not reported in the funds.	326,576
Long-term liabilities of (\$70,000) are not due and payable in the current period and are not reported in the funds. See Note for detail. Other related amounts include bond interest payable	( 70,000)
Net Assets of Governmental Activities	\$ 434,062 =====

The accompanying notes are an integral part of this statement.

TOWN OF SUNSET, LOUISIANA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2004

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b><u>REVENUES</u></b>				
Sales taxes	\$	\$166,063	\$	\$166,063
Property taxes	71,437		18,203	89,640
Licenses and permits	88,643			88,643
Franchise fees	101,770			101,770
Charges for services	12,448			12,448
Fines and forfeits	69,697			69,697
Investment income	927	83	180	1,190
Intergovernmental	82,084			82,084
Other	<u>29,643</u>	<u>-</u>	<u>-</u>	<u>29,643</u>
Total Revenues	<u>456,649</u>	<u>166,146</u>	<u>18,383</u>	<u>641,178</u>
<b><u>EXPENDITURES</u></b>				
General government	200,313	1,700		202,013
Public safety:				
Police	342,305			342,305
Fire	39,273			39,273
Public services-street	175,024			175,024
Health and welfare	3,715			3,715
Debt service	<u>-</u>	<u>-</u>	<u>22,865</u>	<u>22,865</u>
Total Expenditures	<u>760,630</u>	<u>1,700</u>	<u>22,865</u>	<u>785,195</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(303,981)	164,446	( 4,482)	( 144,017)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in	303,166		7,200	310,366
Transfers out	<u>-</u>	<u>(167,500)</u>	<u>-</u>	<u>(167,500)</u>
Total Other Financing Sources and (Uses)	<u>303,166</u>	<u>(167,500)</u>	<u>7,200</u>	<u>142,866</u>

The accompanying notes are an integral part of this statement.

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Net Change in Fund Balances	( 815)	( 3,054)	2,718	( 1,151)
Fund balances, beginning	<u>154,162</u>	<u>14,468</u>	<u>10,007</u>	<u>178,637</u>
Fund balances, ending	<u>154,347</u>	<u>11,414</u>	<u>12,725</u>	<u>177,486</u>

TOWN OF SUNSET, LOUISIANA  
 RECONCILIATION OF THE STATEMENT OF  
 REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES OF GOVERNMENTAL  
 FUNDS TO THE STATEMENT OF ACTIVITIES  
 Year Ended June 30, 2004

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

Net Change in Fund Balances - Total Governmental Funds	\$( 1,151)
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 depreciation of (\$105,482) exceeded capital outlays of \$82,222 in the current period.	( 23,260)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	<u>15,000</u>
Change in net assets of governmental activities	<u><u>\$( 9,411)</u></u>

The accompanying notes are an integral part of this statement.

TOWN OF SUNSET, LOUISIANA  
STATEMENT OF NET ASSETS, PROPRIETARY FUNDS  
June 30, 2004

<b>ASSETS</b>	<u>Utility Fund</u>
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 270,669
Investments	20,253
Accounts receivable, net	50,832
Prepaid items	1,086
Restricted assets	<u>86,676</u>
Total Current Assets	<u>429,516</u>
<b>Non-Current Assets:</b>	
Capital assets (net of accumulated depreciation)	<u>823,333</u>
Total Non-Current Assets	<u>823,333</u>
<b>TOTAL ASSETS</b>	<u><u>1,252,849</u></u>
 <b>LIABILITIES</b>	
<b>Current liabilities:</b>	
Accounts, salaries, and other payables	5,036
Due to other funds	<u>3,140</u>
Total Current Liabilities	<u>8,176</u>
Current Liabilities Payable from Restricted Assets	<u>56,770</u>
<b>Non-Current Liabilities:</b>	
Revenue bonds	<u>251,218</u>
Total Non-Current Liabilities	<u>251,218</u>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	2,712,258
Restricted for debt service	15,300
Unrestricted (deficit)	<u>( 1,790,874)</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$ 936,684</u></u>

The accompanying notes are an integral part of this statement.

TOWN OF SUNSET, LOUISIANA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN NET ASSETS, PROPRIETARY FUNDS  
Year Ended June 30, 2004

	<u>Utility Fund</u>
<b>Operating Revenues</b>	
Charges for services:	
Gas sales	\$ 281,932
Water sales	166,628
Sewer charges	119,471
Penalties and late fees	8,448
Other income	<u>6,048</u>
Total Operating Revenues	<u>582,527</u>
<b>Operating Expenses</b>	
Cost of sales and services	109,419
Administration	199,012
Depreciation	<u>225,798</u>
Total Operating Expenses	<u>534,229</u>
<b>Operating Income</b>	<u>48,298</u>
<b>Nonoperating Revenues (Expenses)</b>	
Interest earnings	684
Interest expense	<u>( 11,626)</u>
Total Nonoperating Revenue (Expenses)	<u>( 10,942)</u>
<b>Income Before Contributions and Transfers</b>	37,356
Capital Grant	52,823
Transfers Out	<u>( 142,866)</u>
<b>Change in Net Assets</b>	<u>( 52,687)</u>
Total Net Assets, Beginning	<u>989,371</u>
Total Net Assets, Ending	<u>\$ 936,684</u>

The accompanying notes are an integral part of this statement.

TOWN OF SUNSET, LOUISIANA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2004

	<u>Utility Fund</u>
<b>Cash Flows From Operating Activities</b>	
Receipts from customers and users	\$ 582,305
Payments to suppliers	( 253,867)
Payments to employees	( 45,800)
Net Cash Provided by Operating Activities	<u>282,638</u>
<b>Cash Flows From NonCapital Financing Activities</b>	
Transfers to other funds	( 142,866)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>( 142,866)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Acquisition and construction of capital assets	
Purchase of capital assets	( 56,416)
Principal paid on capital debt	( 17,869)
Interest paid on capital debt	( 11,626)
Customer deposits	( 1,504)
Reserve account requirements	( 12,391)
Capital grants received	<u>52,823</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>( 46,983)</u>
<b>Cash Flows From Investing Activities</b>	
Interest received	<u>682</u>
Net Cash Provided (Used) by Investing Activities	<u>682</u>
Net Increase (Decrease) in Cash and Cash Equivalents	93,471
Cash and Cash Equivalents, Beginning of Year	<u>177,198</u>
Cash and Cash Equivalents, End of Year	<u><u>270,669</u></u>

The accompanying notes are an integral part of this statement.

	<u>Utility Fund</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	
Operating income (loss)	\$ 48,298
Depreciation expense	225,798
(Increase) decrease in accounts receivable	( 222)
(Increase) decrease in due from other funds	2,385
(Increase) decrease in prepaid expenses	2,324
Increase (decrease) in accounts payable	915
Increase (decrease) in due to other funds	<u>3,140</u>
Total adjustments	<u>234,340</u>
Net Cash Provided (Used) by Operating Activities	<u><u>282,638</u></u>

TOWN OF SUNSET, LOUISIANA  
STATEMENT OF FIDUCIARY NET ASSETS  
June 30, 2004

	<u>Payroll Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 9,428
Due from other funds	<u>3,140</u>
Total Assets	<u>12,568</u>
<b>LIABILITIES</b>	
Payroll taxes payable	786
Due to other funds	<u>11,782</u>
Total Liabilities	<u>12,568</u>
<b>NET ASSETS</b>	
Held in trust for:	<u>-</u>

The accompanying notes are an integral part of this statement.

TOWN OF SUNSET, LOUISIANA  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 For the Year Ended June 30, 2004

	<u>Payroll Fund</u>
<b>Additions</b>	
Contributions from other funds	\$ <u>385,437</u>
Total Additions	<u>385,437</u>
<b>Deductions</b>	
Salaries and benefits	<u>385,437</u>
Total Deductions	<u>385,437</u>
Change in Net Assets	_____ -
Net Assets, Beginning	_____ -
Net Assets, Ending	_____ - =====

The accompanying notes are an integral part of this statement.

## TOWN OF SUNSET, LOUISIANA

### Notes to the Financial Statements As of and for the Year Ended June 30, 2004

#### INTRODUCTION

The Town of Sunset is a municipal corporation governed by an elected mayor. The Town was incorporated under the provisions of the Lawrason Act. The Town operates under a Mayor-Board of Aldermen form of government.

The Board consists of five elected members. The Mayor and Board are compensated for their services at an amount legally set by the Board annually.

The Town of Sunset, Louisiana is located in south central St. Landry Parish and contains approximately 3.2 square miles. The Town has a population of 2,506.

The Town's utility system provides gas, water and sewer services to approximately 1,057 customers. The Town employs nineteen full and part-time workers. The Town is responsible for maintaining approximately 21 miles of streets within its city limits.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the municipality 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 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. The municipality has no component units and therefore, none are presented in the government-wide financial statements.

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

The municipality reports the following major governmental funds:

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

The Sales Tax Fund accounts for the collection of sales taxes designated for the construction, improvement, maintenance and acquisition of Town infrastructure, as well as the necessary acquisition and improvements of public works facilities and public safety facilities and equipment.

The Debt Service Fund accounts for the accumulated of financial resources for the payment of principal and interest on the Town's general obligation debt. The Town annually levies ad valorem taxes restricted for the retirement of general obligation bonds, interest, and judgements. This fund reports all ad valorem taxes collected.

The municipality reports the following major proprietary funds:

The Utility Fund accounts for the operating activities of the Town's gas, water and sewer services.

Additionally, the government reports the following fund types:

The Fiduciary Fund (Payroll Fund) accounts for the Town's payroll and related expenses.

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

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

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

Town of Sunset, Louisiana  
Notes to the Financial Statements (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The Town's utility system provides gas, water and sewer services to its customers. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**C. Deposits and Investments**

The municipality's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the municipality's investment policy allow the municipality to invest 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 for the municipality, as well as for its component units, are reported at fair value. The state investment pool (LAMP) operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**D. Receivables and Payables**

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

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town bases its allowance on prior experience and the amount trade receivables exceed meter deposits.

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

<u>Taxes Due For:</u>	<u>Authorized and Levied Millage</u>
General tax (General Fund)	7.35 mills
Special tax (Debt Service Fund)	1.88 mills

*Sales Taxes* The Town of Sunset has dedicated the proceeds of its 1% sales and use tax to the purpose of constructing and purchasing fire department stations and equipment; opening, constructing and improving drains, drainage canals and subsurface drainage; constructing, acquiring or improving any work of public permanent improvement; and purchasing and acquiring all equipment and furnishing for the public works, buildings, improvements and facilities of the Town of Sunset.

**E. Inventories and Prepaid Items**

All inventories are valued at cost using the first-in/first-out method. Inventories of the governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**F. Restricted Assets**

Certain proprietary fund assets are legally restricted for the payment of revenue bonds as well as for the refunding of customer meter deposits.

Town of Sunset, Louisiana  
Notes to the Financial Statements (Continued)

**G. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost (the extent to which fixed asset costs have been estimated and the methods of estimation should be disclosed) if historical cost is not available (or describe other method of valuation). Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The municipality maintains a threshold level of \$1,000 or more for capitalizing capital assets.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest costs were capitalized during the fiscal year ended June 30, 2004.

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

<u>Description</u>	<u>Estimated Lives</u>
Roads, bridges, and infrastructure	5- 20 years
Land improvements	5- 20 years
Buildings and building improvements	10-20 years
Furniture and fixtures	3- 5 years
Vehicles	3- 5 years
Equipment	3- 5 years

**H. Compensated Absences**

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

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Town. Sick leave accrues to full-time, permanent employees to specified maximums. Generally, after one year of service, employees are entitled to a percentage of their sick leave balance and all accrued vacation leave upon termination.

The Town's employees earned and used their vacation and sick leave during the fiscal year. Therefore, no provision for compensated absences has been provided for in the financial statements.

**I. Long-Term Obligations**

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Town of Sunset, Louisiana  
Notes to the Financial Statements (Continued)

**J. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**K. Comparative Data/Reclassifications**

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

**L. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the municipality, which are either unusual in nature or infrequent in occurrence.

**M. 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.

**N. Reconciliations of Government-Wide and Fund Financial Statements**

The following reconciles the fund balances of governmental funds to the government-wide statement of net assets.

Bond-related adjustments	\$( 70,000)
Capital assets net of accumulated depreciation	<u>326,576</u>
Net adjustment	<u>256,576</u>

The following reconciles the net changes in fund balance-total governmental funds to the changes in net assets of governmental activities.

Difference by which depreciation expense exceeds capital outlay	\$( 23,260)
Bond principal paid	<u>15,000</u>
Net adjustment	<u>( 8,260)</u>

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*BUDGET INFORMATION* The municipality uses the following budget practices:

1. The Mayor prepares a proposed, detailed line item, budget and submits same to the Board of Aldermen no later than thirty days prior to the beginning of each fiscal year. Revenues are budgeted by source. Expenditures are budgeted by department and class.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.

Town of Sunset, Louisiana  
Notes to the Financial Statements (Continued)

5. Any budgetary revisions require the approval of the Mayor and Board of Aldermen. Revisions to the budget were made throughout the year.
6. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

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

<u>Fund</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Sales Tax Fund	\$ 144,300	\$ 144,300	\$169,200	\$ 24,900
General Fund	710,800	712,900	760,630	47,730

No individual funds had deficits in unreserved fund balance (net assets) at June 30, 2004.

**3. CASH AND CASH EQUIVALENTS**

At June 30, 2004, the municipality has cash and cash equivalents (book balances) totaling \$437,048 as follows:

Demand deposits	\$ 361,472
Interest-bearing demand deposits	74,856
Other	<u>720</u>
 Total	 437,048

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

At June 30, 2004, the municipality has \$436,328 in deposits (collected bank balances). These deposits are secured from risk by \$190,992 of federal deposit insurance and \$500,000 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the municipality that the fiscal agent has failed to pay deposited funds upon demand.

**4. INVESTMENTS**

Investments are categorized into these three categories of credit risk:

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

At fiscal year-end, the municipality's investment balances were as follows:

Time certificates of deposit	\$ 87,244	Category 1
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All investments are secured by the same pledge of securities indicated under cash and cash equivalents.

Town of Sunset, Louisiana  
Notes to the Financial Statements (Continued)

**5. RECEIVABLES**

The receivables of \$89,039 at June 30, 2004, are as follows:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
Ad valorem taxes	\$ 1,750	\$ 34	\$	\$ 1,784
Franchise fees	23,144			23,144
Intergovernmental	1,206			1,206
Accounts			50,832	50,832
Other	<u>12,073</u>	<u>--</u>	<u>-</u>	<u>12,073</u>
Total	<u>38,173</u>	<u>34</u>	<u>50,832</u>	<u>89,089</u>

**6. INTERFUND RECEIVABLES/PAYABLES**

Interfund receivables/payables at June 30, 2004, are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 21,913	
Debt Service Fund		\$ 10,131
Enterprise Fund		3,140
Fiduciary Fund	3,140	11,782

All interfund receivables/payables are expected to be cleared within the next fiscal year.

Town of Sunset, Louisiana  
Notes to the Financial Statements (Continued)

7. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 75,841			\$ 75,841
Construction in progress				
Total capital assets, not being depreciated	75,841			75,841
Capital assets being depreciated				
Buildings	362,603			362,603
Improvements other than buildings	9,849	33,606		43,455
Machinery and equipment	539,530	48,616		588,146
Total capital assets being depreciated	911,982	82,222		994,204
Less accumulated depreciation for:				
Buildings	211,068	17,405		228,473
Improvements other than buildings	8,538	2,573		11,101
Machinery and equipment	418,382	85,504		503,886
Total accumulated depreciation	637,988	105,482		743,470
Total capital assets being depreciated, net	273,994	( 23,260)		250,734
Business-type activities:				
Capital assets not being depreciated				
Land	50,210			50,210
Total capital assets not being depreciated	50,210			50,210
Capital assets being depreciated				
Utility system and extensions	4,638,317	52,823		4,691,140
Machinery and equipment	34,407	3,594		38,001
Total capital assets being depreciated	4,672,724	56,417		4,729,141
Less accumulated depreciation for:				
Utility system and extensions	3,695,813	225,199		3,921,012
Machinery and equipment	34,407	599		35,006
Total accumulated depreciation	3,730,220	225,798		3,956,018
Total business-type assets being depreciated, net	942,504	( 169,381)		773,123

Depreciation expense of \$331,280 for the year ended June 30, 2004, was charged to the following governmental functions:

General Fund:		Utility Fund:	
Police	\$ 14,509	Water	\$ 57,203
Fire	48,825	Gas	12,399
Street	33,675	Sewer	156,196
General and administrative	8,473		

Town of Sunset, Louisiana  
Notes to the Financial Statements (Continued)

**8. INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS**

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

Due To/From Other Funds:		
Receivable Fund	Payable Fund	
General Fund	Debt Service Fund	<u>\$10,131</u>
General Fund	Fiduciary Fund	<u>11,782</u>
Fiduciary Fund	Enterprise Fund	<u>3,140</u>
		<u>25,053</u>
Advances From/To Other Funds:		
Receivable Fund	Payable Fund	
General Fund	Enterprise Fund	<u>135,666</u>
Debt Service Fund	Enterprise Fund	<u>7,200</u>
		<u>142,866</u>

**9. ACCOUNTS, SALARIES, AND OTHER PAYABLES**

The payables of \$14,838 at June 30, 2004, are as follows:

	<u>General Fund</u>	<u>Utility Fund</u>
Accounts	\$ 6,702	\$ 5,036
Cash bonds	<u>3,100</u>	<u>-</u>
Total	<u>9,802</u>	<u>5,036</u>

**10. LONG-TERM OBLIGATIONS**

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

	<u>Bonded Debt</u>
Long-term obligations at Beginning of Year	\$ 374,498
Deductions	<u>32,870</u>
Long-term obligations at End of Year	<u>341,628</u>

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

Town of Sunset, Louisiana  
Notes to the Financial Statements (Continued)

	<u>Bonded Debt</u>
Current portion	\$ 35,409
Long-term portion	<u>306,219</u>
Total	341,628 =====

The municipal bonds outstanding at June 30, 2004, are general obligation bonds of \$70,000 with maturity in 2008, and revenue bonds of \$271,628 with maturity in 2015, respectively. Interest rates are 9% and 4 ½%, respectively. Bond principal and interest payable in the next fiscal year are \$15,000 and \$20,409, respectively. The individual issues are as follows:

<u>Bond</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Final Payment Due</u>	<u>Interest to Maturity</u>	<u>Principal Outstanding</u>	<u>Funding Source</u>
General Obligation	4/1/88	9.00%	4/1/08	\$14,800	\$ 70,000	Property taxes
Utility Revenue	2/17/95	4.50%	2/17/15	70,934	269,984	Sales taxes

All principal and interest requirements are funded in accordance with Louisiana law by the annual ad valorem tax levy on taxable property within the parish. At June 30, 2004, the municipality has accumulated \$14,000 in the debt service funds for future debt requirements. The bonds are due as follows:

<u>Year Ending June 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2005	\$ 35,409	\$ 17,367	\$ 52,776
2006	36,347	15,229	51,576
2007	42,328	13,048	55,376
2008 - 2012	149,643	34,481	184,124
2013 - 2015	<u>77,901</u>	<u>5,609</u>	<u>83,510</u>
Total	<u>341,628</u>	<u>85,734</u>	<u>427,362</u>

In accordance with R.S. 39:562, the municipality is legally restricted from incurring long-term bonded debt in excess of 35% of the assessed value of taxable property. At June 30, 2004, the statutory limit is \$3,457,000, and outstanding bonded debt totals \$341,628.

In addition, the municipality is legally restricted from incurring long-term bonded debt secured by sales and use taxes in excess of 75% of the avails of the tax. The municipality was within this 75% limitation in 1988, when the sales tax bonds were issued.

#### 11. RETIREMENT SYSTEMS

Substantially all employees of the Town of Sunset, 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 employees of the municipality are members of (Plan A).

Town of Sunset, Louisiana  
Notes to the Financial Statements (Continued)

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3% for each year retirement precedes age 62, unless he has at least 30 years of creditable service. 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 or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (504) 925-4810.

*Funding Policy.* Under Plan A, members are required by state statute to contribute 9.25% of their annual covered salary and the Town of Sunset is required to contribute at an actuarially determined rate. The current rate is 5.75% of annual covered payroll. Contributions to the System also include one-fourth of 1% (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town of Sunset 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 of Sunset contributions to the System under Plan A for the years ending June 30, 2004, 2003, and 2002, were \$12,914, \$12,536, and \$13,398, respectively, equal to the required contributions for each year.

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

*Plan Description.* All full-time police department employees engaged in law enforcement are required to participate in the System. 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'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 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 (504) 929-7411.

*Funding Policy.* Plan members are required by state statute to contribute 7.5% of their annual covered salary and the (Name of Municipality) 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 of Sunset 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 of Sunset contributions to the System for the years ending June 30, 2004, 2003, and 2002, were \$10,336, \$1,297, and \$1,218, respectively, equal to the required contributions for each year.

**12. RESERVED AND DESIGNATED RETAINED EARNINGS/FUND BALANCES**

The Debt Service Fund and the Utility Fund reserve \$16,086 and \$15,300 of their respective fund balance/retained earnings for bond retirement.

Town of Sunset, Louisiana  
Notes to the Financial Statements (Continued)

**13. FEDERAL COMPLIANCE CONTINGENCIES**

The Town of Sunset is subject to possible examinations by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the Town in the current and prior years. These examinations may result in required refunds by the Town to federal grantors and/or program beneficiaries. No questioned or disallowed costs were noted for inclusion in our report.

**14. RISK MANAGEMENT**

The Town of Sunset is exposed to all common perils associated with the ownership of infrastructure, providing public safety, and the operation of a utility system. To minimize loss occurrence and to transfer risk, the Town carries various commercial insurance policies including property, casualty, employee dishonesty, public official's liability, business auto and other miscellaneous policies. These policies are reviewed for adequacy by management annually.

**15. CONTINGENT LIABILITIES**

At June 30, 2004, the Town is involved in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town's attorney the resolution of these matters will not have a materially adverse effect on the financial condition of the Town.

**REQUIRED SUPPLEMENTAL INFORMATION**

**BUDGET COMPARISON SCHEDULES**

**TOWN OF SUNSET, LOUISIANA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>Budgetary Basis</u>	<u>Budget to GAAP</u>	<u>Actual Amount</u> <u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		<u>Differences</u> <u>Over (Under)</u>	
<b>Revenues</b>					
Property taxes	\$ 62,000	\$ 62,000	\$ 71,437		\$ 71,437
Licenses and permits	66,200	66,200	88,643		88,643
Franchise fees	127,100	127,100	101,770		101,770
Fines and forfeits	54,000	54,000	69,697		69,697
Charges for services	8,500	8,500	8,690		8,690
Intergovernmental	69,000	69,000	82,084		82,084
Miscellaneous	<u>21,700</u>	<u>21,700</u>	<u>34,327</u>		<u>34,327</u>
<b>Total Revenues</b>	<b><u>408,500</u></b>	<b><u>408,500</u></b>	<b><u>456,649</u></b>		<b><u>456,649</u></b>
<b>Expenditures</b>					
General - salaries	70,400	70,400	64,700		64,700
General - all others	135,200	137,300	135,613	( 33,606)	102,007
General - depreciation				8,473	8,473
Street - salaries	72,500	72,500	71,149		71,149
Street - all others	95,300	95,300	103,875	( 4,886)	98,989
Street - depreciation				33,676	33,676
Police - salaries	187,500	187,500	192,592		192,592
Police - all others	119,600	119,600	149,713	( 27,901)	121,812
Police - depreciation				14,509	14,509
Fire - all others	27,800	27,800	39,273	( 15,830)	23,443
Fire - depreciation				48,825	48,825
Health	<u>2,500</u>	<u>2,500</u>	<u>3,715</u>	-	<u>3,715</u>
<b>Total Expenditures</b>	<b><u>710,800</u></b>	<b><u>712,900</u></b>	<b><u>760,630</u></b>	<b><u>23,260</u></b>	<b><u>783,890</u></b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<b>(302,300)</b>	<b>(304,400)</b>	<b>(303,981)</b>	<b>( 23,260)</b>	<b>(327,241)</b>
<b>Other Financing Sources</b>					
Transfers in	<u>267,600</u>	<u>267,600</u>	<u>303,166</u>	-	<u>303,166</u>
<b>Total Other Financing Sources</b>	<b><u>267,600</u></b>	<b><u>267,600</u></b>	<b><u>303,166</u></b>	<b>-</b>	<b><u>303,166</u></b>
<b>Net Change in Fund Balance</b>	<b>( 34,700)</b>	<b>( 36,800)</b>	<b>( 815)</b>	<b>( 23,260)</b>	<b>( 24,075)</b>
<b>Fund Balance, Beginning</b>	<b><u>154,162</u></b>	<b><u>154,162</u></b>	<b><u>154,162</u></b>	<b><u>279,835</u></b>	<b><u>433,997</u></b>
<b>Fund Balance, Ending</b>	<b><u>119,462</u></b>	<b><u>117,362</u></b>	<b><u>153,347</u></b>	<b><u>256,575</u></b>	<b><u>409,922</u></b>

Budget to GAAP differences are due to the capitalization and depreciation of capital assets, and the recording of long-term debt in the general fund.

The accompanying notes are an integral part of this statement.

TOWN OF SUNSET, LOUISIANA  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
SPECIAL REVENUE FUND  
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>Budgetary Basis</u>	<u>Budget to GAAP</u>	<u>Actual Amount</u> <u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		<u>Differences</u> <u>Over (Under)</u>	
<b>Revenues</b>					
Sales taxes collected	\$174,000	\$174,000	\$166,064		\$166,064
Miscellaneous	<u>100</u>	<u>100</u>	<u>83</u>		<u>83</u>
<b>Total Revenues</b>	<u>174,100</u>	<u>174,100</u>	<u>166,147</u>		<u>166,147</u>
<b>Expenditures</b>					
Collection fees	1,400	1,400	1,660		1,660
Miscellaneous	<u>300</u>	<u>300</u>	<u>40</u>	<u>-</u>	<u>40</u>
<b>Total Expenditures</b>	<u>1,700</u>	<u>1,700</u>	<u>1,700</u>	<u>-</u>	<u>1,700</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>172,400</u>	<u>172,400</u>	<u>164,447</u>	<u>-</u>	<u>164,447</u>
<b>Other Financing Uses</b>					
Transfers out	(142,600)	(142,600)	(167,500)	<u>-</u>	(167,500)
<b>Total Other Financing     Uses</b>	<u>(142,600)</u>	<u>(142,600)</u>	<u>(167,500)</u>	<u>-</u>	<u>(167,500)</u>
<b>Net Change in Fund Balance</b>	29,800	29,800	( 3,053)		( 3,053)
<b>Fund Balance, Beginning</b>	<u>14,467</u>	<u>14,467</u>	<u>14,467</u>	<u>-</u>	<u>14,467</u>
<b>Fund Balance, Ending</b>	<u>44,267</u>	<u>44,267</u>	<u>11,414</u>	<u>-</u>	<u>11,414</u>

The accompanying notes are an integral part of this statement.

**OTHER SUPPLEMENTAL INFORMATION**

TOWN OF SUNSET, LOUISIANA  
ENTERPRISE FUND – UTILITY FUND  
COMPARATIVE SCHEDULE OF OPERATING EXPENSES  
For the Years Ended June 30, 2004 and 2004

	<u>2004</u>	<u>2003</u>
Gas department:		
Salaries	\$ 15,267	\$ 12,873
Payroll taxes	1,190	1,004
Retirement	1,758	782
Gas purchases	109,419	99,222
Insurances	10,480	3,815
Materials and supplies	7,784	1,721
Gasoline and auto	298	1,461
Office supplies and postage	1,993	656
Survey and analysis	3,167	4,236
Repairs and maintenance	1,296	729
Drug testing	678	700
Miscellaneous	2,127	1,985
Depreciation	<u>12,399</u>	<u>12,716</u>
Total gas department	<u>167,856</u>	<u>141,900</u>
Water department:		
Salaries	15,267	17,977
Payroll taxes	1,190	1,402
Retirement	1,758	782
Utilities	13,361	8,490
Insurances	10,860	4,523
Office supplies and postage	2,655	1,454
Materials and supplies	13,517	8,929
Engineering and consulting	3,238	3,655
Repairs and maintenance	1,700	1,406
Gasoline and auto	289	1,353
Telephone	1,608	1,728
Miscellaneous	3,438	2,718
Depreciation	<u>57,203</u>	<u>42,508</u>
Total water department	<u>126,084</u>	<u>96,925</u>
Sewer department:		
Salaries	15,266	14,487
Payroll taxes	1,190	1,130
Retirement	1,759	782
Insurances	10,425	2,703
Utilities	33,996	22,611
Gasoline and auto	528	1,145

The accompanying notes are an integral part of this statement.

	<u>2004</u>	<u>2003</u>
Repairs	\$ 3,418	\$ 3,716
Materials and supplies	8,161	3,280
Office supplies and postage	1,965	572
Survey and analysis	3,455	3,210
Telephone	689	779
Miscellaneous	3,241	3,705
Depreciation	<u>156,196</u>	<u>154,637</u>
Total sewer department	<u>240,289</u>	<u>212,757</u>
 Total operating expenses	 <u>534,229</u>	 <u>451,582</u>

TOWN OF SUNSET, LOUISIANA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2004

<u>Federal Grantor/ Program Title</u>	<u>CFDA No.</u>	<u>Grant ID No.</u>	<u>Federal Award Received</u>	<u>Program Expenditures</u>
U.S. Dept. of Agriculture:				
Passed through the Governor's Office of Rural Development:				
GORD Program - 2003	N/A	0203-STL-1102	\$ 5,000	\$ 5,000
Passed through the Louisiana Office on Community Development:				
LCDBG - Water well	10.760	575388/FY2001	<u>52,823</u>	<u>52,823</u>
Total USDA			<u>57,823</u>	<u>57,823</u>
Total federal assistance			<u>57,823</u>	<u>57,823</u>

TOWN OF SUNSET, LOUISIANA  
SCHEDULE OF COMPENSATION PAID BOARD MEMBERS  
Year Ended June 30, 2004

<b>Board Member</b>	<b>Amount</b>
Honorable Danny J. Louviere, Mayor	\$ 7,200
Honorable Dalton Belson, Jr., Alderman	3,675
Honorable Joseph Meche, Alderman	3,675
Honorable Bernice Lavergne, Alderwoman	3,675
Honorable Joseph Guidry, Jr., Alderman	3,675
Honorable Lonnie Cormier, Alderman	3,675
<i>Total</i>	<u>25,575</u>

The accompanying notes are an integral part of this statement.

## **OTHER REPORTS**

RICHARD C. URBAN

CERTIFIED PUBLIC ACCOUNTANT

MEMBER:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

OFFICE:  
1112 HEATHER DRIVE  
OPELOUSAS, LOUISIANA 70570  
PHONE (337) 942-2154  
FAX (337) 948-3813

To the Mayor and Board of Aldermen  
Town of Sunset, Louisiana

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sunset, Louisiana, as of and for the year ended June 30, 2004, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 14, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

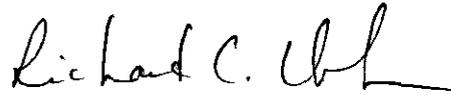
In planning and performing our audit, we considered the Town of Sunset, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Sunset, Louisiana's financial statements are free of material misstatement, we performed tests of its

compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under Government Auditing Standards. However, we noted other certain immaterial instances of noncompliance that we have reported to management in a separate letter.

This report is intended for the information of the Board of Commissioners, management, the Department of Housing and Urban Development, and the Legislative Auditor of the State 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 "Richard C. Urban". The signature is fluid and cursive, with a long horizontal stroke at the end.

Richard C. Urban, CPA

Opelousas, Louisiana  
December 14, 2004

**TOWN OF SUNSET, LOUISIANA  
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND  
CORRECTIVE ACTION PLAN  
Year Ended June 30, 2004**

No internal control or compliance findings material to the financial statements were disclosed with this audit.

TOWN OF SUNSET, LOUISIANA  
STATUS OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2004

The prior audit disclosed no findings material to the financial statements.

RICHARD C. URBAN

CERTIFIED PUBLIC ACCOUNTANT

MEMBER:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

December 14, 2004

OFFICE:  
1112 HEATHER DRIVE  
OPELOUSAS, LOUISIANA 70570  
PHONE (337) 942-2154  
FAX (337) 948-3813

To the Mayor and Board of Aldermen  
Town of Sunset, Louisiana

Ladies and Gentlemen:

We have examined the basic financial statements of the Town of Sunset, Louisiana for the year ended June 30, 2004, and have issued our report thereon dated December 14, 2004. As part of our audit, we made a study and evaluation of the Town's system of internal accounting control to the extent we considered necessary solely to determine the nature, timing, and extent of our auditing procedures. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole, and we do not express such an opinion.

However, during our audit we became aware of several matters that, while not involving material weaknesses in internal accounting control, are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. Some of these matters were reported on with our previous audit dated December 10, 2003. This letter does not affect our report dated December 14, 2004, on the basic financial statements of the Town of Sunset, Louisiana.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with the mayor and town clerk, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,



Richard Urban, CPA

## MANAGEMENT LETTER COMMENTS

### Separation of Duties in the Accounting Department

Although the small size of the Town's office staff limits the extent of separation of duties, we believe certain steps could be taken to separate incompatible duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

One of the most critical areas of separation is cash, where we noted that the clerk handles incoming checks, assists in preparing the deposit slip, receives and reconciles the monthly bank statement, pays the bills, and co-signs the checks. The result is the danger that intentional or unintentional errors could be made and not detected. We suggest that the Town consider hiring another office worker to assist in depositing funds received, receive and prepare bank reconciliations, and prepare invoices for payment. The clerk should receive and review the bank statements and cancelled checks before turning them over to the bookkeeper to prepare the bank reconciliations. The clerk should then review the reconciliations. The mayor and board should thoroughly review all reconciliations after they are prepared. Although this step would require the addition of one new employee, it would free up a significant amount of time for the clerk to handle other responsibilities.

### Written Policies and Procedures

As previously noted the Town still does not have a policy and procedures manual covering the following areas:

1. Purchasing
2. Budget preparation
3. Financial reporting
4. Disbursements
5. Use of cellular phones
6. Travel
7. Payroll processing
8. Investing
9. Ethics
10. Recording, maintaining, and disposing of confiscated weapons and drugs
11. Traffic tickets

At various points in time the Town has adopted ordinances or resolutions concerning the areas indicated above. The policies currently being followed appear adequate. However, no formal written policies and procedures manual has ever been prepared. Since the new administration has been in place the mayor and clerk have begun the process of putting a formal policies and procedures manual together. The Town has been working closely with the Louisiana Municipal Association, the Louisiana Municipal Clerks Association, and other area towns to create a concise manual to cover all areas. This should be completed and adopted by the town before the end of the current fiscal year.

### Physical Control and Security Over Fuel Pumps

As previously noted, the Louisiana legislative auditor's office found that the Town was not properly securing and monitoring the use of its fuel pumps. After the new mayor was informed of this situation the town has begun locking the fuel pumps with only the mayor and town supervisor having access to the pumps. Written useage records are being properly maintained.

**OFFICIALS**  
DANNY J. LOUVIERE  
Mayor  
ALEXCIE GUILLORY  
Chief of Police  
LYDIA A. BOXIE  
Town Clerk  
MERLIN POTIER  
Town Supervisor

RECEIVED TOWN OF SUNSET  
LEGISLATIVE AUDITOR  
05 FEB 14 AM 11:24  
855 Napoleon Avenue  
Sunset, Louisiana 70584  
(337) 662-5296  
Facsimile: (337) 662-5763

**ALDERMEN**  
DALTON BELSON, JR.  
LONNIE CORMIER  
JOSEPH "JOE" GUIDRY, JR.  
BERNICE R. LAVERGNE  
JOSEPH "EWELL" MECHE

February 2, 2005

To the Louisiana Legislative Auditor:

In response to the management letter comments of our auditor, Richard Urban, CPA, found in the June 30, 2004 financial report of the Town of Sunset, Louisiana dated December 14, 2004, the Town of Sunset has adopted the following plan of corrective action.

The Town will continue to work with the Louisiana Municipal Association and the Louisiana Municipal Clerks Association to create and adopt formal written policies regarding the following areas:

1. Purchasing
2. Budget preparation
3. Financial reporting
4. Disbursements
5. Cellular phones
6. Travel
7. Payroll processing
8. Investing
9. Ethics

In addition the Town's police department is working with the local sheriff's department to create written policies for the following:

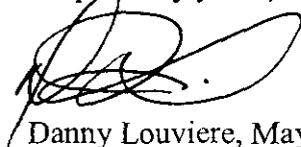
1. Recording, maintaining, and disposing of confiscated weapons and drugs
2. Monitoring the issuance and collection of traffic tickets

These formal written policies and procedures will be completed and adopted prior to the end of the current fiscal year.

The Town is also looking into the cost effectiveness of hiring an additional office worker. The duties of this person will assist in properly segregating the various office functions. Also, the Council is spending more time reviewing the monthly accounting for accuracy.

I hope that the Town's responses to the management comments are satisfactory. We are all working hard to ensure that all functions within the Town of Sunset are performed with the highest degree of professionalism and accuracy.

Respectfully yours,



Danny Louviere, Mayor