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TOWN OF GRAND COTEAU, LOUISIANA

Financial Report

For the Year Ended June 30, 2005

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 2-1-2006

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INDEPENDENT AUDITORS' REPORT

The Honorable Jean C. Coco, Mayor,
and Members of the Board of Aldermen
Grand Coteau, 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 Grand Coteau, Louisiana, as of and for the year ended June 30, 2005, 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'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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Grand Coteau, Louisiana, as of June 30, 2005, 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 our report dated November 30, 2005, on our consideration of the Town of Grand Coteaus' internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The required supplementary information on pages 41 through 42 are not a required part of the basic financial statements but are 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.

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The Town of Grand Coteau 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 Grand Coteau, Louisiana's basic financial statements. The other supplementary information on pages 55 through 76 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
November 30, 2005

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

The Town of Grand Coteau's basic financial statements are comprised of the following three components:

Government-wide financial statements - provides readers with a broad overview of the Town of Grand Coteau's finances in a manner similar to a private sector business.

Fund financial statements - provides readers information with an emphasis on inflows and outflows of resources useful for making decisions in a budgetary context where the focus is on meeting the Town's near-term financial needs.

Notes to basic financial statements - provides additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF GRAND COTEAU, LOUISIANA
STATEMENT OF NET ASSETS
JUNE 30, 2005

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	$81,954	$34,920	$116,874
Investments		24,209	24,209
Receivables (net of allowances for uncollectibles)	13,588	57,160	70,748
Due from other governments	36,301		36,301
Internal balances	5,009	(5,009)	
Restricted assets		266,001	266,001
Prepaid expenses	23,548	7,063	30,611
Capital assets (net)	822,510	2,599,473	3,421,983
Total assets	982,910	2,983,817	3,966,727
LIABILITIES			
Bank overdraft		958	958
Accounts payable and accrued expenses	36,129	21,358	57,487
Payable from restricted assets		47,762	47,762
Long-term liabilities			
Due within one year	19,865	36,080	55,945
Due in more than one year	39,130	431,315	470,445
Total liabilities	95,124	537,473	632,597
NET ASSETS			
Invested in capital assets, net of related debt	763,515	2,132,078	2,895,593
Restricted for			
Customers' deposits		41,608	41,608
Bond retirement		140,578	140,578
Unrestricted	124,271	132,080	256,351
Total net assets	887,786	2,446,344	3,334,130

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

TOWN OF GRAND COTEAU, LOUISIANA
STATEMENT OF ACTIVITIES
JUNE 30, 2005

		PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS		
	EXPENSES	FEES, FINES AND CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
FUNCTIONS/PROGRAMS							
Governmental Activities							
General government	$182,779				$(182,779)		$(182,779)
Public safety	316,586	$69,716			(246,870)		(246,870)
Public works	112,414				(112,414)		(112,414)
Culture and recreation	3,167				(3,167)		(3,167)
Interest on debt	3,755				(3,755)		(3,755)
Total governmental activities	618,701	69,716	-0-	-0-	(548,985)	-0-	(548,985)
Business-type Activities							
Gas	271,774	294,350				$22,576	22,576
Water	100,836	92,263				(8,573)	(8,573)
Sewer	202,390	93,900		$381,093		272,603	272,603
Total business-type activities	575,000	480,513	-0-	381,093	-0-	286,606	286,606
Total primary government	1,193,701	550,229	-0-	381,093	(548,985)	286,606	(262,379)
General Revenues							
Taxes							
Property taxes, levied for general purposes					16,114		16,114
Sales tax, levied for general purposes					76,437		76,437
Franchise taxes					56,882		56,882

Continued on next page.

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

TOWN OF GRAND COTEAU, LOUISIANA
STATEMENT OF ACTIVITIES (CONTINUED)
JUNE 30, 2005

	EXPENSES	PROGRAM REVENUES: FEES, FINES AND CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS: GOVERNMENTAL ACTIVITIES	NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS: BUSINESS-TYPE ACTIVITIES	NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS: TOTAL
Interest and investment earnings						$2,127	$2,127
Occupational licenses and other permits					$35,855		35,855
Intergovernmental					250,824		250,824
Miscellaneous					22,669		22,669
Transfers					44,066	(44,066)	
Total general revenues and transfers					502,847	(41,939)	460,908
Changes in net assets					(46,138)	244,667	198,529
Net assets - July 1, 2004					929,467	2,201,677	3,131,144
Prior period adjustment					4,457		4,457
Net assets - June 30, 2005					887,786	2,446,344	3,334,130

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

FUND FINANCIAL STATEMENTS

TOWN OF GRAND COTEAU, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	GENERAL	SALES TAX FUND	TOTAL
ASSETS			
Cash and cash equivalents	$55,720	$26,234	$81,954
Receivables, net of allowance for uncollectibles			
Taxes	3,379		3,379
Franchise	9,968		9,968
Intergovernmental	36,301		36,301
Other	241		241
Due from other funds	5,009		5,009
Total assets	110,618	26,234	136,852
LIABILITIES AND FUND BALANCES			
Accounts payable	$13,514		$13,514
Due to other funds	5,005		5,005
Total liabilities	18,519	-0-	18,519
FUND BALANCES			
Unreserved, undesignated	92,099	$26,234	118,333
Total fund balances	92,099	26,234	118,333
Total liabilities and fund balances	110,618	26,234	136,852

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

TOWN OF GRAND COTEAU, LOUISIANA
RECONCILIATION OF THE GOVERNMENTAL FUNDS' BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Total fund balances for governmental funds at June 30, 2005		$118,333
Cost of capital assets at June 30, 2005	$1,283,522	
Less: Accumulated depreciation as of June 30, 2005	(461,012)	822,510
Prepaid expenses net of insurance payable of $17,610 at June 30, 2005		5,938
Long-term liabilities at June 30, 2005		
Capital leases payable	(25,210)	
Bonds payable	(33,785)	(58,995)
Net assets at June 30, 2005		887,786

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

TOWN OF GRAND COTEAU, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	GENERAL	SALES TAX FUND	TOTAL
REVENUES			
Taxes	$72,996	$76,437	$149,433
Licenses and permits	35,855		35,855
Intergovernmental	250,824		250,824
Fines and forfeits	69,716		69,716
Miscellaneous revenues	22,661	8	22,669
Total revenues	452,052	76,445	528,497
EXPENDITURES			
Current			
Executive and administrative	164,024	764	164,788
Street department	91,169		91,169
Police department	298,097		298,097
Fire department	22,749		22,749
Park department	1,862		1,862
Debt service	22,855		22,855
Total expenditures	600,756	764	601,520
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(148,704)	75,681	(73,023)
OTHER FINANCING SOURCES (USES)			
Transfers in	131,559		131,559
Transfers out	(9,667)	(77,826)	(87,493)
Total other financing sources (uses)	121,892	(77,826)	44,066
DEFICIENCY OF REVENUES AND OTHER SOURCES UNDER EXPENDITURES AND OTHER USES	(26,812)	(2,145)	(28,957)
FUND BALANCES, beginning of year	114,454	28,379	142,833
PRIOR PERIOD ADJUSTMENT	4,457		4,457
FUND BALANCES, end of year	92,099	26,234	118,333

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

TOWN OF GRAND COTEAU, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Total net change in fund balances for the year ended June 30, 2005 per Statement of Revenues, Expenditures, and Changes in Fund Balances		$(28,957)
Capital outlay which is considered expenditures on Statement of Revenues, Expenditures and Changes in Fund Balances	$14,209	
Depreciation expense for year ended June 30, 2005	(50,045)	(35,836)
Differences between prepaid expenses on modified accrual basis versus accrual basis		(445)
Bond principal retirement considered as an expenditure on Statement of Revenues, Expenditures and Changes in Fund Balances		8,926
Capital lease payments considered as an expenditure on Statement of Revenues, Expenditures and Changes in Fund Balances		10,174
Total change in net assets for the year ended June 30, 2005 per Statement of Activities		(46,138)

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

TOWN OF GRAND COTEAU, LOUISIANA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	WATER FUND	SEWER FUND	TOTAL
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$32,504	$2,390	$26	$34,920
Investments	1,051	23,158		24,209
Accounts receivable, net	25,020	15,009	16,776	56,805
Accrued interest receivable	15		32	47
Prepaid insurance	2,132	2,185	2,746	7,063
Due from other funds		1,528	17,250	18,778
Total current assets	60,722	44,270	36,830	141,822
RESTRICTED ASSETS				
Cash	25,621	111,313	67,080	204,014
Investments	36,400		25,587	61,987
Total restricted assets	62,021	111,313	92,667	266,001
FIXED ASSETS				
Utility plant and depreciable assets, net of accumulated depreciation	48,129	334,951	2,216,393	2,599,473
Total fixed assets	48,129	334,951	2,216,393	2,599,473
Total assets	170,872	490,534	2,345,890	3,007,296

This statement continued on next page.

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

TOWN OF GRAND COTEAU, LOUISIANA
STATEMENT OF NET ASSETS (CONTINUED)
PROPRIETARY FUNDS
JUNE 30, 2005

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	WATER FUND	SEWER FUND	TOTAL
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES (from current assets)				
Bank overdraft			$958	$958
Accounts payable	$10,062	$4,014	7,282	21,358
Due to other funds	1,013	22,466		23,479
Total	11,075	26,480	8,240	45,795
CURRENT LIABILITIES (from restricted assets)				
Revenue bonds payable		14,504	21,576	36,080
Interest payable		2,488	2,459	4,947
Customers' deposits	30,259	12,556		42,815
Total	30,259	29,548	24,035	83,842
Total current liabilities	41,334	56,028	32,275	129,637
LONG-TERM LIABILITIES				
Revenue bonds payable		139,708	291,607	431,315
Total long-term liabilities	-0-	139,708	291,607	431,315
Total liabilities	41,334	195,736	323,882	560,952
NET ASSETS				
Invested in capital assets, net of related debt	48,129	180,739	1,903,210	2,132,078
Reserved for customers' deposits	31,762	9,846		41,608
Reserved for bond retirement		71,919	68,659	140,578
Unrestricted	49,647	32,294	50,139	132,080
Total net assets	129,538	294,798	2,022,008	2,446,344

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

TOWN OF GRAND COTEAU, LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	WATER FUND	SEWER FUND	TOTAL
OPERATING REVENUES				
Charges for services	$294,350	$91,587	$93,224	$479,161
Miscellaneous income		676	676	1,352
Total operating revenues	294,350	92,263	93,900	480,513
OPERATING EXPENSES				
Personal services	26,400	15,366	33,381	75,147
Contractual services	184,869		4,095	188,964
Supplies	14,327	10,709	2,780	27,816
Other expenses	38,125	34,590	61,673	134,388
Depreciation	8,053	29,526	82,518	120,096
Total operating expenses	271,774	90,191	184,447	546,412
OPERATING INCOME	22,576	2,072	(90,547)	(65,899)
NONOPERATING REVENUES (EXPENSES)				
Interest income	506	843	778	2,127
Interest expense		(10,645)	(17,943)	(28,588)
Total nonoperating revenues (expenses)	506	(9,802)	(17,165)	(26,461)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	23,082	(7,730)	(107,712)	(92,360)
CAPITAL CONTRIBUTIONS			381,093	381,093
TRANSFERS IN (OUT)				
Transfers in		1,858	29,218	31,076
Transfers out	(58,733)	(16,409)		(75,142)
Total operating transfers in (out)	(58,733)	(14,551)	29,218	(44,066)
INCREASE (DECREASE) IN NET ASSETS	(35,651)	(22,281)	302,599	244,667
NET ASSETS, beginning of year	165,189	317,079	1,719,409	2,201,677
NET ASSETS, end of year	129,538	294,798	2,022,008	2,446,344

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

TOWN OF GRAND COTEAU, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	WATER FUND	SEWER FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	$291,132	$87,315	$89,492	$467,939
Cash payments to suppliers for goods and services	(235,320)	(44,089)	(76,204)	(355,613)
Cash payments to employees for services	(26,400)	(15,366)	(33,381)	(75,147)
Net cash provided by operating activities	29,412	27,860	(20,093)	37,179
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in from other funds		1,584	29,541	31,125
Transfers out to other funds	(59,071)	(13,496)		(72,567)
Net cash provided (used) for noncapital financing activities	(59,071)	(11,912)	29,541	(41,442)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets			(381,093)	(381,093)
Proceeds from grant			391,015	391,015
Cash overdraft			958	958
Principal paid on revenue bonds and notes		(13,697)	(19,966)	(33,663)
Interest paid on revenue bonds and notes		(10,876)	(18,295)	(29,171)
Net cash used for capital and related financing activities	-0-	(24,573)	(27,381)	(51,954)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(482)	(171)	(398)	(1,051)
Interest on investments	504	843	764	2,111
Net cash provided by investing activities	22	672	366	1,060
Net decrease in cash	(29,637)	(7,953)	(17,567)	(55,157)
CASH AND CASH EQUIVALENTS, July 1, 2004	87,762	121,656	84,673	294,091
CASH AND CASH EQUIVALENTS, June 30, 2005	58,125	113,703	67,106	238,934

This statement continued on next page.

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

TOWN OF GRAND COTEAU, LOUISIANA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	WATER FUND	SEWER FUND	TOTAL
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income	$22,576	$2,072	$(90,547)	$(65,899)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	8,053	29,526	82,518	120,097
(Increase) decrease in accounts receivable	(4,493)	(4,948)	(4,408)	(13,849)
(Increase) decrease in prepaid insurance	2,927	2,789	1,729	7,445
Increase (decrease) in accounts payable	(926)	(450)	(9,385)	(9,861)
Increase (decrease) in customers' deposits	1,275	(2,029)		(754)
Total adjustments	6,836	25,788	70,454	103,078
Net cash provided by operating activities	29,412	27,860	(20,093)	37,179

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

TOWN OF GRAND COTEAU, LOUISIANA
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND
JUNE 30, 2005

	PAYROLL ACCOUNT
ASSETS	
Cash and cash equivalents	$3
Due from other funds	5,005
Total assets	5,008
LIABILITIES	
Accounts payable and accrued expenses	$4,700
Due to other funds	308
Total liabilities	5,008

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

TOWN OF GRAND COTEAU, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

Note(1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of Grand Coteau, Louisiana have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements (GWFS) and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions on or before November 30, 1989 have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For Enterprise funds, GASB Statements Nos. 20 and 34 provide the Town the option of electing to apply FASB pronouncements issued after November 30, 1989. The Town has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in the subsequent subsection of this note.

The following is a summary of certain significant accounting policies and practices of the Town of Grand Coteau.

A. FINANCIAL REPORTING ENTITY

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Town of Grand Coteau for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and

   a. The ability of the Town to impose its will on that organization and/or

   b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town.

2. Organizations for which the Town does not appoint a voting majority but are fiscally dependent on the Town.

3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

The Town of Grand Coteau is a primary government and has no component units. The accompanying financial statements present information only on the funds maintained by the Town and do not present information on any other governmental unit.

Note (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

The Statement of Net Assets and the Statement of Activities display information on all of the nonfiduciary activities of the Town of Grand Coteau, the primary government, as a whole. They include all funds of the reporting entity. 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. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.

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 specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees 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.

FUND FINANCIAL STATEMENTS

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The various funds of the Town are classified into two categories: governmental and proprietary. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

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

b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise funds are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

TOWN OF GRAND COTEAU, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

Note (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

The Town reports the following major governmental funds:

Governmental Funds

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

Special Revenue Fund

Sales Tax Fund. The Sales Tax Fund is used to account for the proceeds of a 1 percent sales and use tax that is legally restricted to expenditures for specific purposes.

The Town reports the following major proprietary funds:

Enterprise Funds

Gas Fund

The Gas Fund accounts for gas services to residents of the Town of Grand Coteau. All activities necessary to provide such services are accounted for in this fund including, but not limited to, operations, construction, administration, maintenance, financing and related debt service, and billing and collection.

Water Fund

The Water Fund accounts for water services to residents of the Town of Grand Coteau. All activities necessary to provide such services are accounted for in this fund including, but not limited to, operations, construction, administration, maintenance, financing and related debt service, and billing and collection.

Sewer Fund

The Sewer Fund accounts for sewer services to the Town of Grand Coteau. All activities necessary to provide such services are accounted for in this fund including, but not limited to, operations, construction, administration, maintenance, financing and related debt service, and billing and collection.

TOWN OF GRAND COTEAU, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

Note (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION - Continued

Additionally, the Town reports the following fund type:

Fiduciary Fund

Agency Fund (not included in government-wide financial statements).

Agency Funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

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

MEASUREMENT FOCUS

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b. below.

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

a. All governmental funds utilize a ''current financial resources'' measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

b. The proprietary fund utilizes an ''economic resources'' measurement focus. The accounting objective of this measurement focus is the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Note (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING (Continued)

BASIS OF ACCOUNTING

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are 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 (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

CASH AND INVESTMENTS

Louisiana statutes authorize the Town to invest in United States bonds, treasury notes or certificates, time certificates of deposit in state and national banks, or any other federally insured investment.

At year-end, the carrying amount of the Town's cash and investments was $406,126. The bank balance of cash was $333,109 and of investments was $86,196. Investments are stated at cost or amortized cost, which approximates market. Investments consist of time certificates of deposits. Cash and certificates of deposits are fully secured through the pledge of bank-owned securities or federal deposit insurance.

INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as ''due to and from other funds.'' Short-term interfund loans are reported as ''interfund receivables and payables.'' Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets.

TOWN OF GRAND COTEAU, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

Note (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING (Continued)

CAPITAL ASSETS

The accounting treatment over property, plant and equipment (capital assets) depends on whether they are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Prior to GASB No. 34, governments were not required to report general infrastructure assets. The Town of Grand Coteau did not capitalize infrastructure expenditures. During the prior fiscal year, the Town began to capitalize infrastructure.

In the government-wide financial statements, capital assets are capitalized at historical cost, or estimated historical cost if actual is unavailable, except for donated assets, which are recorded at their estimated fair value at the date of donation. The Town of Grand Coteau maintains a threshold level of $500 or more for capitalizing capital assets.

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

Buildings and improvements	20 - 40 years
Furniture and equipment	5 - 10 years
Vehicles	5 - 15 years
Water system	20 - 50 years
Sewerage system	20 - 50 years
Meters	10 - 20 years

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

It is the policy of the Town to capitalize material amounts of interest resulting from borrowings in the course of the construction of fixed assets.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as facilities acquisition and construction expenditures of the governmental fund upon acquisition.

BAD DEBTS

Uncollectible amounts due for ad valorem taxes, miscellaneous liens, and sundry claims are recorded as bad debts through the establishment of an allowance account at the time information available indicates the uncollectibility of the particular receivable.

Note (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING (Continued)

BAD DEBTS (Continued)

Allowance for uncollectible accounts receivable in the Enterprise Funds at June 30, 2005 was $2,222.

BUDGETS AND BUDGETARY ACCOUNTING

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

1. A public meeting is scheduled by the Town Council after allowing for at least 10 days notice to the public at the time the budget is initially submitted to the Town Council.

2. The budget must be finally adopted by the Council no later than the last day of the preceding fiscal year.

3. The Mayor and Town Council may authorize transfers of budgetary amounts within departments and revisions requiring alteration of levels of expenditures or transfers between departments.

4. Operating appropriations, to the extent not expended or encumbered, lapse at year-end. Capital appropriations continue in force until the project is completed or deemed abandoned.

5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

The budgeted accounts shown in these financial statements include the original and final budget amounts for the year ending June 30, 2005. The budget was properly amended during a public meeting held on June 27, 2005.

INVENTORY

The Town practices the policy of recording materials and supplies as expenditures or expenses when acquired. The Town does not record any of these items as inventory because the amount of the items in stock is insignificant.

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING (Continued)

COMPENSATED ABSENCES

The Town's policy is that employees earn and must use their vacation and sick leave as of the end of each fiscal year. Therefore, there is no provision for compensated absences at year end.

CASH AND CASH EQUIVALENTS

For purposes of the Statement of Cash Flows, the Town considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

RESTRICTED ASSETS

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

LONG-TERM DEBT

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

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements.

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

REVENUES, EXPENDITURES, AND EXPENSES

Operating Revenues and Expenses

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

Expenditures/Expenses

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

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING (Continued)

REVENUES, EXPENDITURES, AND EXPENSES (Continued)

Expenditures/Expenses (Continued)

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

Governmental Funds - By Character
Proprietary Fund - By Operating and Nonoperating

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

Interfund Transfers

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

EQUITY CLASSIFICATIONS

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

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

3 Unrestricted net assets - All other net assets that do not meet the definition of ''restricted'' or ''invested in capital assets, net of related debt.''

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

TOWN OF GRAND COTEAU, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING (Continued)

REVENUES, EXPENDITURES, AND EXPENSES (Continued)

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.

NOTE (2) - RECEIVABLES

Receivables at June 30, 2005 consist of the following:

	Governmental Activities	Business-type Activities	Total
Taxes receivable	$3,379		$3,379
Accounts		$56,805	56,805
Due from others		308	308
Accrued interest receivable		47	47
Franchise receivable	9,968		9,968
Other receivable	241		241
Total	13,588	57,160	70,748

NOTE (3) - CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2005, for the Town of Grand Coteau is as follows:

	Balances July 1, 2004	Additions	Disposals	Balances June 30, 2005
Governmental Activities				
Land	$136,875			$136,875
Building and improvements	205,354			205,354
Equipment	341,587	$14,209		355,796
Other structures and improvements	585,497			585,497
Totals at historical cost	1,269,313	14,209	-0-	1,283,522

TOWN OF GRAND COTEAU, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE (3) - CAPITAL ASSETS (Continued)

	Balances July 1, 2004	Additions	Disposals	Balances June 30, 2005
Less accumulated depreciation				
Building and improvements	(71,990)	(5,134)		(77,124)
Equipment	(204,365)	(22,260)		(226,625)
Other structures and improvements	(134,612)	(22,651)		(157,263)
Total accumulated depreciation	(410,967)	(50,045)	-0-	(461,012)
Governmental Activities Capital assets, net	858,346	(35,836)	-0-	822,510
Business-type Activities				
Gas system and equipment	$320,634			$320,634
Waterworks system and equipment	1,058,129			1,058,129
Sewer plant and equipment	2,922,136	$433,340		3,355,476
Land	24,000			24,000
Construction in progress	52,247		$52,247	
Totals at historical cost	4,377,146	433,340	52,247	4,758,239
Less accumulated depreciation				
Gas system and equipment	(264,453)	(8,052)		(272,505)
Waterworks system and equipment	(693,653)	(29,525)		(723,178)
Sewer plant and equipment	(1,080,565)	(82,518)		(1,163,083)
Total accumulated depreciation	(2,038,671)	(120,095)	-0-	(2,158,766)
Business-type capital assets, net	2,338,475	313,245	52,247	2,599,473

Depreciation expense was charged to governmental activities as follows:

General government	$17,933
Public safety - police	4,564
Public safety - fire	6,608
Public works - streets	20,140
Culture and recreation	800
Total	50,045

TOWN OF GRAND COTEAU, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE (4) - ACCOUNTS AND OTHER PAYABLES

The accounts and other payables consisted of the following at June 30, 2005:

	Governmental Activities	Business-type Activities	Total
Accounts	$31,124	$21,358	$52,482
Due to Agency Fund	5,005	0	5,005
Totals	36,129	21,358	57,487

NOTE (5) - RETIREMENT

The employees of the Town are covered by social security only. The Town does not contribute to any other retirement plan for its employees.

NOTE (6) - CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purpose of the Statement of Cash Flows consist of the following:

Unrestricted assets	
Cash	$33,962
Restricted assets	
Cash	204,014
Total cash and cash equivalents	237,976

NOTE (7) - ACCOUNTS RECEIVABLE - ENTERPRISE FUND

The accounts receivable consist of gas, water and sewer billings uncollected as of June 30, 2005. The detail of the accounts receivable as of June 30, 2005 is as follows:

Total accounts receivable	$59,027
Less: allowance for uncollectible accounts	(2,222)
Net accounts receivable	56,805

The amount of unbilled receivables as of June 30, 2005 and prior years was immaterial to the financial statements and is not included in accounts receivable.

NOTE (8) - AD VALOREM TAXES

For the year ended June 30, 2005, the Town of Grand Coteau levied a general tax of 5.29 mills on property with assessed valuation totaling $3,098,650. Total tax levied was $16,392. Taxes receivable at June 30, 2005 total $3,379.

The Town's ad valorem tax, levied for the calendar year, is due on or before December 31, and becomes delinquent on January 1.

TOWN OF GRAND COTEAU, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE (9) - RESERVES OF FUND EQUITY

The Town records reserves to indicate that a portion of the fund equity is legally segregated for a specific future use. The following details the description and amount of all reserves of the Town.

	Balance at June 30, 2005
Enterprise Funds	
Reserved for customers' deposits	$41,608
Reserved for bond retirement	140,578
	182,186

NOTE (10) - DEDICATION OF SALES TAX PROCEEDS

Proceeds of the 1 percent sales and use tax are dedicated to the following purposes:

Constructing and purchasing fire department stations and equipment; constructing and purchasing police department stations and equipment; opening, constructing, paving, resurfacing and improving streets, sidewalks, and bridges; constructing and improving drains, drainage canals and subsurface drainage; constructing, acquiring or improving any work of public permanent improvements; and purchasing and acquiring all equipment and furnishings for the public works, buildings, improvements and facilities of the Town of Grand Coteau, title to which shall be in the public.

NOTE (11) - PROPRIETARY FUNDS - RESTRICTED ASSETS

Certain assets of the Enterprise Funds have been restricted for debt service and customers' deposits. These assets consist of cash and short-term investments restricted for the following:

Customers' deposits	$84,423
Bond retirement - Reserve	25,919
Bond retirement - Sinking Fund	117,707
Bond retirement - Depreciation and Contingency	37,952
	266,001

NOTE (12) - GOVERNMENTAL ACTIVITIES - LONG-TERM DEBT - BONDS PAYABLE

A bond of $46,400 was issued on December 8, 2003 for the purpose of acquiring a tract of land for public purposes. The $46,400 Certificates of Indebtedness, Series 2003, consist of two fully registered certificates.

Certificate R-1 in the principal amount of $39,500 bearing interest at variable rates not to exceed 6% is payable over a five year period. The first payment was due on January 8, 2005 with the final payment due December 8, 2008. The monthly payments of $709.76 will consist of fully amortized payments of principal and interest.

TOWN OF GRAND COTEAU, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE (12) - GOVERNMENTAL ACTIVITIES - LONG-TERM DEBT (Continued)

Certificate R-2 in the principal amount of $6,900 is noninterest bearing and payable in five annual principal payments of $1,380.

A summary of changes in long-term debt is as follows:

Description of Debt	Balance July 1, 2004	Additions	Payments	Balance June 30, 2005
Certificate R-1 $39,500, dated December 8, 2004	$35,811		$7,546	$28,265
Certificate R-2 $6,900, dated December 8, 2004	6,900		1,380	5,520
	42,711	-0-	8,926	33,785

The annual requirements to retire debt as of June 30, 2005 are as follows:

Years Ending June 30	Principal	Interest	Total
2006	$9,156	$742	$9,898
2007	9,392	505	9,897
2008	9,636	261	9,897
2009	5,601	37	5,638
	33,785	1,545	35,330

NOTE (13) - GOVERNMENTAL ACTIVITIES - LONG-TERM DEBT - LEASES PAYABLE

The Town of Grand Coteau entered into a noncancellable capital lease with JDR Capital Corporation for a copier on September 10, 1999. The first monthly payment was due on September 21, 1999, with the final payment due on July 21, 2005. The agreement requires monthly payments of $225.75 for sixty months which are recorded in the General Fund.

The Town of Grand Coteau entered into a noncancellable capital lease with Louisiana Copier Services for two copiers on February 14, 2003. The first monthly payment was due on February 14, 2003, with the final payment due on January 14, 2008. The agreement requires monthly payments of $432.21 for sixty months which are recorded in the General Fund.

The Town of Grand Coteau entered into a noncancellable capital lease with CLM Equipment Company, Inc. for a backhoe on May 29, 2003. The first monthly payment was due on May 29, 2003, with the final payment due on May 29, 2007. The agreement requires annual payments of $7,228.12 for five years.

TOWN OF GRAND COTEAU, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE (13)- GOVERNMENTAL ACTIVITIES - LONG-TERM DEBT - LEASES PAYABLE (CONTINUED)

A summary of changes in long-term debt from capital leases is as follows:

	Balance July 1, 2004	Additions	Payments	Balance June 30, 2005
JDR Capital Corp. lease	$150		$150	
Louisiana Copier Services lease	15,404		3,730	$11,674
CLM Equipment Co. lease	19,757		6,221	13,536
Totals	35,311	-0-	10,101	25,210

At June 30, 2005, future minimum rental payments required are as follows:

	Principal	Interest	Total
2006	$10,709	$1,706	$12,415
2007	11,634	908	12,542
2008	2,867	81	2,948
Total minimum lease payments	25,210	2,695	27,905

NOTE (14) - PROPRIETARY FUND - LONG-TERM DEBT

The following is a summary of changes in Proprietary Fund debt for the year ended June 30, 2005:

Description of Debt	Balance at July 1, 2004	Issued	Retired	Balance at June 30, 2005
$338,666 of Utilities Revenue Refunding Bonds dated April 1, 1989	$194,987		$25,344	$169,643
$225,000 of Sewer Revenue Bonds dated February 17, 1995	205,071		3,319	201,752
$125,000 of Water Tower Project Bonds dated July 1, 1998	101,000		5,000	96,000
	501,058	-0-	33,663	467,395

NOTE (14) - PROPRIETARY FUND - LONG-TERM DEBT (Continued)

The annual requirements to retire debt as of June 30, 2005, are as follows:

Years Ending June 30	Principal	Interest	Total
2006	$36,080	$26,984	$63,064
2007	37,676	24,534	62,210
2008	41,422	21,974	63,396
2009	43,259	19,160	62,419
2010	45,228	16,218	61,446
2011-2015	74,734	55,674	130,408
2016-2020	58,058	36,447	94,505
2021-2025	36,376	25,589	61,965
2026-2030	45,535	16,430	61,965
2031-2035	49,027	5,062	54,089
	467,395	248,072	715,467

NOTE (15)- SEWER REVENUE BOND - FEBRUARY 17, 1995

A bond of $225,000 was issued on February 17, 1995 for improvements on the Town's sewer system. The bond has a stated interest of 4 ½ percent and is payable over a forty year period. Commencing March 17, 1998 and on the 17th day of each month thereafter through February 17, 2035, monthly payments of $1,032.75 will be due which will consist of fully amortized payments of principal and interest. Each payment shall be applied, first, to the payment of accrued interest; and second, to the payment of principal.

a. Actual monthly payments into the Sinking Fund during the interest only period depend on the schedule of advances of principal made to the Town during construction. However, monthly debt service payments into the Sinking Fund will not exceed $843.75.

b. The Town will have to make monthly payments of $43 into a Reserve Fund. The payments into the Reserve Fund will continue until an amount equal to one year's debt service on the bond is accumulated therein.

c. The Town will have to make monthly payments of $43 into a Contingency Fund. The payments into the Contingency Fund will be made over the life of the bond.

The Town did not comply with these requirements.

NOTE (16) - WATER TOWER PROJECT BOND - JULY 1, 1998 - RESTRICTION ON USE

a. Actual monthly payments into the Sinking Fund are required to be $946.67.

NOTE (16) - WATER TOWER PROJECT BOND - JULY 1, 1998 - RESTRICTION ON USE (Continued)

b. Each month, there will be an amount set aside into the Reserve Fund at least equal to 10 percent of the amount to be paid into the Sinking Fund until the amount in the Reserve Fund equals the Reserve Fund requirement.

c. Each month, there will be an amount set aside into the Contingency Fund equal to 5 percent of the revenues for the preceding month provided that such sum is available. Such payments shall continue until such time as there has been accumulated in the Contingency Fund the sum of $12,500.

The Town did not comply with these requirements.

NOTE (17) - REVENUE BONDS - FLOW OF FUNDS - RESTRICTION ON USE

Under the terms of the bond indentures on outstanding Utility Revenue Refunding Bonds dated April 1, 1989, all income and revenues of the Utility System are pledged and dedicated to the retirement of said bonds, and are to be set aside into the following special funds:

All revenues shall be deposited into a "Utilities Revenue Fund" to provide for the payment of the reasonable and necessary expenses of operating and maintaining the system and for the following purposes:

(a) Each month, there will be set aside into a fund called the "Utilities Revenue Bond and Interest Sinking Fund" an amount constituting 1/12 of the next maturing installment of principal and 1/6 of the next maturing installment of interest on the outstanding bonds. Such transfers shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments. This deposit must be made on or before the 20th of each month.

(b) There shall also be set aside into a "Utilities Revenue Bond Reserve Fund" an amount equal to 5 percent of the amount to be paid into the Sinking Fund until there shall have been accumulated in the Reserve Account an amount equal to the maximum principal and interest requirements in any one maturity year. Such amounts may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Utility Revenue Bond Sinking Fund and as to which there would otherwise be default.

(c) Funds will also be set aside into a "Utilities Depreciation and Contingency Fund" an amount equal to 5 percent of the amount to be paid into the Sinking Fund. Money in this fund may be used for the making of extraordinary repairs or replacements to the system which are necessary to keep the system in operating condition and for which money is not available as a maintenance and operation expense. Money in this fund may also be used to pay principal or interest on the bonds falling due at any time there is not sufficient money for payment in the other bond funds.

TOWN OF GRAND COTEAU, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE (17) - REVENUE BONDS - FLOW OF FUNDS - RESTRICTION ON USE (Continued)

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

The Town did not comply with these requirements.

NOTE (18) - SEWER CHARGES

The Town's sewer rate schedule is as follows:

	Monthly Charge
Base rate - 4,000 gallons	$10.00
Each additional 1,000 gallons	2.00

NOTE (19) - INTERFUND RECEIVABLES, PAYABLES

	Interfund Receivables	Interfund Payables
Major Funds		
Governmental Funds		
General Fund	$5,009	$5,005
Proprietary Funds		
Gas Fund		1,013
Water Fund	1,528	22,466
Sewer Fund	17,250	
Agency Fund	5,005	308
	28,792	28,792

NOTE (20) - PRIOR PERIOD ADJUSTMENT

A prior period adjustment was recorded in the General Fund. This was due to an accounts payable recorded in prior years but that is not expected to be paid in the amount of $4,457.

NOTE (21) - LITIGATION AND CLAIMS

The Town is a defendant in various lawsuits. According to legal counsel for the Town, there is adequate insurance on all cases where monetary damages are sought.

TOWN OF GRAND COTEAU, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE (21) - LITIGATION AND CLAIMS (Continued)

In January 2005 the Louisiana Department of Environmental Quality issued Consolidated Compliance Order & Notice of Potential Penalty No. WE-CN-04-0948 pursuant to the Louisiana Environmental Quality Act (LA R.S. 30:2001, et seq.) for several deficiencies in operation and maintenance of the Town's publicly owned treatment works known as Grand Coteau Oxidation Pond which is in violation of LPDES permit LA0072001. Failure or refusal to comply with the compliance order will subject the Town to possible enforcement procedures under LA R.S. 30:2025, which could result in the assessment of a civil penalty in an amount of not more than fifty thousand dollars ($50,000) for each day of continued violation or noncompliance. In an effort to comply with the compliance order, the Town has made several improvements to their Sewer system in the fall of 2005. *Communications have been sent to the Louisiana Department of Environmental Quality* (LADEQ). Currently the Town is awaiting an inspection to be conducted by the LADEQ.

NOTE (22) - RISK MANAGEMENT

The Town is exposed to risks of loss in the areas of general and auto liability, property hazards and workers' compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance cover for the year.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

TOWN OF GRAND COTEAU, LOUISIANA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGET			VARIANCE POSITIVE
	ORIGINAL	FINAL	ACTUAL	(NEGATIVE)
REVENUES				
Taxes	$44,127	$74,891	$72,996	$(1,895)
Licenses and permits	26,876	31,317	35,855	4,538
Intergovernmental	184,941	238,429	250,824	12,395
Fines and forfeits	84,128	61,406	69,716	8,310
Miscellaneous	19,680	16,757	22,661	5,904
Total revenues	359,752	422,800	452,052	29,252
EXPENDITURES				
Current				
Executive and administrative	177,246	153,972	164,024	(10,052)
Street department	79,345	97,981	91,169	6,812
Police department	270,658	307,485	298,097	9,388
Fire department	15,696	21,936	22,749	(813)
Park department	3,250	2,233	1,862	371
Debt service	4,000	23,286	22,855	431
Total expenditures	550,195	606,893	600,756	6,137
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(190,443)	(184,093)	(148,704)	35,389
OTHER FINANCING SOURCES (USES)				
Transfers in	140,000	125,076	131,559	6,483
Transfers out		(4,239)	(9,667)	(5,428)
Total other financing sources	140,000	120,837	121,892	1,055
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(50,443)	(63,256)	(26,812)	36,444
FUND BALANCE, beginning of year			114,454	
PRIOR PERIOD ADJUSTMENT			4,457	
FUND BALANCE, end of year			92,099	

TOWN OF GRAND COTEAU, LOUISIANA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON SCHEDULE
SALES TAX FUND
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGET			VARIANCE POSITIVE
	ORIGINAL	FINAL	ACTUAL	(NEGATIVE)
REVENUES				
Taxes				
Sales tax collections	$69,350	$71,490	$76,437	$4,947
Miscellaneous income			8	8
Total revenues	69,350	71,490	76,445	4,955
EXPENDITURES				
Current operating				
Executive and administrative	869	1,000	764	236
Total expenditures	869	1,000	764	236
EXCESS OF REVENUES OVER EXPENDITURES	68,481	70,490	75,681	5,191
OTHER FINANCING USES				
Transfers out	(80,000)	(68,076)	(77,826)	(9,750)
Total other financing uses	(80,000)	(68,076)	(77,826)	(9,750)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES	(11,519)	2,414	(2,145)	(4,559)
FUND BALANCE, beginning of year			28,379	
FUND BALANCE, end of year			26,234	

OTHER SUPPLEMENTARY INFORMATION

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund. The General Fund has a greater number and variety of revenue sources than any other fund, and its resources normally finance a wider range of activities. The resources of the General Fund are ordinarily largely expended and replenished on an annual basis.

TOWN OF GRAND COTEAU, LOUISIANA
GENERAL FUND
BALANCE SHEET
JUNE 30, 2005

ASSETS	
Cash	$55,720
Receivables, net of allowances for uncollectibles	
Property taxes	3,379
Franchise	9,968
Intergovernmental	36,301
Other	241
Due from other funds	5,009
Total assets	110,618
LIABILITIES AND FUND EQUITY	
LIABILITIES	
Accounts payable	$13,514
Due to other funds	5,005
Total liabilities	18,519
FUND BALANCE	
Unreserved	92,099
Total fund balance	92,099
Total liabilities and fund equity	110,618

TOWN OF GRAND COTEAU, LOUISIANA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Taxes	$74,891	$72,996	$(1,895)
Licenses and permits	31,317	35,855	4,538
Intergovernmental	238,429	250,824	12,395
Fines and forfeits	61,406	69,716	8,310
Miscellaneous	16,757	22,661	5,904
Total revenues	422,800	452,052	29,252
EXPENDITURES			
Current			
Executive and administrative	153,972	164,024	(10,052)
Street department	97,981	91,169	6,812
Police department	307,485	298,097	9,388
Fire department	21,936	22,749	(813)
Park department	2,233	1,862	371
Debt service	23,286	22,855	431
Total expenditures	606,893	600,756	6,137
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(184,093)	(148,704)	35,389
OTHER FINANCING SOURCES (USES)			
Transfers in	125,076	131,559	6,483
Transfers out	(4,239)	(9,667)	(5,428)
Total other financing sources	120,837	121,892	1,055
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(63,256)	(26,812)	36,444
FUND BALANCE, beginning of year		114,454	
PRIOR PERIOD ADJUSTMENT		4,457	
FUND BALANCE, end of year		92,099	

TOWN OF GRAND COTEAU, LOUISIANA
GENERAL FUND
DETAILED SCHEDULE OF REVENUES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
TAXES			
Property taxes	$15,695	$16,114	$419
Franchise - cable television	1,694	1,586	(108)
Franchise - telephone	1,801	1,715	(86)
Franchise - electric	51,680	49,560	(2,120)
South St. Landry taxes	4,021	4,021	
Total taxes	74,891	72,996	(1,895)
LICENSES AND PERMITS			
Occupational licenses	31,257	35,765	4,508
Building permits	30	30	
Moving permits	30	60	30
Total licenses and permits	31,317	35,855	4,538
INTERGOVERNMENTAL			
State beer tax	1,734	2,018	284
Fire insurance rebate	3,733	3,733	
State grants	1,533	2,041	508
Video poker revenue	201,394	211,575	10,181
Share of Racino income	28,502	28,390	(112)
Solid Waste payments	1,533		(1,533)
DOTD		3,067	3,067
Total intergovernmental	238,429	250,824	12,395
FINES			
Court fines	61,406	69,716	8,310
MISCELLANEOUS			
Interest income	83	282	199
Water meter fees	14,201	18,592	4,391
Toys for Tots	526	526	
Other	1,947	3,261	1,314
Total miscellaneous	16,757	22,661	5,904
Total revenues	422,800	452,052	29,252

TOWN OF GRAND COTEAU, LOUISIANA
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
EXECUTIVE AND ADMINISTRATIVE			
Personal services			
Salaries - Clerical	$47,134	$47,396	$(262)
Salaries - Mayor and Council	3,075	17,625	(14,550)
Payroll taxes	3,850	3,568	282
Supplies			
Office supplies and postage	14,611	13,890	721
Other			
Conventions and conferences	5,716	5,508	208
Advertising	4,092	5,010	(918)
Dues and subscriptions	2,504	2,441	63
Engineering fees	1,100	1,200	(100)
Equipment rental	2,571	3,610	(1,039)
Insurance	21,766	18,916	2,850
Legal and accounting	23,880	18,688	5,192
Miscellaneous	1,434	1,116	318
Pest control	607	582	25
Repairs and maintenance	7,423	6,875	548
Telephone	10,177	10,647	(470)
Utilities	3,091	5,622	(2,531)
Bank charges	29	297	(268)
Collection agency fee	180	150	30
Uniforms	732	610	122
Travel		273	(273)
Total executive and administrative	153,972	164,024	(10,052)
STREET DEPARTMENT			
Personal services			
Salaries	30,209	27,830	2,379
Payroll taxes	2,857	2,032	825
Supplies			
Materials and supplies	13,177	12,133	1,044

This schedule continued on next page.

TOWN OF GRAND COTEAU, LOUISIANA
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
STREET DEPARTMENT (Continued)			
Other			
Auto and truck expense	$12,979	$14,008	$(1,029)
Repairs and maintenance	4,227	4,703	(476)
Insurance	12,728	11,062	1666
Utilities	18,939	17,257	1,682
Tractor expense	1,418	879	539
Telephone		60	(60)
Equipment rental	58	48	10
Dumpster	1,389	1,157	232
Total street department	97,981	91,169	6,812
POLICE DEPARTMENT			
Personal services			
Salaries	218,239	206,926	11,313
Payroll taxes	15,039	15,838	(799)
Supplies			
Materials and supplies	5,495	8,148	(2,653)
Uniforms	1,658	1,653	5
Other			
Insurance	32,828	28,530	4,298
Auto expense	11,170	12,553	(1,383)
Telephone	2,668	2,929	(261)
Repairs	2,362	2,454	(92)
Miscellaneous	2,437	2,392	45
Education	1,193	993	200
Prisoner meals	274	228	46
Fees on fines	3,418	4,749	(1,331)
Toys for Tots	504	504	
Capital outlay	10,200	10,200	
Total police department	307,485	298,097	9,388
FIRE DEPARTMENT			
Personal services			
Salaries and wages	2,392	2,684	(292)
Payroll taxes	167	58	109

This schedule continued on next page.

TOWN OF GRAND COTEAU, LOUISIANA
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
FIRE DEPARTMENT (Continued)			
Supplies			
Materials and supplies	$8,452	$3,170	$5,282
Other			
Telephone	3,817	3,868	(51)
Utilities	1,452	1,605	(153)
Insurance	2,132	1,853	279
Miscellaneous		164	(164)
Repairs and maintenance	2,999	2,853	146
Truck expense	525	455	70
Consulting		2,030	(2,030)
Capital outlay		4,009	(4,009)
Total fire department	21,936	22,749	(813)
PARK DEPARTMENT			
Other			
Insurance	1,133	984	149
Repairs and maintenance	607	375	232
Supplies	493	503	(10)
Total park department	2,233	1,862	371
DEBT SERVICE			
Payments on capital lease	13,389	12,958	431
Payments on bonds	9,897	9,897	
Total debt service	23,286	22,855	431
Total expenditures	606,893	600,756	6,137

SPECIAL REVENUE FUND

The Special Revenue Fund is used to account for resources legally restricted to expenditures for specified current operating purposes or the acquisition of furniture, fixtures, machinery, equipment, or other relatively minor or comparatively short-lived assets.

The Sales Tax Fund is used to account for the collection and expenditure of the Town's 1 percent sales tax.

TOWN OF GRAND COTEAU, LOUISIANA
SPECIAL REVENUE FUND
SALES TAX FUND
BALANCE SHEET
JUNE 30, 2005

ASSETS	
Cash	$26,234
Total assets	26,234
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Total liabilities	-0-
FUND BALANCE	
Unreserved	$26,234
Total fund balance	26,234
Total liabilities and fund balance	26,234

TOWN OF GRAND COTEAU, LOUISIANA
SALES TAX FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Taxes			
Sales tax collections	$71,490	$76,437	$4,947
Miscellaneous			
Interest income		8	8
Total revenues	71,490	76,445	4,955
EXPENDITURES			
Executive and administrative			
Miscellaneous	1,000	764	236
Total expenditures	1,000	764	236
EXCESS OF REVENUES OVER EXPENDITURES	70,490	75,681	5,191
OTHER FINANCING USES			
Transfers out	(68,076)	(77,826)	(9,750)
Total other financing uses	(68,076)	(77,826)	(9,750)
EXCESS DEFICIENCY OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES	2,414	(2,145)	(4,559)
FUND BALANCE, beginning of year		28,379	
FUND BALANCE, end of year		26,234	

COMPLIANCE

AND

INTERNAL CONTROL

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Jean C. Coco, Mayor
and Members of the Board of Aldermen
Grand Coteau, Louisiana

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Grand Coteau, Louisiana, as of and for the year ended June 30, 2005, which collectively comprise the Town of Grand Coteau, Louisiana's basic financial statements and have issued our report thereon dated November 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town of Grand Coteau, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying summary schedule of current and prior year audit findings and corrective action plan as items 2002-3.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Grand Coteau, 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 assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town of Grand Coteau, Louisiana's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying summary schedule of current and prior year audit findings and corrective action plan as items 2003-1, 2003-2, 2002-4, and 2002-5.

183 South Beadle, Lafayette, LA 70508, Phone (337) 232-4141, Fax (337) 232-8660

113 East Bridge Street, Breaux Bridge, LA 70517, Phone (337) 332-4020, Fax (337) 332-2867

133 East Waddil, Marksville, LA 71351, Phone (318) 253-9252, Fax (318) 253-8681

1234 David Drive, Suite 105, Morgan City, LA 70380, Phone (985) 384-2020, Fax (985) 384-3020

408 W. Cotton Street, Ville Platte, LA 70586, Phone (337) 363-2792, Fax (337) 363-3049

332 W. Sixth Avenue, Oberlin, LA 70655, Phone (337) 639-4737, Fax (337) 639-4568

200 South Main Street, Abbeville, LA 70510, Phone (337) 893-7944, Fax (337) 893-7946

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider the reportable conditions described in the accompanying summary schedule of current and prior year audit findings and corrective action plan to be material weaknesses.

This report is intended solely for the information of the Mayor and Board of Aldermen, the appropriate regulatory or legislative body 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. Although the intended use of this report maybe limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
November 30, 2005

TOWN OF GRAND COTEAU

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan
Year Ended June 30, 2005

Reference Number	Description of Finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
CURRENT YEAR (06/30/05) --					
Compliance:					
2002-3	Bond Payments				
	The Town did not comply with the transfer procedures for the utility revenue bond issues. The utility bond issues require that amounts be transferred monthly to the Sinking, Reserve, and Contingency Accounts. Incorrect amounts were transferred for several months and no transfers were made in other months. **Recommendation:** The Town should fully comply with the transfer procedures as required by the utility revenue bond issues.		The monthly transfers to the Sinking, Reserve, and Contingency Accounts will be made monthly as required.	Cassandra Ardoin, Clerk	1/31/2006
Internal Control:					
2003-1	Lack of Written Policies and Procedures				
	The Town's written policies and procedures are not complete. The Town should develop and adopt policies in the following areas: purchasing/procurement, accounting, investments, capital assets, etc. **Recommendation:** Written policies and procedures should be developed, adopted, and implemented.		The Town is in the process of developing written policies and procedures and will present these policies for adoption once completed.	Jean Coco, Mayor	6/30/2006
2003-2	Customer Meter Deposit Liability Not Being Reconciled				
	The customer meter deposit detailed listing from the utility system is not being reconciled to the general ledger monthly. **Recommendation:** The customer meter deposit balance per general ledger should be compared to the deposit listing per the billing system at the end of each month.		The customer meter deposit detailed listing from the utility system will be reconciled to the general ledger on a monthly basis.	Cassandra Ardoin, Clerk	3/31/2006

(continued)

TOWN OF GRAND COTEAU

Summary Schedule of Current and Prior Year Audit Findings (Continued)
and Corrective Action Plan
Year Ended June 30, 2005

Reference Number	Description of Finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
CURRENT YEAR (06/30/05) --					
2002-4	Lack of Segregation of Duties				
	An adequate segregation of duties does not exist in the area of accounting at Town Hall. Often the Town Clerk may collect payments on accounts, make deposits and post the same deposit into the general ledger. A system of internal control procedures contemplates a segregation of duties so that no one individual handles a transaction from its inception to its completion. While we recognize that the Town may not be large enough to permit an adequate segregation of duties for an effective system of internal control procedures, it is important that you be aware of this condition; errors or fraud could occur and be undetected. **Recommendation**: There can be only a proper segregation of duties when both the Town Clerk and Assistant Clerk are performing their respective duties. However, if this is not the case, every attempt should be made to keep the general ledgers current which will allow the Mayor and Council to keep abreast of the Town's financial condition.		*The Town will consider on how it can possibly* strengthen its segregation of duties with present employees by shifting some responsibilities but believes that the cost to hire additional accounting personnel is not cost beneficial based upon the size of the Town's operations.	Jean C. Coco, Mayor	N/A
2002-5	Accounts Receivable Not Being Reconciled				
	The accounts receivable balance per the general ledger is not being compared to the customer accounts trial balance per the billing system. Errors or irregularities could be made in the recording of deposits, billings or adjustments without being detected in a timely manner. **Recommendation:** The accounts receivable balance per the general ledger should be compared to the accounts balance per the billing system at the end of each month.		The accounts receivable utility trial balance will be reconciled to the general ledger on a monthly basis.	Cassandra Ardoin, Clerk	3/31/2006

(continued)

TOWN OF GRAND COTEAU

Summary Schedule of Current and Prior Year Audit Findings (Continued)
and Corrective Action Plan
Year Ended June 30, 2005

Reference Number	Description of Finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
CURRENT YEAR (06/30/05) --					
Management Letter:					
ML -1	Physical Inventory The Town of Grand Coteau has prepared a detailed list of fixed assets and adopted a capitalization policy; however, the Town has not conducted a complete physical inventory. **Recommendation**: The Town should conduct a complete physical inventory and compare to the compiled list of fixed assets.		The Town will prepare a detailed list of fixed assets, take a physical inventory and identify assets that belong to the Town and include a tag number on the listing of fixed assets.	Jean Coco, Mayor	6/30/2006
ML-2	Insufficient Gas System Profits The Town's Gas Fund is continuing to generate insufficient profits. **Recommendation:** The Town's management should consider reviewing gas rates, take the necessary steps to minimize gas losses, make certain that the fuel adjustment is accurately charged to customers, and continue to monitor operating expenses to ensure that sufficient funds are generated from the operation of the gas system.		The Town has had a leak survey done on the gas system along with the necessary repairs to the gas system to minimize gas leaks/losses. Management has reviewed gas rates and increased the flat rate for the first 500 cf. Management has also reviewed the formula used for the fuel adjustment to ensure the accuracy of billing and will continue to monitor expenses to ensure that adequate funds are generated form the operation of the gas system.	Jean Coco, Mayor	6/30/2006
ML-3	Delinquent Ad Valorem Taxes The Town of Grand Coteau has significant delinquent property taxes. **Recommendation:** The Town should consult with legal counsel and take appropriate actions to collect delinquent ad valorem taxes. Property taxes should be paid timely especially by public officials and employees of the Town.		The Town will consult with legal counsel and make every effort to collect delinquent ad valorem taxes, especially from public officials and employees of the Town.	Jean Coco, Mayor	6/30/2006

(continued)

Summary Schedule of Current and Prior Year Audit Findings (Continued)
and Corrective Action Plan
Year Ended June 30, 2005

Reference Number	Description of Finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
PRIOR YEAR (06/30/04) --					
Compliance:					
2004-1	Budgeting The Town did not amend the General Fund budget in accordance with LSA-R.S. 39:1311(A) (2) that states when total actual expenditures plus projected expenditures exceed budgeted expenditures by five percent or more the budget must be amended. Total expenditures exceeded budgeted expenditures by $45,762 or 6.8%.	Yes			
2002-3	Bond Payments The Town did not comply with the transfer procedures for the utility revenue bond issues. The utility bond issues require that amounts be transferred monthly to the Sinking, Reserve, and Contingency Accounts. No payments were made to these accounts until April of 2004. The April transfers were intended to represent transfers from prior months. Transfers were made for the incorrect amounts for May and June of 2004.	No	See current year section - finding 2002-3		
Internal Control:					
2003-1	Lack of Written Policies and Procedures The Town's written policies and procedures are not complete. The Town should develop and adopt policies in the following areas: purchasing/procurement, accounting, investments, capital assets, etc.	No	See current year section - finding 2003-1		

(continued)

TOWN OF GRAND COTEAU

Summary Schedule of Current and Prior Year Audit Findings (Continued)
and Corrective Action Plan
Year Ended June 30, 2005

Reference Number	Description of Finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
PRIOR YEAR (06/30/04) --					
2003-2	<u>Customer Meter Deposit Liability Not Being Reconciled</u>				
	The Customer meter deposit detailed listing from the utility system is not being reconciled to the general ledger monthly.	No	See current year section - finding 2003-2		
2002-4	<u>Lack of Segregation of Duties</u>				
	An adequate segregation of duties does not exist in the area of accounting at Town Hall. Often the Town Clerk may collect payments on accounts, make deposits and post the same deposit into the general ledger. A system of internal control procedures contemplates a segregation of duties so that no one individual handles a transaction from its inception to its completion. While we recognize that the Town may not be large enough to permit an adequate segregation of duties for an effective system of internal control procedures, it is important that you be aware of this condition; errors or fraud could occur and be undetected.	No	See current year section - finding 2002-4		
2002-5	<u>Accounts Receivable Not Being Reconciled</u>				
	The accounts receivable balance per the general ledger is not being compared to the accounts balance per the billing system. Errors or irregularities could be made in the recording of deposits, billings or adjustments without being detected in a timely manner.	No	See current year section - finding 2002-5.		

(continued)

TOWN OF GRAND COTEAU

Summary Schedule of Current and Prior Year Audit Findings (Continued)
and Corrective Action Plan
Year Ended June 30, 2005

Reference Number	Description of Finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
PRIOR YEAR (06/30/04) --					
Management Letter:					
ML-1	Physical Inventory The Town of Grand Coteau has prepared a detailed list of fixed assets and adopted a capitalization policy; however, the Town has not conducted a complete physical inventory.	No	See current year section - finding ML-1.		

OTHER SUPPLEMENTARY SCHEDULES

TOWN OF GRAND COTEAU, LOUISIANA
ENTERPRISE FUNDS
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED JUNE 30, 2005

GAS FUND EXPENSES	
Personal services	
Salaries and wages	$24,620
Payroll taxes	1,780
Contractual services	
Gas purchases	182,897
Survey expense	1,972
Supplies	
Materials and supplies	14,327
Other	
Bad debt expense	649
Legal and accounting	11,153
Insurance	7,489
Repairs and maintenance	11,970
Seminar expense	392
Utilities	2,924
Telephone	826
Miscellaneous	1,043
Drug testing	900
Dues and subscriptions	50
Bank charges	104
Engineering fee	279
Dottie	346
Depreciation	8,053
Total gas fund expenses	271,774
WATER FUND EXPENSES	
Personal services	
Salaries and wages	14,389
Payroll taxes	977
Supplies	
Materials and supplies	10,709
Other	
Legal and accounting	11,153
Insurance	9,114
Utilities	5,898
Repairs and maintenance	3,402
Telephone	1,453
Miscellaneous	208
Seminar expense	710
Safe drinking water fee	1,668
Water quality fee	984
Depreciation	29,526
Total water fund expenses	90,191

This schedule continued on next page.

TOWN OF GRAND COTEAU, LOUISIANA
ENTERPRISE FUNDS
SCHEDULE OF OPERATING EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005

SEWER FUND EXPENSES	
Personal services	
Salaries and wages	$31,093
Payroll taxes	2,288
Contractual services	
Analysis expense	4,095
Supplies	
Materials and supplies	2,780
Other	
Legal and accounting	10,404
Engineering	7,577
Repairs and maintenance	14,929
Utilities	18,518
Insurance	8,669
Miscellaneous	478
Dumpster	452
Travel	371
Training	275
Depreciation	82,518
Total sewer fund expenses	184,447
Total operating expenses	546,412

TOWN OF GRAND COTEAU, LOUISIANA
COMBINED SCHEDULE OF BONDS PAYABLE
JUNE 30, 2005

	INTEREST					BONDS			
	RATES	PAYMENT DATE	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIAL PAYMENTS	AUTHORIZED	ISSUED	RETIRED	OUTSTANDING
REVENUE BONDS									
Sewerage utility	7.20%	10/03 04/04	10/01/98	4/01/2011	Varies	$206,829	$206,829	$95,398	$111,431
Water utility	7.20%	10/03 04/04	10/01/98	4/01/2011	Varies	108,049	108,049	49,837	58,212
Sewerage utility	4.50%	17th of each month	2/17/95	10/17/2036	Varies	225,000	225,000	23,248	201,752
Water utility	6.00%	10/03 04/04	7/01/98	4/01/2018	Varies	125,000	125,000	29,000	96,000
Total revenue bonds						664,878	664,878	197,483	467,395

TOWN OF GRAND COTEAU, LOUISIANA
COMBINED SCHEDULE OF INVESTMENTS - ALL FUNDS
JUNE 30, 2005

	INTEREST RATES	MATURITY DATE	TOTAL BOOK VALUE
ENTERPRISE FUNDS			
Certificate of Deposit			
Bank of Sunset and Trust Co.	1.35%	9/19/05	$36,400
Certificate of Deposit			
Bank of Sunset and Trust Co.	2.00%	12/7/05	25,587
Certificate of Deposit			
Bank of Sunset and Trust Co.	1.35%	9/19/05	1,051
Certificate of Deposit			
Bank of Sunset and Trust Co.	.75%	6/06/05	23,158
Total			86,196

TOWN OF GRAND COTEAU, LOUISIANA
SCHEDULE OF INSURANCE IN FORCE
JUNE 30, 2005
(UNAUDITED)

INSURER	ASSETS COVERED	TYPE OF COVERAGE	LIMITS OF COVERAGE	EFFECTIVE DATES FROM	EFFECTIVE DATES TO
Louisiana Municipal Risk Management Agency	Workmen's Compensation	Workmen's Compensation	Statutory	Monthly	Monthly
Risk Management	1997 Ford sedan 1961 GMC fire truck 1991 GMC fire truck 1983 GMC pickup 1991 Chevy pickup 1997 Ford pickup 1983 Chevy dump truck 1999 Ford sedan 1991 Ford pickup 1998 Chevy Camaro 1991 Chevy pickup 1991 Chevy pickup 2001 Ford sedan 2000 Chevrolet sedan	Bodily injury Property damage	$500,000	5/1/05	5/1/06
	Comprehensive and liability on premises and operations	Bodily injury Property damage	$500,000	5/1/05	5/1/06
Western Surety Bond	Clerk, Assistant Clerk, Mayor and Mayor Pro-Tem	Position Bond	$246,000	9/15/05	9/15/06
	Town employees	Blanket Bond	$5,000	10/1/05	10/1/06
EMC Insurance Company	Blanket on all equipment and buildings of insured	Fire, extended coverage and vandalism	$1,501,893 $3,000 deductible	1/14/05	1/14/06
EMC Insurance Company	1983 International tractor 1998 Case 580L backhoe 1996 Ford mower 1984 Ford 355 backhoe	Property damage	$92,712 $500 deductible	1/14/05	1/14/06
Risk Management	Law enforcement officers and public officials	Personal injury Property damage	$500,000	5/1/05	5/1/06
		Errors and omissions	$1,000 each claimant for law enforcement		

TOWN OF GRAND COTEAU, LOUISIANA
SCHEDULE OF COMPENSATION PAID TO MAYOR AND COUNCIL
FOR THE YEAR ENDED JUNE 30, 2005

GENERAL

COMPENSATION PAID TO MAYOR AND COUNCIL

The compensation of the Town of Grand Coteau's governing body is included in the general administrative expenditures of the General Fund. The Mayor is paid $600 per month and the board members are paid $150 per month. Board members are also paid $75 for any special meetings attended.

	COMPENSATION
Jean C. Coco, Mayor P. O. Box 312 Grand Coteau, LA 70541 (337) 662-3838 Term expires December 31, 2006	$7,200
David T. Richard, Alderman P. O. Box 15 Grand Coteau, LA 70541 (337) 662-6905 Term expires December 31, 2006	2,100
Russell Richard, Jr., Alderman P.O. Box 117 Grand Coteau, LA 70541 (337) 662-3603 Term expires December 31, 2006	2,100
Wallace Belson, Jr. P.O. Box 55 Grand Coteau, LA 70541 (337) 662-3584 Term expires December 31, 2006	2,100
Wilton Guidry P.O. Box 457 Grand Coteau, LA 70541 (337) 662-3484 Term expires December 31, 2006	2,025
Robert Landry P.O. Box 297 Grand Coteau, LA 70541 (337) 662-3981 Term expires December 31, 2006	2,100
	17,625