

CITY OF GONZALES, LOUISIANA

FINANCIAL REPORT

MAY 31, 2006

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Release Date 11-15-06

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mr. John A. Berthelot, Mayor
And the Members of the City Council
City of Gonzales, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Gonzales, Louisiana, as of and for the year then ended, May 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Gonzales, 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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, and each major fund of the City of Gonzales, Louisiana, as of May 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 14, 2006, on our consideration of the City of Gonzales, Louisiana's internal control over financial reporting and 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 read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison on pages 3 through 8 and 31 through 32, respectively, are not a required part of the basic financial statements but are required supplementary information required by the 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 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 City of Gonzales's basic financial statements. The schedule of per diem presented on page 32 is presented for purposes of additional analysis and is not a required part of the 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 Managements and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City. The schedule of per diem and schedule of expenditures of federal awards has 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.

Pastlthwaite & Mettewill

September 14, 2006

CITY OF GONZALES

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 31, 2006

This section of City's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on May 31, 2006.

FINANCIAL HIGHLIGHTS

- The City's combined total net assets increased by \$7,139,084 or 12.4% over the course of this year's operations. Net assets of our governmental activities increased approximately \$5.9 million (or 16.2%) and approximately \$1.3 million or nearly 5.9% in the net assets of our business-type activities.
- During the year, the City's governmental activities expenses were \$5.9 million less than the \$16.8 million generated in charges for services, taxes, grants and contributions, and other revenue. In the City's business-type activities revenues increased approximately \$1.5 million and expenses increased by \$767,200 or 20.7 percent.
- The general fund transferred \$34,075 to the utility fund, and reported net income of \$5,007,839.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer *short* and *long-term* financial information about the activities the government operates *like businesses*, such as water and sewer system.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure of contents of each of the statements.

CITY OF GONZALES

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 31, 2006

Figure A-1 Major Features of City's Government and Fund Financial Statements			
	Fund Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks	Activities the City operates similar to private businesses: the water and sewer system
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses, and changes in net assets • Statement of cash flows
Accounting basis and measurements focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payments is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

CITY OF GONZALES

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 31, 2006

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets—the difference between the City's assets and liabilities—is one way to measure the City's financial health, or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as changes in the City's property tax base and the condition of the City's roads.

The government-wide financial statements of the City are divided into two categories:

- **Governmental activities**—most of the City's basic services are included here, such as the police, fire, public works, parks department, and general administration. Property taxes, sales taxes and interest finance most of these activities.
- **Business-type activities**—The city charges fees to customers to help it cover the costs of certain services it provides. The city's water and sewer system are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.

The City has two kinds of funds:

- **Governmental funds**—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary funds**—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-and short-term financial information.
 - In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

CITY OF GONZALES

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 31, 2006

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets. The City's combined net assets increased between fiscal years 2005 and 2006 from approximately \$57.9 million to approximately \$65.1 million. (See Table A-1.)

**Table A-1
City's Net Assets**

	Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
Current and other assets	\$ 23,218,203	\$ 19,553,074	\$ 4,687,887	\$ 4,515,258
Capital assets	19,820,874	17,494,670	23,077,623	22,261,830
Total assets	43,039,077	37,047,744	27,765,510	26,777,088
Current liabilities	323,649	300,047	714,899	629,467
Long term Liabilities	569,726	473,089	4,084,064	4,449,064
Total liabilities	893,375	773,136	4,798,963	5,078,531
Net assets				
Invested in capital assets,				
net of related debt	19,820,874	17,494,670	18,628,559	17,457,766
Unrestricted	22,324,828	18,779,938	4,337,988	4,240,791
Total net assets	\$ 42,145,702	\$ 36,274,608	\$22,966,547	\$21,698,557

Net assets of the City's governmental activities increased 16.2 percent to approximately \$42.1 million. Net assets of the City's business-type activities increased 5.9 % to approximately \$23 million.

Changes in net assets. The City's total revenues increased by approximately \$6.2 million to \$22.5 million (See Table A-2.) Approximately 56 percent of the City's revenue comes from property and sales tax collection. Fees charged for services represent 24 percent, 4 percent represent grants and contributions, and most of the rest is intergovernmental revenue.

The total cost of all programs and services increased approximately \$2.5 million or 19.7 percent. The City's expenses cover all services performed by its office.

CITY OF GONZALES

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 31, 2006

Governmental Activities

Revenues and transfers for the City's governmental activities increased 38.7 percent, while total expenses increased 19.4 percent.

Table A-2
Changes in City's Net Assets

	Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
Revenues				
Program revenues				
Charges for services	\$ 1,982,502	\$1,551,497	\$3,460,386	\$2,783,175
Grants & contributions	939,176	-	27,436	-
General revenues				
Taxes	12,098,741	9,169,766	445,329	165,000
Licenses and permits	990,974	901,795	-	-
Miscellaneous	191,521	150,070	127,205	100,120
Intergovernmental	-	-	1,486,744	1,018,468
Interest	642,575	350,555	162,583	98,576
Transfers	(34,075)	-	34,075	-
Total revenues and transfers	16,811,414	12,123,683	5,743,758	4,165,339
Expenses				
General government	1,419,515	1,175,229	4,475,768	3,708,568
Public safety	9,520,806	7,991,249	-	-
Total expenses	10,940,321	9,166,478	4,475,768	3,708,568
Increase in net assets	\$ 5,871,093	\$2,957,205	\$1,267,990	\$ 456,771

- The net assets of all governmental activities this year increased by approximately 2.9 million to \$5.9 million.

Business-type Activities

Revenues of the City's business-type activities increased approximately \$1.5 million and expenses increased by \$767,200 or 20.7 percent.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$22.9 million, increase of 18.9 percent from last year.

General Fund Budgetary Highlights

- Over the course of the year, there was one amendment made to the general fund and proprietary fund budgets. The amendment was to increase sales tax revenue for the general fund by \$124,700 and proprietary fund by \$25,300. The increase in revenue was offset by a increase in health insurance expense in various departments in the general fund and proprietary fund.

CITY OF GONZALES

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 31, 2006

CAPITAL ASSETS

At the end of 2006, the City had invested approximately \$42.9 million in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, vehicles, and water and sewer lines. (See Table A-3) This amount represents a net increase (including additions and deductions) of approximately \$3.1 million, or 7.9 percent, over last year.

Table A-3
City's Capital Assets
(net of depreciation)

	<u>Governmental Activities</u>		<u>Business Activities</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 681,708	\$ 681,708	\$ 118,828	\$ 118,828
Buildings	3,888,651	3,248,076	-	-
Other Improvements	12,045,119	11,032,763	-	-
Lines, meters, & Plants	-	-	22,861,816	22,040,809
Equipment	1,732,263	1,383,506	60,048	48,861
Vehicles	1,473,133	1,148,617	36,931	53,332
Total	\$ 19,820,874	\$ 17,494,670	\$ 23,077,623	\$ 22,261,830

This year's major capital asset additions included:

- Improvements to the water system and sewer systems in the amounts of \$1,446,818.
- Street overlay project in the amount of \$737,572.
- Building improvements to the City Maintenance Building in the amount of \$650,604.
- Fire Department purchases of two fire trucks, radio equipment, and a chemical detection machine in the amounts of \$476,625, \$156,715, and \$118,965; respectively.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City is dependent on tax collections for 56 percent of its revenues, and charges for services for 24 percent. The economy is not expected to generate any significant growth. Therefore, the City's future revenues are expected to be consistent with the current years. The revenue in the general fund will reflect an 11% increase in sales tax revenues for next year and an 15% increase in general insurance premiums. The capital outlay budget projects to spend \$7.7 million for street overlays, sewer rehabilitation, drainage, recreation, museums, sidewalk construction, maintenance facility enhancements, utility services, office administration, and property acquisition. The Utility fund budget is in accordance with city ordinance and the cost of operation of the Gas Department is set at \$3.52 per MCF.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Clay Stafford, 120 South Irma Boulevard, Gonzales, LA 70737.

CITY OF GONZALES
STATEMENT OF NET ASSETS
MAY 31, 2006

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash	\$ 5,531,151	\$ 807,197	\$ 6,338,348
Investments	15,190,688	3,610,857	18,801,545
Receivables	2,496,364	264,931	2,761,295
Accrued interest	-	4,902	4,902
Capital assets, net of accumulated depreciation	<u>19,820,874</u>	<u>23,077,623</u>	<u>42,898,497</u>
			-
TOTAL ASSETS	<u>43,039,077</u>	<u>27,765,510</u>	<u>70,804,587</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 122,150	\$ 35,041	\$ 157,191
Accrued expenses	201,499	124,787	326,286
Payable from restricted assets:			
Customer deposits	-	190,071	190,071
Current portion of Long term debt	-	365,000	365,000
Long-term liabilities:			
Compensated absences	569,726	-	569,726
Bonds payable	-	4,084,064	4,084,064
			<u>4,084,064</u>
TOTAL LIABILITIES	<u>893,375</u>	<u>4,798,963</u>	<u>5,692,338</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	19,820,874	18,628,559	38,449,433
Unrestricted	<u>22,324,828</u>	<u>4,337,988</u>	<u>26,662,816</u>
TOTAL NET ASSETS	<u>\$ 42,145,702</u>	<u>\$ 22,966,547</u>	<u>\$ 65,112,249</u>

The accompanying notes are an integral part of this financial statement.

CITY OF GONZALES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2006

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
ACTIVITIES							
Governmental:							
General government	1,419,515	\$ 1,488,337	\$ 638,532	\$ -	\$ 707,354		\$ 707,354
Public safety:							
Police	2,875,299	278,242	24,964	-	(2,572,093)		(2,572,093)
Fire	1,813,927	215,923	-	275,680	(1,322,324)		(1,322,324)
Streets and drainage	2,734,128	-	-	-	(2,734,128)		(2,734,128)
Sanitation	529,832	-	-	-	(529,832)		(529,832)
Recreation	1,255,567	-	-	-	(1,255,567)		(1,255,567)
Civic Center	51,475	-	-	-	(51,475)		(51,475)
Code enforcement	260,578	-	-	-	(260,578)		(260,578)
Total governmental activities	10,940,321	1,982,502	663,496	275,680	(8,018,643)		(8,018,643)
Business-type:							
Utility	4,475,768	3,460,386	27,436	-		(987,946)	(987,946)
Total business-type activities	4,475,768	3,460,386	27,436	-		(987,946)	(987,946)
Total City of Gonzales	\$ 15,416,089	\$ 5,442,888	\$ 690,932		(8,018,643)	(987,946)	(9,006,589)
General Revenues:							
Taxes					12,098,741	443,329	12,544,070
Licenses and permits					990,974	-	990,974
Miscellaneous					191,521	127,205	318,726
Intergovernmental					-	1,486,744	1,486,744
Interest					642,575	162,583	805,158
Transfers In (Out)					(34,075)	34,075	-
Total general revenues and transfers					13,889,736	2,255,936	16,145,672
Change in net assets					5,871,093	1,267,990	7,139,083
Net assets - June 1, 2005					36,274,609	21,698,557	57,973,166
Net assets - May 31, 2006					\$ 42,145,702	\$ 22,966,547	\$ 65,112,249

The accompanying notes are an integral part of this financial statement.

CITY OF GONZALES
BALANCE SHEET
GOVERNMENTAL FUNDS
MAY 31, 2006

	General Fund	Capital Projects	Total Governmental Funds
ASSETS			
Cash	\$ 4,844,659	\$ 686,492	\$ 5,531,151
Investments	10,545,301	4,645,387	15,190,688
Receivables	1,969,478	526,886	2,496,364
Total assets	\$ 17,359,438	\$ 5,858,765	\$ 23,218,203
 LIABILITIES			
Accounts payable	\$ 92,828	\$ 29,322	\$ 122,150
Accrued expenses	201,499	-	201,499
Total liabilities	294,327	29,322	323,649
 FUND BALANCES			
Unreserved	17,065,111	5,829,443	22,894,554
Total fund balances	17,065,111	5,829,443	22,894,554
Total liabilities and fund balances	\$ 17,359,438	\$ 5,858,765	\$ 23,218,203

The accompanying notes are an integral part of this financial statement.

CITY OF GONZALES
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
MAY 31, 2006

Total fund balances - Governmental Funds		\$ 22,894,554
Cost of capital assets at May 31, 2006	\$ 39,963,563	
Less: accumulated depreciation as of May 31, 2006	<u>(20,142,689)</u>	19,820,874
 Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.		
Compensated Absences		<u>(569,726)</u>
Total net assets at May 31, 2006 - Governmental Activities		<u><u>\$ 42,145,702</u></u>

The accompanying notes are an integral part of this financial statement.

CITY OF GONZALES
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUND TYPES
YEAR ENDED MAY 31, 2006

	General	Capital Projects	Total Governmental Funds
REVENUE			
Taxes	\$ 9,495,715	\$ 2,603,026	\$ 12,098,741
Franchise fees	1,262,159	-	1,262,159
Licenses and permits	990,974	-	990,974
Fines and forfeitures	278,242	-	278,242
Miscellaneous	191,521	-	191,521
Charges for services	226,178	-	226,178
Fire department revenue	215,923	-	215,923
Intergovernmental revenues:			
Federal and state grants	731,206	89,220	820,426
Other grants	118,750	-	118,750
Interest	391,077	251,498	642,575
Total revenues	<u>13,901,745</u>	<u>2,943,744</u>	<u>16,845,489</u>
EXPENDITURES			
Current:			
General government	1,109,106	-	1,109,106
Public safety:			
Police	2,715,383	-	2,715,383
Fire	2,405,630	-	2,405,630
Streets and drainage	846,552	2,768,458	3,615,010
Sanitation	586,012	-	586,012
Recreation	885,549	1,552,599	2,438,148
Civic Center	51,475	-	51,475
Code enforcement	260,124	-	260,124
Total expenditures	<u>8,859,831</u>	<u>4,321,057</u>	<u>13,180,888</u>
Excess of Revenues over (under) expenditures	5,041,914	(1,377,313)	3,664,601
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(34,075)	-	(34,075)
	<u>(34,075)</u>	<u>-</u>	<u>(34,075)</u>
Net change in fund balances	5,007,839	(1,377,313)	3,630,526
Fund Balance, Beginning of Year	12,057,272	7,206,756	19,264,028
Fund Balance, End of Year	<u>\$ 17,065,111</u>	<u>\$ 5,829,443</u>	<u>\$ 22,894,554</u>

The accompanying notes are an integral part of this financial statement.

CITY OF GONZALES
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
MAY 31, 2006

Net change in fund balances - Governmental funds \$ 3,630,526

The change in net assets reported for governmental activities in the statement of activities is different because:

Capital assets:

Capital outlay capitalized	3,689,721	
Depreciation expense for the year ended May 31, 2006	<u>(1,363,517)</u>	2,326,204

Less: Excess of compensated absences earned over compensated absences used (85,637)

Change in net assets of governmental activities \$ 5,871,093

The accompanying notes are an integral part of this financial statement.

CITY OF GONZALES
STATEMENT OF NET ASSETS
PROPRIETARY FUND
MAY 31, 2006

ASSETS

Cash	\$ 807,197
Investments	3,610,857
Receivables (net of allowance)	264,931
Accrued interest	4,902
Capital assets, net of accumulated depreciation	<u>23,077,623</u>
 TOTAL ASSETS	 <u>27,765,510</u>

LIABILITIES

Accounts payable	\$ 35,041
Accrued expenses	124,787
Current portion of Long term debt	365,000
Customer deposits	190,071
Long-term liabilities:	
Series 1996 Bonds payable	<u>4,084,064</u>
 TOTAL LIABILITIES	 <u>4,798,963</u>

NET ASSETS

Invested in capital assets, net of related debt	18,628,559
Unrestricted	<u>4,337,988</u>
 TOTAL NET ASSETS	 <u>\$ 22,966,547</u>

The accompanying notes are an integral part of this financial statement.

CITY OF GONZALES
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED MAY 31, 2006

OPERATING REVENUES

Charges for service:	
Gas sales	\$ 2,011,887
Sewer service charges	786,398
Water sales	662,101
Grant income	27,436
Miscellaneous	127,205
Total operating revenues	<u>3,615,027</u>

OPERATING EXPENSES

Gas department	1,905,909
General and administrative	477,027
Depreciation and amortization	669,554
Water department	587,816
Sewer department	692,742
Total operating expenses	<u>4,333,048</u>

OPERATING LOSS

(718,021)

NONOPERATING REVENUES (EXPENSES)

Interest income	162,583
Sales Taxes	445,329
Transfer in	34,075
Intergovernmental	1,486,744
Interest on bonds payable	(142,720)
Net non-operating revenues	<u>1,986,011</u>

Change in net assets	1,267,990
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Total net assets - beginning	<u>21,698,557</u>
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Total net assets - ending	<u>\$ 22,966,547</u>
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The accompanying notes are an integral part of this financial statement.

CITY OF GONZALES
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE - ENTERPRISE FUND
YEAR ENDED MAY 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 3,555,513
Payments to suppliers	(3,588,062)
Net cash used by operating activities	<u>(32,549)</u>

CASH FLOWS FROM NONCAPITAL FINANCING

Transfers in	34,075
Sales Taxes	445,329
Net cash provided by noncapital financing	<u>479,404</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of capital assets	(1,485,347)
Intergovernmental revenue	1,486,744
Payments on long term debt	(355,000)
Interest paid	(142,720)
Net cash used in capital and related financing activities	<u>(496,323)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(214,768)
Interest received	165,109
Net cash used in investing activities	<u>(49,659)</u>

Net decrease in cash and cash equivalents	(99,127)
Cash and cash equivalents - June 1, 2005	906,324
Cash and cash equivalents - May 31, 2006	<u>\$ 807,197</u>

CASH FLOWS FROM OPERATING ACTIVITIES

Operating loss	\$ (718,021)
Adjustments to reconcile operating income to net cash provided (used) by operating activities -	
Depreciation and amortization	669,554
Bad debt provision	16,596
Increase in Accounts receivable	(76,110)
Increase in Accounts payable	32,255
Increase in Accrued liabilities	43,177
Net cash used by operating activities	<u>\$ (32,549)</u>

The accompanying notes are an integral part of this financial statement.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The City of Gonzales, Louisiana, was incorporated April 15, 1922, under the provision of the Lawrason Act. The City operates under a Mayor-City Council form of government.

The accounting and reporting practices of the City of Gonzales, Louisiana, conform to accounting principles generally accepted in the United States of America as applicable to governmental units on a consistent basis between periods.

Financial Reporting Entity – This report includes all funds and account groups, which are controlled by, or dependent on the City's executive and legislative branches (the Mayor and the City Council). Control by or dependence on the City was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

Based on the foregoing criteria, certain organizations are not part of the City and are thus excluded from the accompanying financial statements. These are the Friends of the Museum, Beautification Board, and Committee on Cultural Affairs. The City exercises no control over their operations.

The financial report has been prepared in conformity with GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, issued in June, 1999.

The following is a summary of certain significant accounting policies:

Basis of Presentation, Basis of Accounting

Government-wide Statements: The statement of net assets and the statement of activities display information about the City of Gonzales. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the *governmental and business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

- a. **General Fund** – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. **Capital Projects Funds** – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and agency funds).

The City reports the following enterprise fund:

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

Measurement Focus, Basis of Accounting -

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business-type activities and enterprise funds of the City follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinion, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Transfers between funds are not expected to be repaid and are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

Budgets and Budgetary Accounting – The City follows these procedures in establishing the budgetary data reflected in these financial statements:

- 1) The City's Mayor and Clerk prepare a proposed budget message and budget and submit it to the City Council prior to the beginning of each fiscal year.
- 2) A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
- 3) A public hearing is held on the proposed budget at least two weeks 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.
- 5) Budgetary amendments involving the transfer of funds from one department, program, or function to another, or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the City Council.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

1. **Summary of Significant Accounting Policies (continued)**

6) All budgetary appropriations lapse at the end of each fiscal year.

7) The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The budget for the Enterprise Fund is adopted under a basis consistent with GAAP, except for depreciation, amortization, and bad debt expense, which are not considered. The budget for the Capital Projects Fund is adopted on a project by project basis. Budgeted amounts are as originally adopted, or as amended from time to time by the City council. Such amendments were not material in relation to the original appropriations.

Investments – Investments are stated at market value.

Inventories – Inventory of supplies is immaterial in the dollar amount and all supplies are expensed when purchased.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2001, consist of the road network assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	20-30
Buildings	40
Building Improvements	20
Other Improvements	20-40
Vehicles	5-15
Equipment	3-15

The proprietary fund is accounted for on a cost of service or "capital maintenance" measurement focus, and all assets and all liabilities (whether current or non current) associated with its activity are included on its balance sheet.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

	<u>Years</u>
Lines, meters, & sewer system	40-50
Equipment	4-10
Vehicles	4

All fixed assets are stated at historical cost or estimated historical cost, if actual historical cost is not available. Donated fixed assets of \$20,000 are stated at their estimated fair value on the date received.

Compensated Absences – The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Bad Debts – Uncollectible amounts due for ad valorem taxes and customers' utility receivables are expenses when the debt becomes uncollectible, which is not materially different from accounting principles generally accepted in the United States of America. The City considers any utility receivable where service has been disconnected to be uncollectible. All utility receivables with service are considered collectible.

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

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

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

2. Capital Assets

Capital assets and depreciation activity as of and for the year ended May 31, 2006, are as follows:

Governmental activities:

	<u>Land</u>	<u>Building</u>	<u>Other Improvements</u>	<u>Equipment</u>	<u>Vehicles</u>	<u>Total</u>
Cost of Capital						
Assets May 31, 2005	\$681,708	\$4,633,485	\$ 25,678,068	\$ 2,824,889	\$ 2,524,474	\$36,342,624
Additions	-	748,716	1,742,157	638,597	560,251	3,689,721
Deletions	-	-	-	-	(68,782)	(68,782)
Costs of Capital						
Assets, May 31, 2006	<u>681,708</u>	<u>5,382,201</u>	<u>27,420,225</u>	<u>3,463,486</u>	<u>3,015,943</u>	<u>39,963,563</u>
Accumulated depreciation						
May 31, 2005	-	1,385,409	14,645,305	1,441,383	1,375,857	18,847,954
Additions	-	108,141	729,801	289,840	235,735	1,363,517
Deletions	-	-	-	-	(68,782)	(68,782)
Accumulated depreciation, May 31, 2006	<u>-</u>	<u>1,493,550</u>	<u>15,375,106</u>	<u>1,731,223</u>	<u>1,542,810</u>	<u>20,142,689</u>
Capital assets, net of accumulated depreciation at May 31, 2006	<u>\$681,708</u>	<u>\$ 3,888,651</u>	<u>\$ 12,045,119</u>	<u>\$ 1,732,263</u>	<u>\$ 1,473,133</u>	<u>\$19,820,874</u>

For the year ended May 31, 2006, depreciation expense was \$1,363,517.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

2. Capital Assets (continued)

Business-Type Activities:

	Land	Building	Lines, Meters, and plants	Equipment	Vehicles	Total
Cost of Capital Assets May 31, 2005	\$118,828	\$22,474	\$31,665,592	\$301,592	\$451,837	\$32,560,323
Additions	-	-	1,446,817	23,819	16,107	1,486,743
Deletions	-	-	-	-	(13,409)	(13,409)
Costs of Capital Assets, May 31, 2006	118,828	22,474	33,112,409	325,411	454,535	34,033,657
Accumulated depreciation May 31, 2005	-	22,474	9,624,783	252,731	398,505	10,298,493
Additions	-	-	625,811	12,631	31,112	669,554
Deletions	-	-	-	-	(12,013)	(12,013)
Accumulated depreciation, May 31, 2006	-	22,474	10,250,594	265,362	417,604	10,956,034
Capital assets, net of accumulated depreciation at May 31, 2006	\$118,828	\$ -	\$22,861,815	\$60,049	\$36,931	\$23,077,623

For the year ended May 31, 2006, depreciation expense was \$669,554.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

3. Custodial Credit Risk- Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of May 31, 2006, \$ 7,370,891 of the bank balance was not exposed to custodial credit risk.

4. Investments

Statutes authorize the City to invest in United States bonds, treasury notes or certificates, time certificates of deposit of Louisiana state banks and national banks having the principal office in the State of Louisiana, or any other federally insured investments.

As of May 31, 2006, the city had the following investments and maturities.

INVESTMENT MATURITIES (IN YEARS)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>
U.S. Agencies	\$ 5,092,500	\$ 3,540,063	\$ 1,552,437
LAMP Funds	5,842,374	5,842,374	-
U.S. Government Securities	495,781	495,781	-
Certificates of Deposit	7,357,255	-	7,357,255
Money Market Funds	<u>13,635</u>	<u>13,635</u>	<u>-</u>
Total Investments	<u>\$18,801,545</u>	<u>\$ 9,891,853</u>	<u>\$ 8,909,692</u>

Because the LAMP funds as of May 31, 2006, had a weighted average maturity of 3.5 months, it was presented as an investment with maturity of less than one year.

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

4. Investments (Continued)

Credit Risk

State law limits investments in securities issued, or back by the United States Treasury obligations, and U.S. Government instrumentalities, which are federally sponsored. The City has no investment policy that would further limit its investment choices. As of May 31, 2006, the city's investment in LAMP was rated AAA by Standard & Poor's. The city's investments in U.S. Agencies and U.S. Government Securities were rated AAA by Moody's Investors Service.

Concentration of Credit Risk

The district places no limit on the amount the district may invest in any one issuer. More than 5 percent of the district's investments are in U.S. Agencies. These investments are 27.08% of the district's total investments.

5. Ad Valorem Taxes

Ad valorem taxes attach an enforceable lien on property as of January 1 of each year. Taxes are levied by the City in September or October, and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

The City bills and collects its own property taxes using the assessed values determined by the tax assessor of Ascension Parish.

For the year ended May 31, 2006 taxes of 8.55 mills were levied on property with assessed valuations totaling \$67,512,780 and were dedicated as follows:

General corporate purposes	5.28 mills
Fire department	3.27 mills

Total taxes levied were \$577,234. At May 31, 2006, only a minor amount of taxes were uncollected and adjudicated to the City.

6. Transfers to/from Other Funds

Transfers to/from Other Funds at May 31, 2006 consist of the following:

Transfer from General Fund to the Utility Fund to supplement Other Fund sources	<u>\$34,075</u>
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CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

7. **Restricted Assets**

Restricted assets at May 31, 2006 were applicable to the following:

	<u>Utility Fund</u>
Customer Deposits	<u>\$ 190,171</u>

8. **Concentration of Credit Risk-Proprietary Fund**

Accounts receivable from utility customers were comprised of the following sources: residential – 61%, commercial – 30%; other governmental agencies – 9%. Outstanding balances are partially secured by deposits made when service is requested.

9. **Changes in Long-Term Debt**

The following is a summary of long term debt transactions of the City of Gonzales for the year ended May 31, 2006:

Governmental Activities:

Compensated Absences

Balance at June 1, 2005	\$ 473,089
Increases	113,328
Decreases	<u>(16,691)</u>
Balance at May 31, 2006	<u>\$ 569,726</u>

Business Type Activities:

Bonds payable June 1, 2005	\$ 4,804,064
Debt Matured	<u>(355,000)</u>
Bonds payable May 31, 2006	<u>\$ 4,449,064</u>

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

9. **Changes in Long-Term Debt** (continued)

Debts payable at May 31, 2006, are comprised of the following individual issues:

Utility obligation bonds:

\$7,500,000 Sewer improvement bonds dated May 28, 1997, due in annual installments of \$280,000 to \$485,000 through March 1, 2017; interest at 2.95%, secured by collection of sales tax. \$ 4,449,064

The annual requirements to amortize all debts outstanding as of May 31, 2005, including interest payments of \$796,639 are as follows:

Years ending <u>May 31</u>	<u>Principal</u>	<u>Interest</u>
2007	365,000	131,247
2008	375,000	120,480
2009	385,000	109,417
2010	400,000	98,060
2011	410,000	86,260
2012-2017	<u>2,514,064</u>	<u>251,174</u>
	<u>\$4,449,064</u>	<u>\$796,639</u>

10. **Dedication of Proceeds and Flow of Funds-1.5% Sales and Use Tax**

The bond resolution of November, 1990, requires that the proceeds of the ½% sales and use tax now being levied and collected by the City be deposited with the City's regularly designated fiscal agent bank in a Sales Tax Fund, which is considered an Agency Fund. Monthly payments are required to be made from the Sales Tax Fund to the 1996 Sales Tax Bond Sinking fund to pay principal and interest payments currently due. The 1996 bond issue also requires payments to be made into a 1996 Sales Tax Bond Reserve Fund. The money in this reserve fund is to be retained solely for the purpose of paying the principal and the interest on the bonds payable from the aforesaid sinking fund as to which there would otherwise be default. Any monies remaining in the Sales Tax Fund after making the required payments into the Bond Sinking Fund for the current month and for prior months, during which the required payments may not have been made, shall be considered as surplus. Such surplus may be for any of the purposes for which the tax was authorized.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

11. Pension Plan

Substantially all employees of the City of Gonzales 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 bonds 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 City in this System are members of Plan A.

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 any age with at least 25 years of creditable service, are entitled to a retirement benefit, payable monthly for life, equal to 3 percent 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 Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Funding Policy. Under Plan A, members are required by state statute to contribute 9.25 percent of their annual covered salary and the City of Gonzales is required to contribute at an actuarially determined rate. The current rate is 16.0 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and City of Gonzales are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The contributions of the City of Gonzales to the System under Plan A for the year ending May 31, 2006, 2005, and 2004 were \$408,293, \$395,923, and \$ 251,363, respectively.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

11. Pension Plan (continued)

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

Plan Description. All full-time police department employees engaged in law enforcement 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 percent of their final-average salary of 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 previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

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

Funding Policy. Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the City of Gonzales is required to contribute at an actuarially determined rate. The current rate is 16.25 percent of annual covered payroll. The contribution requirements of plan members and the City of Gonzales are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

The contributions of the City of Gonzales for the year ending May 31, 2006, 2005, and 2004 were \$217,820, \$265,950, and \$174,857, respectively.

12. Contingencies

Litigation – Various lawsuits are pending against the City. In the opinion of City management, the potential loss on lawsuits will not be material to the City's basic financial statements.

CITY OF GONZALES
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
REVENUES			
Taxes	6,123,000	\$ 6,247,700	9,495,715
Franchise fees	757,500	757,500	1,262,159
Licenses and permits	650,500	650,500	990,974
Fines and forfeits	114,000	114,000	278,242
Miscellaneous	107,500	107,500	191,521
Charges for services	200,000	200,000	226,178
Intergovernmental	333,700	333,700	849,956
Fire department revenue	132,000	132,000	215,923
Interest	100,000	100,000	391,077
Total revenues	<u>8,518,200</u>	<u>8,642,900</u>	<u>13,901,745</u>
EXPENDITURES			
Current:			
General government	1,174,275	1,209,975	1,109,106
Public safety			
Police	2,610,900	2,646,200	2,715,383
Fire	1,994,500	2,011,400	2,405,630
Streets and drainage	897,800	917,300	846,552
Sanitation	639,000	641,000	586,012
Recreation	779,750	790,950	885,549
Civic center	49,800	49,800	51,475
Code enforcement	277,700	281,800	260,124
Miscellaneous	94,475	94,475	-
Total expenditures	<u>8,518,200</u>	<u>8,642,900</u>	<u>8,859,831</u>
Excess of revenues over expenditures	-	-	5,041,914
OTHER FINANCING USES			
Transfers out	-	-	(34,075)
Net change in fund balance	-	-	5,007,839
Fund Balance, Beginning of year	<u>12,057,272</u>	<u>12,057,272</u>	<u>12,057,272</u>
Fund Balance, End of year	<u>\$ 11,019,845</u>	<u>\$ 11,019,845</u>	<u>\$ 17,065,111</u>

CITY OF GONZALES
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS
YEAR ENDED MAY 31, 2006

	<u>Original Budget</u>	<u>Budget</u>	<u>Actual</u>
REVENUES			
Sales tax	\$ 1,636,000	\$ 1,585,000	\$ 2,603,026
Grant income	-	-	89,220
Interest	70,000	70,000	251,498
Total revenues	<u>1,706,000</u>	<u>1,655,000</u>	<u>2,943,744</u>
EXPENDITURES			
Capital Outlays:			
Street overlay project	1,490,000	1,490,000	753,058
Street/Drainage department	239,700	239,700	241,260
Erosion prevention project	275,000	275,000	172,340
Sidewalk construction	125,000	125,000	11,357
EA High School Computer request	10,000	10,000	10,000
Civic center	419,800	419,800	-
T. Joe Gonzales Museum	14,100	14,100	8,937
Recreation Capital	728,600	728,600	433,668
Carver park rehabilitation	267,000	267,000	187,214
Jambalaya park	487,000	487,000	265,121
Property acquisition	100,000	100,000	3,349
City maintenance building	1,000,000	1,000,000	652,068
New river trail development	200,000	200,000	129,334
Code enforcement capital	148,300	148,300	11,826
Lighting upgrade	85,000	85,000	-
Sewer rehabilitation	1,648,400	1,648,400	1,047,502
Water system analysis	45,000	45,000	11,420
Utility department capital	627,600	627,600	354,065
City Room	71,500	71,500	245
General administration	58,900	58,900	28,293
Total expenditures	<u>8,040,900</u>	<u>8,040,900</u>	<u>4,321,057</u>
EXCESS OF REVENUES			
UNDER EXPENDITURES	(6,334,900)	(6,385,900)	(1,377,313)
Fund Balance, Beginning of year	<u>7,206,756</u>	<u>7,206,756</u>	<u>7,206,756</u>
Fund Balance, End of year	<u>\$ 871,856</u>	<u>\$ 820,856</u>	<u>\$ 5,829,443</u>

CITY OF GONZALES
SCHEDULE OF PER DIEM PAID
YEAR ENDED MAY 31, 2006

	<u>MONTHLY</u>	<u>ANNUAL</u>
Alvin "Bully" Dragg	\$ 800	\$ 9,600
Terance Irvin	800	9,600
Kenneth Matassa	800	9,600
Larry Savell	800	9,600
Ronald Waguespack	800	9,600
		<u>\$ 48,000</u>

CITY OF GONZALES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MAY 31, 2006

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Gonzales.
2. There were no reportable conditions during the audit of the financial statements.
3. There was one instance of noncompliance during the audit of the financial statements noted in Part B of this schedule.
4. The auditor's report on compliance for the major federal award programs for the City of Gonzales expresses an unqualified opinion.
5. There no audit findings relative to the major federal award programs of the City of Gonzales during the audit of the financial statements.
6. The following programs are identified as major programs for the year ended May 31, 2006:

	Federal
	<u>CFDA Number</u>
Public Assistance Grants – FEMA	97.036

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

COMPLIANCE

2006-01 Cash Management

Finding: The City did not have adequate pledged collateral to cover the government's deposits of public funds at a financial institution.

Criteria: LSA-RS39:1211 requires that a local depository authority should have adequate pledged collateral to cover all deposits of public funds in order to be federally insured under the FDIC limits.

Recommendations: The City should verify with the financial institution that proper amount of pledged collateral is pledged against deposited funds.

CITY OF GONZALES, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED MAY 31, 2006

FINDINGS

None



Postlethwaite & Netterville

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

To the Honorable Mr. John A. Berthelot, Mayor
and the Members of the City Council
City of Gonzales, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of City of Gonzales, Louisiana, as of the year ended May 31, 2006, which collectively comprise the city of Gonzales, Louisiana's basic financial statements and have issued our report dated September 14, 2006. 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 and Other Matters

As part of obtaining reasonable assurance about whether the City of Gonzales, 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 test disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned cost as item 2006-01.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Gonzales, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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.

This report is intended for the information of the City Council, management, and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Netterville

September 14, 2006



Postlethwaite & Netterville

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mr. John A. Berthelot, Mayor
and the Members of the City Council
City of Gonzales, Louisiana

Compliance

We have audited the compliance of the City of Gonzales, Gonzales, Louisiana with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended May 31, 2006. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended May 31, 2006.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities and business-type activities of the City of Gonzales as of and for the year ended May 31, 2006, and have issued our report thereon dated September 14, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not required as a part of the basic financial statements. Such information has been subjected to 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.

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

Parthasarathy & Metcalley

September 14, 2006



CITY OF GONZALES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2006

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>Agency or Pass-through No.</u>	<u>CFDA NUMBER</u>	<u>EXPENDITURES 5/31/06</u>
<u>UNITED STATES DEPARTMENT OF AGRICULTURE & FORESTRY</u>			
Passed through Louisiana Department of Agriculture and Forestry: Volunteer Fire Assistance Program		None	\$ <u>5,164</u>
<u>UNITED STATES DEPARTMENT OF HOMELAND SECURITY</u>			
Passed through Louisiana Department of Military Affairs FEMA	005-29850-00	97.036	541,357
Passed through Louisiana Department of Domestic Preparedness Volunteer Fire Assistance Program-FEMA	EMW-2005-FG-18366	97.036	<u>159,790</u>
TOTAL UNITED STATES DEPARTMENT OF HOMELAND SECURITY			<u>701,147</u>
<u>UNITED STATES DEPARTMENT OF JUSTICE-</u>			
Office of Justice Programs			
Ballistic Vest Program		16.609	5,855
Project Safe Neighborhood		16.609	10,259
Passed through Louisiana Commission on Law Enforcement and Administration of Criminal Justice			
Integrated Criminal Apprehension (ICAP)	B05-5-013	16.738	11,177
Integrated Criminal Apprehension (ICAP)	B04-5-010	16.579	11,920
Passed through Louisiana Drug Enforcement Administration Drug-Free Workplace		16.001	<u>15,144</u>
TOTAL UNITED STATES DEPARTMENT OF JUSTICE			<u>54,355</u>
<u>UNITED STATES DEPARTMENT OF TRANSPORTATION</u>			
Passed through Louisiana Highway Safety Commission			
Safe and Sober	P3 05-14-39	20.605	4,783
Gonzales PD Year Long Overtime	PT 06-09-00	20.600	<u>25,000</u>
TOTAL UNITED STATES DEPARTMENT OF TRANSPORTATION			<u>29,783</u>
<u>UNITED STATES DEPARTMENT OF THE INTERIOR</u>			
Passed through Louisiana Department of Culture Recreation and Tourism Carver Park Rehabilitation	22-00869	15.916	<u>110,221</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ <u>900,670</u>



City of Gonzales

120 SOUTH IRMA BOULEVARD • GONZALES, LOUISIANA 70737 • PHONE (225) 647-2841 • FAX (225) 647-9557

CORRECTIVE ACTION PLAN

September 14, 2006

JOHN A. BERTHELOT
MAYOR/ADMINISTRATOR

RONALD J. WAGUESPACK
COUNCILMAN
MAYOR PRO-TEMPORE
RECREATION COMMISSIONER

LARRY W. SAVELL
COUNCILMAN
DRAINAGE COMMISSIONER
TOURIST COMMISSIONER
ASSISTANT TREASURER

ALVIN L. DRAGG
COUNCILMAN
TREASURER
STREETS COMMISSIONER

TERANCE L. IRVIN
COUNCILMAN
UTILITIES COMMISSIONER
BEAUTIFICATION COMMISSIONER

KENNETH P. MATASSA
COUNCILMAN
FIRE DEPARTMENT COMMISSIONER
SANITATION COMMISSIONER

WILLIAM P. LANDRY
CHIEF OF POLICE

H. "BUTCH" BROWNING
FIRE CHIEF

CLAY A. STAFFORD
CITY CLERK
FINANCE DIRECTOR

ANTHONY KELLER
CENTRAL OFFICE DIRECTOR

R. RYLAND PERCY
CITY ATTORNEY

BETTY S. LATUSO
TAX COLLECTOR
MUSEUM CURATOR

ALVIN BROUSSARD
BUILDING OFFICIAL

Louisiana Legislative Auditor

The City of Gonzales respectfully submits the following corrective action plan for the year ended May 31, 2006.

Name and address of independent public accounting firm:
Netterville, APAC

Postlethwaite &
326 E Cornerview
Gonzales, LA 70737

Audit Period: June 1, 2005 – May 31, 2006

The findings from the May 31, 2006 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS

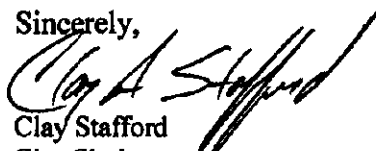
2006-01 COMPLIANCE

Recommendation: Recommendations: The City should verify with financial institution that the proper amount of pledged collateral is pledged against deposited funds.

Action taken: The City has notified the financial institution and proper amount of pledged collateral have been pledged against their deposited funds.

If the Louisiana Legislative Auditor has questions regarding this plan, please call Clay Stafford at (225) 647-2841.

Sincerely,


Clay Stafford
City Clerk

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