

**Town of Gibsland
Gibsland, Louisiana**

**Annual Financial Statements
As of June 30, 2011 and for the Year Then Ended**

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 **JUN 27 2012**

Town of Gibsland

**Annual Financial Statements
As of and for the Year Ended June 30, 2011
With Supplemental Information Schedules**

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**Town of Gibsland, Louisiana
Management Discussion and Analysis
June 30, 2011**

The management of the Town of Gibsland, Louisiana offers readers of the Town of Gibsland, Louisiana's (Town) financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2011. This management discussion and analysis ("MD&A") is designed to provide an objective analysis of the Town's financial activities based on currently known facts, decisions, and conditions. It is intended to provide readers with a broad overview of Town finances. It is also intended to provide readers with an analysis of the Town's short-term and long-term activities based on information presented in the financial report and fiscal policies that have been adopted by the Town. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the Town's financial activity, identify changes in the Town's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in there Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government issued June 2001. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of the government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information, which is in addition to the basic financial statements themselves.

Government-Wide Financial Statements

Government-wide financial statements are designed by GASB Statement No. 34 to change the way in which governmental financial statements are presented. It now provides readers with a concise "entity-wide" Statement of Net Assets and Statement of Activities, which seek to give the user of the financial statements a broad overview of the Town's financial position and results of operations in a manner similar to private sector businesses.

The statement of net assets presents information on all of the Town's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The difference between the two is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or weakening.

Town of Gibsland, Louisiana
Management Discussion and Analysis
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The statement of activities presents information which shows how the government's net assets changed during this fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected taxes).

Each of these reports is broken down between governmental activities and business-type activities. Governmental activities normally are those activities that are supported by taxes, licenses, permits, fines, and intergovernmental revenues; for example, the police department. Business-type activities are functions that are intended to support their costs through charges for services or fees; such as the Water and Sewer Departments.

Government-wide Financial Analysis

As noted earlier, net assets may, over time, serve as a useful indicator of a government's financial position. At the close of the most recent fiscal year, the Town's assets exceeded its liabilities by \$3,319,140 (net assets); this represents an increase of \$27,441 from the last fiscal year. Of this total net asset amount, \$85,053 is unrestricted net assets. The Town's net assets are comprised of \$153,261 from governmental activities and \$3,165,879 from business-type activities.

The following is a condensed statement of the Town of Gibsland's net assets as of June 30, 2011:

	<u>Governmental-Type Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Assets						
Current & Other Assets	\$126,094	\$74,425	\$165,162	\$178,765	\$291,256	\$253,190
Capital Assets (net)	<u>\$4,982</u>	<u>\$9,579</u>	<u>3,723,497</u>	<u>3,844,771</u>	<u>3,778,479</u>	<u>3,904,350</u>
Total Assets	<u>\$181,076</u>	<u>\$134,004</u>	<u>\$3,888,659</u>	<u>\$4,023,536</u>	<u>\$4,069,735</u>	<u>\$4,157,540</u>
Liabilities						
Other Liabilities	\$27,815	\$8,185	\$104,381	\$88,627	\$132,196	\$96,812
Long-term Liabilities	<u>0</u>	<u>0</u>	<u>618,399</u>	<u>671,816</u>	<u>618,399</u>	<u>671,816</u>
Total Liabilities	<u>27,815</u>	<u>8,185</u>	<u>722,780</u>	<u>760,443</u>	<u>750,595</u>	<u>768,628</u>
Net Assets						
Invested in capital assets, net	\$4,982	\$9,579	3,069,763	3,137,620	3,124,745	3,197,199
Restricted	0	0	109,342	129,477	109,342	129,477
Unrestricted	<u>98,279</u>	<u>66,240</u>	<u>(13,226)</u>	<u>(4,004)</u>	<u>85,053</u>	<u>62,236</u>
Total Net Assets	<u>\$153,261</u>	<u>\$125,819</u>	<u>\$3,165,879</u>	<u>3,263,093</u>	<u>\$3,319,140</u>	<u>\$3,388,912</u>

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Management Discussion and Analysis
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By far the largest portion of the Town's net assets \$3,124,745 reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, town infrastructure, etc.) less any related debt used to acquire those assets still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of \$85,053 is unrestricted net assets, which may be used to meet the government's on-going obligations to citizens and creditors.

The Town has total outstanding debt of \$750,595, which was used to finance some of the \$3,778,479 capital assets. Total liabilities of \$750,595 are equal to 23% of the total net assets.

The following is a summary of the statement of activities:

	Governmental-Type Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenue						
Program Revenue	\$1,458	\$0	\$244,508	\$1,029,139	\$245,966	\$1,029,139
General Revenue & Transfers	<u>294,885</u>	<u>192,394</u>	<u>(8,436)</u>	<u>16,163</u>	<u>286,449</u>	<u>208,557</u>
Total Revenue	<u>296,343</u>	<u>192,394</u>	<u>236,072</u>	<u>1,045,302</u>	<u>532,415</u>	<u>1,237,696</u>
Expenses						
General & Administrative	149,958	133,561			149,958	133,561
Public Safety	35,979	22,102			35,979	22,102
Other	82,965				82,965	0
Water Utilities			188,104	243,810	188,104	243,810
Sewer Utilities			<u>145,182</u>	<u>153,860</u>	<u>145,182</u>	<u>153,860</u>
Total Expenses	<u>268,902</u>	<u>155,663</u>	<u>333,286</u>	<u>397,670</u>	<u>602,188</u>	<u>553,333</u>
Increase (Decrease) in Net Assets	<u>27,441</u>	<u>36,731</u>	<u>(97,214)</u>	<u>647,632</u>	<u>(69,773)</u>	<u>684,363</u>
Net Assets, June 30, 2010	<u>125,820</u>	<u>89,088</u>	<u>3,263,093</u>	<u>2,615,461</u>	<u>3,388,913</u>	<u>2,704,549</u>
Net Assets, June 30, 2011	<u>\$153,261</u>	<u>\$125,819</u>	<u>\$3,165,879</u>	<u>\$3,263,093</u>	<u>\$3,319,140</u>	<u>\$3,388,912</u>

Governmental Activities

The governmental activities of the Town include General Government and Public Safety. In that revenues normally associated with municipal operations, (e.g. property tax, franchise fees, license fees, fines, and operating grants) are sufficient for the funding of these activities.

Town of Gibsland, Louisiana
Management Discussion and Analysis
June 30, 2011

Business-type Activities

The business-type activities of the Town are those that charge a fee to customers for the services provided. The Town has two business-type activities, which are accounted for in enterprise funds. The Town uses enterprise funds to account for the revenues and expenses related to the provision of water and sewer services.

The following is a summary of the business-type activities of the Town:

	<u>Operating Revenues Net of Purchases</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Fiscal year ended June 30, 2010	164,573	108,345	272,918
Fiscal year ended June 30, 2011	154,609	69,899	224,508
Increase (decrease) between years	<u>(9,964)</u>	<u>(38,446)</u>	<u>(48,410)</u>
	<u>Operating Expenses</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Fiscal year ended June 30, 2010	239,947	136,080	175,310
Fiscal year ended June 30, 2011	188,104	145,182	333,286
Increase (decrease) between years	<u>(51,843)</u>	<u>9,102</u>	<u>157,976</u>
	<u>Net Income (Loss) From Operations</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Fiscal year ended June 30, 2010	(75,374)	(27,735)	(103,109)
Fiscal year ended June 30, 2011	<u>(33,495)</u>	<u>(75,283)</u>	<u>(108,778)</u>
Increase (decrease) between years	<u>41,879</u>	<u>(47,548)</u>	<u>(5,669)</u>

The reasons for major fluctuations noted above could not be determined in the current year.

Fund Financial Statements - Governmental Funds

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

The Town currently maintains two individual governmental fund types. These fund types include the General Fund and Capital Projects Fund. Information is presented separately in the Governmental Funds Balance Sheet (Statement C) and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances (Statements E) for the General Fund and Capital Projects Fund which are both considered to be major funds.

**Town of Gibsland, Louisiana
Management Discussion and Analysis
June 30, 2011**

The Town adopts an annual budget for the General Fund. A statement of revenues, expenditures, and changes in fund balance for the General Fund is presented in the Required Supplemental Information Schedule 1), which compares actual revenues and expenditures to the original budget and amended budget (if applicable) figures. No budget was provided to compare to actual figures.

Financial Analysis of the Town's Governmental Fund

The Town of Gibsland's governmental fund (General Fund) reported an ending fund balance of \$98,259, which is an increase of \$32,039. This increase is caused mostly by an increase in operating transfers. The entire ending fund balance of \$98,259 is unreserved.

Fund Financial Statements - Proprietary Funds

The Town maintains two proprietary funds. Proprietary funds are used to report the same functions as business-type activities. The Town uses enterprise funds (the first type of proprietary fund) to account for its Water and Sewer Operations. These enterprise funds report the same functions presented as business-type activities in the government-wide financial statements.

Financial Analysis of the Town's Proprietary Fund

The Town's proprietary funds show a decrease in ending retained earnings of (\$97,214) (Water: (\$34,735) & Sewer: (\$62,479)). The 2011 operating losses of the Water and Sewer Departments totaling \$97,214 represents a difference of \$744,846 from fiscal year 2010 income of \$647,632.

In that financial statements of enterprise funds are presented on the same basis of accounting as in both the governmental-wide financial statements and the individual fund statements. All comments and analysis made under business-type activities apply to these funds.

General Fund Budgetary Highlights

The Town did not provided documentation for its original or any amendment to its General Fund or Capital Projects Fund budget during the course of the year.

Capital Asset and Debt Administration

The total investment in net capital assets as of June 30, 2011 is \$3,124,745.

There were no new major capital assets purchased or constructed in fiscal 2011 for governmental activities or business-type activities.

**Town of Gibsland, Louisiana
Management Discussion and Analysis
June 30, 2011**

Current Financial Factors

The Town has been instructed by the Legislative Auditor's Office to retroactively reconstruct its financial statements and general ledger beginning with the bank reconciliations in December, 2010.

Requests for Information

This financial report is designed to provide a general overview of the Town of Gibsland's finances for all with an interest in the government's operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Mayor Odis Key, Clerk, P. O. Box 309, Gibsland, Louisiana 71028.

EDWARDS, WADE & PERRY

Certified Public Accountants
A Professional Accounting Corporation
Members: AICPA / Society of LCPA's

Independent Auditor's Report

Mayor and Town Council
Town of Gibsland
Gibsland, Louisiana

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Gibsland, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Gibsland's management.

The Town did not maintain adequate records of disbursements, properly reconcile bank accounts or accounts receivable or payable. The Town's records did not permit the application of adequate auditing procedures.

Because of the scope limitation described above we are unable to express, and do not express, an opinion on the Town's financial statements listed in the table of contents.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 27, 2012, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance and other matters with certain provisions of laws, regulations, contracts, and grants. 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 the Budgetary Comparison Information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying information identified in the table of contents as supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. We did not audit the information and express no opinion on it.



Ruston, Louisiana
March 27, 2012

Town of Gibsland, Louisiana
Statement of Net Assets
As of June 30, 2011

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS			
Cash and equivalents	\$20	\$103,532	\$103,552
Receivables	20,873	33,627	54,500
Internal balances	105,036	(81,339)	23,697
Restricted assets		109,342	109,342
Other assets	165		165
Capital assets (net)	54,982	3,723,497	3,778,479
TOTAL ASSETS	<u>\$181,076</u>	<u>\$3,888,659</u>	<u>\$4,069,735</u>
Liabilities			
Cash overdraft	\$4,807	\$92	\$4,899
Accounts, salaries, and other payables	23,008	33,043	56,051
Current loans and interest payable		39,443	39,443
Liabilities payable from restricted assets		31,803	31,803
Loans payable		618,399	618,399
TOTAL LIABILITIES	<u>27,815</u>	<u>722,780</u>	<u>750,595</u>
NET ASSETS			
Invested in capital assets, net of related debt	54,982	3,069,763	3,124,745
Restricted for debt service	0	109,342	109,342
Unrestricted	98,279	(13,226)	85,053
TOTAL NET ASSETS	<u>\$153,261</u>	<u>\$3,165,879</u>	<u>\$3,319,140</u>

The accompanying notes are an integral part of this statement.

Town of Gibsland, Louisiana
Statement of Activities
Year Ended June 30, 2011

	Program Revenues			Net (Expenses) Revenues and Changes of Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Business-type	
					Governmental Activities	Total
Governmental Activities:						
General government	\$149,958				(\$149,958)	(\$149,958)
Public safety	35,979	1,458			(34,521)	(34,521)
Other	82,965				(82,965)	(82,965)
Total governmental activities	<u>268,902</u>	<u>1,458</u>	<u>0</u>	<u>0</u>	<u>(267,444)</u>	<u>(267,444)</u>
Business-type activities:						
Water utilities	188,104	154,609	\$20,000		(\$13,495)	(13,495)
Sewer utilities	145,182	69,899			(75,283)	(75,283)
Total business-type activities	<u>333,286</u>	<u>224,508</u>	<u>20,000</u>	<u>0</u>	<u>(88,778)</u>	<u>(88,778)</u>
Total primary government	<u>\$602,188</u>	<u>\$225,966</u>	<u>\$20,000</u>	<u>\$0</u>	<u>(\$267,444)</u>	<u>(\$356,222)</u>
General revenues:						
Ad valorem taxes				\$24,183	\$20,792	\$44,975
Sales taxes				75,408		75,408
Franchise fees				31,739		31,739
Licenses and permits				31,094		31,094
Intergovernmental revenues - state				70		70
Investment earnings				1,042	328	1,370
Other general revenues				37,949		37,949
Transfers - net				93,400	(29,556)	63,844
Total general revenues and transfers				<u>294,885</u>	<u>(8,436)</u>	<u>286,449</u>
Change in Net Assets				27,441	(97,214)	(69,773)
Net assets - beginning				125,820	3,263,093	3,388,913
Net assets - ending				<u>\$153,261</u>	<u>\$3,165,879</u>	<u>\$3,319,140</u>

The accompanying notes are an integral part of this statement.

Town of Gibsland, Louisiana
 Balance Sheet, Governmental Funds
 June 30, 2011

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and cash investments		\$20	\$20
Receivable	\$20,873		20,873
Interfunds	105,036		105,036
Other assets	165		165
TOTAL ASSETS	\$126,074	\$20	\$126,094
LIABILITIES AND FUND BALANCES			
Liabilities:			
Cash overdraft	\$4,807		\$4,807
Accounts, salaries, and other payables	23,008		23,008
Interfunds	0		0
Total liabilities	27,815	0	27,815
Fund balances:			
Unassigned	98,259	\$20	98,279
TOTAL LIABILITIES AND FUND BALANCES	\$126,074	\$20	\$126,094

The accompanying notes are an integral part of this statement.

Statement D

**Town of Gibsland, Louisiana
Reconciliation of The Governmental Funds Balance Sheet
to The Government-Wide Financial Statement of Net Assets
June 30, 2011**

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

Fund balances, Total governmental funds (Statement C) \$98,279

**Capital assets used in governmental activities are not financial resources and,
therefore, are not reported in the governmental funds:**

Governmental capital assets	\$188,419	
Less accumulated depreciation	<u>(133,437)</u>	<u>\$4,982</u>

Net Assets of Governmental Activities (Statement A) \$153,261

The accompanying notes are an integral part of this statement.

Statement E

Town of Gibsland, Louisiana
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2011

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Taxes:			
Ad valorem	\$24,183		\$24,183
Sales and use	75,408		75,408
Franchise fees	31,739		31,739
Licenses and permits	31,094		31,094
Intergovernmental revenues - state	70		70
Fines and forfeitures	1,458		1,458
Interest earnings	1,042		1,042
Other revenues	37,949		37,949
Total Revenues	202,943	0	202,943
EXPENDITURES			
General government	145,647		145,647
Public safety	35,692		35,692
Other - see Schedule I	82,965		82,965
Total Expenditures	264,304	0	264,304
Excess (Deficiency) of Revenues over (under) Expenditures	(61,361)	0	(61,361)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	95,400		95,400
Operating transfers out	(2,000)		(2,000)
Total Other Financing Sources (Uses)	93,400	0	93,400
Net Change in Fund Balance	32,039	0	32,039
Fund Balance - beginning	66,220	20	66,240
Fund Balance - ending	\$98,259	\$20	\$98,279

The accompanying notes are an integral part of this statement.

Town of Gibsland, 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, 2011

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

Net Change in Fund Balances, Total governmental funds (Statement E)	\$32,039
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$0) exceeded depreciation (\$4,598) in the current period.

Expenditures for capital assets	<u>(4,598)</u>
Change in Net Assets of Governmental Activities, Statement B	<u>\$27,441</u>

The accompanying notes are an integral part of this statement.

Town of Gibsland, Louisiana
Statement of Net Assets, Proprietary Funds
June 30, 2011

		Business-Type Activities - Enterprise Funds	
		Totals	
		(Memorandum Only)	
		2011	2010
ASSETS			
Current assets:			
Cash and equivalents	\$103,532	\$0	\$103,532
Receivables	18,945	14,682	33,627
Interfunds	11,457	11,457	85,894
Total current assets	<u>133,934</u>	<u>14,682</u>	<u>128,088</u>
Restricted assets:			
Cash and equivalents	76,320	33,022	109,342
Non-current assets:			
Capital assets (net of accumulated depreciation)	<u>1,213,751</u>	<u>2,509,746</u>	<u>3,723,497</u>
Total Non-current assets	<u>1,213,751</u>	<u>2,509,746</u>	<u>3,844,771</u>
TOTAL ASSETS	<u>\$1,424,005</u>	<u>\$2,557,450</u>	<u>\$3,981,455</u>
LIABILITIES			
Current Liabilities:			
Cash overdraft		\$92	\$92
Accounts, salaries, and other payables	\$27,717	\$5,326	33,043
Interfunds	0	92,796	92,796
Loans and interest payable	17,854	21,589	39,443
Total current liabilities	<u>45,571</u>	<u>119,803</u>	<u>139,424</u>
Current liabilities payable from restricted assets	<u>31,803</u>	<u>0</u>	<u>31,803</u>
Non-current liabilities:			
Loans payable	<u>162,214</u>	<u>456,185</u>	<u>618,399</u>
Total non-current liabilities	<u>162,214</u>	<u>456,185</u>	<u>618,399</u>
Total liabilities	<u>239,588</u>	<u>575,988</u>	<u>839,243</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,033,683	2,036,080	3,069,763
Restricted for debt service	76,320	33,022	109,342
Unrestricted	74,414	(87,640)	(13,226)
TOTAL NET ASSETS	<u>\$1,184,417</u>	<u>\$1,981,462</u>	<u>\$3,165,879</u>

The accompanying notes are an integral part of this statement.

Town of Gibsland, Louisiana
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

	Business-Type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Totals Memorandum only	
			2011	2010
Operating Revenues				
Charges for services:				
Water sales	\$146,418		\$146,418	\$158,779
Sewer charges		\$69,899	69,899	108,305
Other services	8,191		8,191	5,834
Total Operating Revenues	154,609	69,899	224,508	272,918
Operating Expenses				
Cost of sales and services	59,124	35,162	94,286	144,881
Administration	74,437	43,289	117,726	108,929
Depreciation	54,543	66,731	121,274	122,217
Total Operating Expenses	188,104	145,182	333,286	376,027
Operating income (loss)	(33,495)	(75,283)	(108,778)	(103,109)
Nonoperating revenue (expenses)				
Intergovernmental	0	20,792	20,792	20,835
Gain on sale of asset	0	0	0	3,500
Interest earnings	316	12	328	234
Interest expense	0	0	0	(21,643)
Total Nonoperating Revenue (Expenses)	316	20,804	21,120	2,926
Income before contributions and transfers	(33,179)	(54,479)	(87,658)	(100,183)
Capital contributions	20,000	0	20,000	756,221
Transfers in	42,977	12,000	54,977	19,364
Transfers out	(64,533)	(20,000)	(84,533)	(27,770)
Change in Net Assets	(34,735)	(62,479)	(97,214)	647,632
Total Net Assets - Beginning	1,219,152	2,043,941	3,263,093	2,615,461
Total Net Assets - Ending	<u>\$1,184,417</u>	<u>\$1,981,462</u>	<u>\$3,165,879</u>	<u>\$3,263,093</u>

The accompanying notes are an integral part of this statement

Town of Gibsland, Louisiana
Statement of Cash Flows, Proprietary Funds
For the Year Ended June 30, 2011

	Utility Fund	Sewer Fund	Total (Memo only)	2010
Cash Flows from Operating Activities				
Receipts from customers and users	\$232,847	\$69,899	\$302,746	\$273,903
Receipts from other funds	0	20,792	20,792	20,835
Payments to suppliers	(53,980)	(23,535)	(77,515)	(146,184)
Payments to employees	(68,692)	(39,948)	(108,640)	(100,858)
Payments to other funds	0	0	0	0
Net Cash Provided by Operating Activities	<u>110,175</u>	<u>27,208</u>	<u>137,383</u>	<u>47,696</u>
Cash Flows from Noncapital Financing Activities				
Transfer to other funds	(64,533)	(20,000)	(84,533)	(27,770)
Advances from other funds	42,977	12,000	54,977	19,364
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(21,556)</u>	<u>(8,000)</u>	<u>(29,556)</u>	<u>(8,406)</u>
Cash Flows from Capital and Related Financing Activities				
Purchases of capital assets	0	0	0	(769,530)
Gain on sale of asset	0	0	0	3,500
Principal paid on capital debt	(30,358)	(23,059)	(53,417)	(44,141)
Interest paid on capital debt	0	0	0	(36,426)
Capital contributions	20,000	0	20,000	756,221
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(10,358)</u>	<u>(23,059)</u>	<u>(33,417)</u>	<u>(90,376)</u>
Cash Flows from Investing Activities				
Interest and dividends received	316	12	328	234
Net Cash Provided by Investing Activities	<u>316</u>	<u>12</u>	<u>328</u>	<u>234</u>
Net Increase in Cash and equivalents	78,577	(3,839)	74,738	(50,852)
Cash and equivalents, Beginning of Year	101,275	36,769	138,044	188,896
Cash and equivalents, End of Year	<u>\$179,852</u>	<u>\$32,930</u>	<u>\$212,782</u>	<u>\$138,044</u>
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities				
Operating income	(\$33,495)	(\$75,283)	(\$108,778)	(\$103,109)
Depreciation expense	54,543	66,731	121,274	122,217
(Increase) decrease in accounts receivable	0	0	0	(311)
(Increase) decrease in intergovernmental funds	0	20,792	20,792	0
(Increase) decrease in due from other funds	74,437	0	74,437	20,835
Increase (decrease) in customer deposits	3,800	0	3,800	1,296
Increase (decrease) in accounts payable	10,890	971	11,861	6,768
Increase (decrease) in due to other funds	0	13,997	13,997	0
Net Cash Provided by Operating Activities	<u>\$110,175</u>	<u>\$27,208</u>	<u>\$137,383</u>	<u>\$47,696</u>
Reconciliation of total cash and cash investments:				
Current assets - cash and cash investments	\$103,532	(\$92)	\$103,440	\$8,567
Restricted assets - cash and cash investments	76,320	33,022	109,342	129,477
Total cash and cash investments	<u>\$179,852</u>	<u>\$32,930</u>	<u>\$212,782</u>	<u>\$138,044</u>

The accompanying notes are an integral part of this statement

Town of Gibsland, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2011

INTRODUCTION

The Town was incorporated under the provisions of Louisiana Revised Statutes 33:52. The Town operates under a form of government consisting of an elected mayor and a Town council, which has five elected members. The Town, with 11 employees, provides public safety, public works, utility services, and administrative services to its residents. The Town consists of approximately 1,100 citizens.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town have been prepared in conformity with U.S. generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Town's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Town's activities, including infrastructure (if any).
- A change in the fund financial statements to focus on the major funds

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Town of Gibsland, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2011

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

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

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

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

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

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

The Town reports the following major governmental funds

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

The Capital projects fund is used to account for all resources and expenditures in connection with the acquisition of capital facilities and major capital improvements.

Town of Gibsland, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2011

The Town reports the following major proprietary funds:

The Water fund is to account for the provision of water services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, but not limited to, administration, operations, maintenance, financing, and related debt service and billing.

The Sewer fund is to account for the provision of sewer services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, but not limited to, administration, operations, maintenance, financing, and related debt service and billing.

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Principal operating revenues of the proprietary funds include water and sewer services to the residents of the Town. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

C. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the Town's investment policy allow the Town to invest in collateralized certificates of deposits, government back securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities. Investments for the Town are reported at fair value.

Town of Gibsland, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2011

D. Receivables and Payables

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

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

All trade and property tax receivables are shown net of an allowance for uncollectives. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis.

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

<u>Taxes due for:</u>	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
General operations and maintenance	12.90	11.70	6/30/11
Sewer District	5.81	5.03	6/30/11
Sewer Bond	5.81	5.03	6/30/11

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

<u>Taxpayer</u>	<u>Type of business</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>	<u>Ad valorem Tax Revenue for Town</u>
Gibsland Bank & Trust	financial institution	466,630	22.58%	\$10,154
Bellsouth Telecommunications	communications	131,410	6.36%	2,859
Total		<u>598,040</u>	<u>28.93%</u>	<u>\$13,013</u>

Sales Taxes. Sales taxes are collected by Bienville parish sales and use tax commission and remitted to the Town. Amounts remitted during the current period and amounts collected by the governmental agency during the current period and remitted within 60 days to the Town are recognized as revenue. The Town's sales tax percentage is 2 per cent.

E. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Town of Gibsland, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2011

F. Restricted Assets

Restricted assets include cash and cash investments in the Proprietary funds which are restricted to their use. These restrictions are principally related to requirements of bond issues and utility meter deposits. It is the Town's policy to use restricted assets before unrestricted assets for their intended purposes.

G. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Town maintains a threshold level of \$500 or more for capitalizing capital assets.

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

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

<u>Description</u>	<u>Estimated Lives</u>
Water and sewer system and lines	40 years
Buildings and improvements	10-27 years
Vehicles	3-5 years
Equipment	3-7 years

H. Compensated Absences

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

The Town's full time employees receive sick and vacation time at the beginning of each calendar year. Vacation time must be used during the course of the calendar year. Unused sick time may be carried forward to the next year. The Town's sick and vacation time at June 30, 2011, was not material to the financial statements and was not recorded.

I. Long-Term Obligations

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Town of Gibsland, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2011

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. There are no restrictions for the year ended June 30, 2011.

K. Comparative Data/Reclassifications

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

L. 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 the estimates.

M. Reconciliations of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets. The following reconciles the fund balances of governmental funds to the government-wide statement of net assets.

Governmental capital assets	\$188,419
Less accumulated depreciation	<u>(133,437)</u>
Net adjustment	<u>\$54,982</u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities The following reconciles the net changes in fund balance-total governmental funds to the changes in net assets of governmental activities.

Expenditures for capital assets	\$4,598
Loss on sale of asset	<u>0</u>
Net adjustment	<u>\$4,598</u>

Town of Gibsland, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2011

N. RISK MANAGEMENT

The town is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. To handle such risk of loss, the town maintains commercial insurance policies covering its vehicles, professional liability and surety bond coverage. No claims were paid on any of the policies which exceeded to policies' coverage amounts. There were no significant reductions in insurance coverage during the year ended June 30, 2011.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGET INFORMATION The Town uses the following budget practices:

The Town adopted a budget for the year ended June 30, 2011 for the General fund. The Town follows the following procedures in establishing the budgetary data reflected in the financial statements. During the June meeting, the Town clerk submits to the board of aldermen a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and expenses and the means of financing them. During the June meeting, the budget is legally enacted through passage of an ordinance. The public is invited to attend all meetings. The Town clerk is authorized to transfer budgeted amounts between departments within any fund, however, any revisions that alter the total expenditures or expenses of any fund must be approved by the board of aldermen. Appropriations lapse at the end of the year.

The Town could not provide documentation of the adoption of an original budget. An amendment was mentioned in the minutes to increase public safety expenditures for the three police officers but no amounts were provided.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS. The following individual funds had actual expenditures over budgeted appropriations for the year ended June 30, 2011. No budgets were provided to compare actual to budget figures.

3. CASH AND CASH EQUIVALENTS

At June 30, 2011, the Town has cash and cash equivalents (book balances) totaling \$207,995 as follows:

Demand deposits	\$96,606
Interest-bearing demand deposits	93,325
Time deposits	<u>18,064</u>
Total	<u><u>\$207,995</u></u>

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

Town of Gibsland, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2011

At June 30, 2011, the Town has \$109,093 in deposits (collected bank balances). These deposits are secured from risk by \$109,093 of federal deposit insurance and \$0 of pledged securities held by the custodial bank in the name of the fiscal agent bank. (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon demand.

4. INVESTMENTS

Investments include a certificate of deposit with a maturity of 12 months that has been included in cash and equivalents in the basic financial statements. Investments are categorized into these three categories of credit risk:

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

At fiscal year-end, the Town's investments balances were as follows:

Type of investment	Category			Carrying amount			Total Carrying Amount
	1	2	3	Fair Value	Amortized Cost	Cost	
Certificate of deposit	<u>\$18,064</u>	<u>\$0</u>	<u>\$0</u>	<u>\$18,064</u>	<u>\$0</u>	<u>\$0</u>	<u>\$18,064</u>
Total investments	<u>\$18,064</u>	<u>\$0</u>	<u>\$0</u>	<u>\$18,064</u>	<u>\$0</u>	<u>\$0</u>	<u>\$18,064</u>

5. RECEIVABLES

The receivables of \$54,500 at June 30, 2011, are as follows

Class of Receivable	General Fund	Utility Fund	Sewer Fund	Total
Sales and use taxes	\$13,144			\$13,144
Franchise fees	2,819			2,819
Fines	367			367
Licenses and permits	4,543			4,543
Accounts		\$18,945	\$14,682	33,627
Total	<u>\$20,873</u>	<u>\$18,945</u>	<u>\$14,682</u>	<u>\$54,500</u>

Town of Gibsland, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2011

The Town's policy for bad debt accounting and write-offs is to send a letter to the occupant and owner after the due date. After 60 days, the utility line is sealed close. Reconnect fees must be paid to have service resumed. For deceased accounts, the clerk requests permission from the board to adjust the accounts to close.

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2011 is as follows:

Due To/From Other Funds:		
<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund		\$105,036
	Sewer fund	(92,796)
Utility fund		<u>11,457</u>
Total		<u>\$23,697</u>

The balances consist of allocations for accounting fees, payroll and payroll taxes, and assisting the Sewer fund in the payment of its note. The town did not monitor the balances throughout the year and therefore interfunds did not balance at June 30, 2011.

7. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2011, for the primary government is as follows

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	<u>\$23,642</u>			<u>\$23,642</u>
Total capital assets not being depreciated	<u>23,642</u>	<u>0</u>	<u>0</u>	<u>23,642</u>
Capital assets being depreciated				
Buildings	44,513			44,513
Machinery and equipment	92,277			92,277
Infrastructure	<u>27,989</u>			<u>27,989</u>
Total capital assets being depreciated	<u>164,779</u>	<u>0</u>	<u>0</u>	<u>164,779</u>
Accumulated depreciation	<u>128,841</u>	<u>4,598</u>		<u>133,439</u>
Total capital assets being depreciated, net	<u>\$59,580</u>	<u>(\$4,598)</u>	<u>\$0</u>	<u>\$54,982</u>

Town of Gibsland, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2011

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$49,175			\$49,175
Construction in progress	9,500			9,500
Total capital assets not being depreciated	<u>58,675</u>	<u>0</u>	<u>0</u>	<u>58,675</u>
Capital assets being depreciated:				
Buildings	7,935			7,935
Improvements other than buildings	5,587,681			5,587,681
Machinery and equipment	30,916			30,916
Total capital assets being depreciated	<u>5,626,532</u>	<u>0</u>	<u>0</u>	<u>5,626,532</u>
Accumulated depreciation	<u>1,840,436</u>	<u>121,964</u>		<u>1,962,400</u>
Total capital assets being depreciated, net	<u>\$3,844,771</u>	<u>(\$121,964)</u>	<u>\$0</u>	<u>\$3,722,807</u>

Depreciation expense of \$4,598 for the year ended June 30, 2011, was charged to the following governmental functions:

General government	\$4,311
Public safety	287
Total	<u>\$4,598</u>

8 ACCOUNTS, SALARIES, AND OTHER PAYABLES

The payables of \$56,051 at June 30, 2011, are as follows.

	<u>General Fund</u>	<u>Utility Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Accounts	<u>\$23,008</u>	<u>\$27,717</u>	<u>\$5,326</u>	<u>\$56,051</u>
Total	<u>\$23,008</u>	<u>\$27,717</u>	<u>\$5,326</u>	<u>\$56,051</u>

9. LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended June 30, 2011:

	<u>Loans payable</u>
Long-term obligations at beginning of year	\$706,027
Additions	0
Deductions	<u>(60,151)</u>
Long-term obligations at end of year	<u>\$645,876</u>

**Town of Gibsland, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2011**

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of June 30, 2011:

	<u>Loans payable</u>
Current portion	\$34,211
Long-term portion	<u>611,665</u>
Total	<u>\$645,876</u>

Five loans outstanding at June 30, 2011, are loans payable to the U.S. Department of Agriculture - Farmers Home Administration with interest rates from 4.5% to 6.75%. One loan outstanding at June 30, 2011, is payable to Gibsland Bank & Trust with an interest rate of 6%. We could not determine the principal and interest payable in the next fiscal year for each loan listed above.

At June 30, 2011, the Town has accumulated \$109,342 for future debt repayments. We were unable to determine the annual requirements to amortize all loans outstanding at June 30, 2011, including interest.

10. ON BEHALF PAYMENTS FOR SALARIES

The Town recognizes as general fund revenues and expenses supplemental pay made by the State of Louisiana to the Town's police employees. For the year ended June 30, 2011, the State made contributions of \$2,250.

REQUIRED SUPPLEMENTAL INFORMATION

Town of Gibsland, Louisiana
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>GAAP Basis</u>	<u>(Unfavorable)</u> <u>Variance</u>
REVENUES				
Taxes:				
Ad valorem	\$0	\$0	\$24,183	\$24,183
Sales and use	0	0	75,408	75,408
Franchise fees	0	0	31,739	31,739
Licenses and permits	0	0	31,094	31,094
Intergovernmental revenues - state	0	0	70	70
Fines and forfeitures	0	0	1,458	1,458
Interest earnings	0	0	1,042	1,042
Other revenues	0	0	37,949	37,949
Total Revenues	0	0	202,943	202,943
EXPENDITURES				
General government				
Bank charges	0	0	(1,399)	1,399
General and admin	0	0	10,226	(10,226)
Accounting fees	0	0	45	(45)
Advertising	0	0	312	(312)
Audit fees	0	0	9,765	(9,765)
Coroner	0	0	754	(754)
Employee benefits	0	0	400	(400)
Insurance expenses	0	0	36,276	(36,276)
Per diem and meetings expenses	0	0	13,644	(13,644)
Office supplies	0	0	5,820	(5,820)
Contributions	0	0	146	(146)
Dues and subscriptions	0	0	20,606	(20,606)
Telephone	0	0	3,685	(3,685)
Travel	0	0	4,254	(4,254)
Repair & maintenance	0	0	133	(133)
Payroll	0	0	21,226	(21,226)
Payroll taxes	0	0	2,938	(2,938)
Court	0	0	104	(104)
Street expenses	0	0	14,240	(14,240)
Utilities	0	0	2,412	(2,412)
Public safety				
Payroll	0	0	29,611	(29,611)
Payroll taxes	0	0	2,476	(2,476)
Insurance - auto	0	0	2,170	(2,170)
Auto	0	0	817	(817)
Other	0	0	35	(35)
Supplies	0	0	433	(433)
Auto repairs	0	0	150	(150)

Town of Gibsland, Louisiana
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>GAAP Basis</u>	<u>(Unfavorable)</u> <u>Variance</u>
Loan payment	0	0	9,000	(9,000)
Uncategorized expenses	0	0	5,590	(5,590)
Sewer fund expenses	0	0	4,623	(4,623)
Water fund expenses	0	0	1,488	(1,488)
Individual	0	0	10	(10)
Other expenditures	0	0	13,919	(13,919)
Reconciliation discrepancies	0	0	48,395	(48,395)
Total Expenditures	<u>0</u>	<u>0</u>	<u>264,304</u>	<u>(264,304)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	0	0	(61,361)	(61,361)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	0	0	95,400	95,400
Operating transfers out	<u>0</u>	<u>0</u>	<u>(2,000)</u>	<u>(2,000)</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>93,400</u>	<u>93,400</u>
Net Change in Fund Balance	0	0	32,039	32,039
Fund Balance (Deficit) at Beginning of Year	<u>66,220</u>	<u>66,220</u>	<u>66,220</u>	<u>0</u>
Fund Balance (Deficit) at End of Year	<u><u>\$66,220</u></u>	<u><u>\$66,220</u></u>	<u><u>\$98,259</u></u>	<u><u>\$32,039</u></u>

Notes to the Schedule
(1) method of budgetary accounting - GAAP

The accompanying notes are an integral part of this statement.

OTHER SUPPLEMENTAL SCHEDULES

**Town of Gibbsland
Schedule of Compensation Paid Board Members
For the Year Ended June 30, 2011**

Schedule 2

<u>Board Member</u>	<u>Amount</u>
Patrick White, Mayor (former)	\$1,300
Odis Key, Mayor	1,200
Dawson Anglin	650
Marketriss Jones	1,250
Ray Ivory	650
Timmy Cato	1,300
Delinda Wright	1,350
Katherine Mixon	700
Alvin Pearson	650
Total	<u>\$9,050</u>

The accompanying notes are an integral part of this statement.

OTHER REPORTS

EDWARDS, WADE & PERRY

Certified Public Accountants

A Professional Accounting Corporation

Members: AICPA / Society of LCPA's

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

Mayor and Town Council
Town of Gibsland
Gibsland, Louisiana

We were engaged to audit the financial statements of the governmental activities, the business-type activities, each major fund of Town of Gibsland as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements and have issued our report thereon dated March 27, 2012. We did not express an opinion on the financial statements because the Town did not maintain adequate records of disbursements or properly reconcile bank accounts, accounts receivable and accounts payable.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. 2011-1, 2011-4, 2011-6, 2011-7, 2011-8.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as to be significant deficiencies. 2011-1, 2011-2, 2011-4, 2011-6, 2011-7, 2011-8.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town'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 statements 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 instances 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 costs as items 2011-3, 2011-5 and 2011-9

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town's response and, accordingly, we express no opinion on it

This report is intended for the information and use of management, the town council, and the Legislative Auditor 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.

Edwards, Wade & Perry

Ruston, Louisiana
March 27, 2012

Town of Gibsland
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

PART I. Summary of Audit Results

Financial statement audit

1. The type of audit report issued was a disclaimer.
2. There were six significant deficiencies required to be disclosed by Governmental Auditing Standards; issued by the Comptroller General of the United States of America. Five of these significant deficiencies were reported as material weaknesses.
3. There were three instances of noncompliance considered material, as defined by the Government Auditing Standards, to the financial statement.

Audit of Federal Awards

1. There were no federal awards received.

PART II. Findings related to financial statements which are required to be reported in accordance with Governmental Auditing Standards generally accepted in the United States of America:

2011-1. General accounting - This finding is entity wide.

Bank accounts were not reconciled timely. All bank reconciliations for the June 30, 2011 fiscal year were not completed as of our report date. The Utility fund operating account was reconciled through May 31, 2011 and showed 61 disbursements cleared with dates subsequent to May 31, 2011 totaling \$87,826. In the General fund operating account there are reconciliation discrepancies totaling \$48,395. In the Utility fund there are reconciliation discrepancies totaling (\$77,255). In the Sewer fund there are \$1,486 in reconciliation discrepancies.

The Capital projects fund was not provided which ended June 30, 2010 with a \$20 balance. We could not determine if there was any activity because we only received the June 30, 2011 bank statement which also showed a \$20 balance.

Auditors were not provided a listing of accounts receivable and accounts payable. The balances in the accounts receivables were not adjusted for current year end balances. No receipts were posted subsequent to year end so we could not accurately determine accounts receivable. We were provided deposit slips that were not coded showing the details of the amounts listed.

For utility customers, no entries are made to accounts receivable during the year. An audit adjustment is made at year end to record the June billings and to record the unbilled receivables. There was no attempt to record balances due on delinquent accounts.

Payroll related liabilities were not paid timely. The IRS confirmed that \$7,098 had been received for the fourth quarter 2010 and \$2,205 for the first quarter 2011. No 941 reports have been filed since the third quarter 2010.

W-2's and 1099's for the 2010 and 2011 years were not provided to the auditors when requested.

The town could not provide grant documents for the grants that were posted to the general ledger.

In the July, 2010 minutes it was mentioned the town was awarded a \$199,905 grant for improving elderly/handicapped residents' homes. No information was provided and we could not determine if this grant was ever received and spent. Also in the November, 2010 minutes it was mentioned the town received \$10,000 Act 41 grant to purchase stop signs and improvements to the town hall. No information was provided and we could not determine where this grant was received, posted and spent.

The USDA annual loan statement of loan account (mortgage interest statement) was not provided to confirm amounts for balances, current year activity, payments of interest or payments of principal.

Recommendation: Procedures and job descriptions must be established for maintenance of the accounting records. These procedures should include monthly reconciliations of bank accounts to the general ledger and accounts receivable sub ledger to the general ledger. Procedures should be established to ensure that bills are paid on time including payroll taxes. Additional training should be provided to the staff and a full-time clerk should be hired with knowledge of governmental accounting. A third party CPA should be contracted to assist with each monthly close out until the staff are adequately trained. Accounting duties should be further segregated and proper approval steps implemented. A clear chain of command should be established.

- 2011-2. Lack of segregation of duties - Due to limited personnel, the Town does not have an adequate segregation of duties regarding its accounting and reporting system to maintain a complete system of internal control. This finding is entity wide.

Recommendation: Additional training should be provided to the staff and a full-time clerk should be hired with knowledge of governmental accounting. A third party CPA should be contracted to assist with each monthly close out until the staff are adequately trained. Accounting duties should be further segregated and proper approval steps implemented. A clear chain of command should be established.

- 2011-3. No budget was provided as adopted for the year ended June 30, 2011 for the General fund. This finding is specific to the General fund.

We could not trace an original budget to the minutes. In the February, 2011 minutes, there was mention to amend the budget to include three police officers but no figures were included.

Recommendation: The Town should follow its budget practices as in the past and adopt a balanced budget before the year begins. Then the Town should monitor budget and actual numbers throughout the year and amend the budgets as necessary. A third party CPA should be contracted to assist with this issue until the staff are adequately trained.

- 2011-4. Not all traffic ticket information was provided for the year ended June 30, 2011 so no tests were performed on collections or outstanding tickets.

Recommendation: A third party CPA should be contracted to assist with this issue until the staff are adequately trained.

- 2011-5. For municipalities, it is a requirement (R.S. 33.425) to prepare monthly financial statements and present them to the governing body. This finding is entity wide.

The town could not prepare monthly financial statements as the bank accounts were not reconciled and in some cases not posted through year end. In late October, 2011, the previous administrative assistant informed the auditors that she was not finished posting and reconciling through June, 2011 yet.

Recommendation: Additional training should be provided to the staff and a full-time clerk should be hired with knowledge of governmental accounting. A third party CPA should be

contracted to assist with each monthly close out until the staff are adequately trained. Accounting duties should be further segregated and proper approval steps implemented. A clear chain of command should be established.

- 2011-6. Internal control over disbursements is inadequate. This finding is entity wide.

No documents were provided to test randomly selected disbursements.

Recommendation: The Town should maintain adequate supporting documentation for all disbursements of the town and furnish requested information to the auditors.

- 2011-7. Utility collections/Public works. This finding is for the Water and Sewer funds.

Not all necessary documents were provided to test randomly selected customers' accounts, including the mayor's and council's accounts.

Recommendation: The Town should maintain adequate supporting documentation for all receipts of the town and furnish requested information to the auditors.

- 2011-8. Late submission of audit report. This finding is entity wide.

LRS 24:513A(5)(a)(I) requires that "audits shall be completed within six months of the close of the entity's fiscal year." The town requested an extension of time by the Legislative Auditor's Office and an extension was approved to March 31, 2011. The audit for the town was not completed in time to meet the required deadline due to the town's lack of adequate financial records. This was due to bank reconciliations not being performed and the financial records not being complete.

Recommendation: The town should strive to have all bank reconciliations performed and the financials balanced and completed in a timely manner in order for the submission of its audit report each year to comply with requirements with the Legislative Auditor's Office and any grantor agencies. In the future, the town should maintain adequate accounting records necessary for auditors to complete the audit to meet the deadline.

- 2011-9. Questionnaires not signed and provided to the auditor. This finding is entity wide.

We requested the Town prepare the compliance questionnaire, related party questionnaires and the attorney letter representation. The Town did not supply the auditor with the compliance or related party questionnaires. The current town attorney was approved in January, 2012 and could not reply as to any situations or litigation occurring in the town for the year ended June 30, 2011. The mayor would not sign the attorney letter representation. Failure to provide, upon request, the books and records to the independent certified public accountant performing work in lieu of the Legislative Auditor (R.S. 24:515)

Recommendation: The Town should release all relevant documents, books and records of the town to auditors, as requested.

Town of Gibsland
Summary of Prior Year Findings
For the Year Ended June 30, 2011

A. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

2010-1. Actual expenditures exceeded budgeted expenditures.

Conclusion: Unresolved - see 2011-3.

2010-2 Lack of segregation of duties - Due to limited personnel, the Town does not have an adequate segregation of duties regarding its accounting and reporting system to maintain a complete system of internal control.

Conclusion: Unresolved - see 2011-2.

B. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

None

C. MANAGEMENT LETTER

None

**TOWN OF GIBSLAND
P.O. Box 309
Gibsland, LA 71028**

**CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2011**

Town of Gibsland hereby submits the following corrective action plan as referenced in the Findings and Questioned Costs:

Per the Mayor, this is the plan for all findings:

Relating to the record keeping, there has been a new administrator who is knowledgeable on the proper ways of filing, recording and maintaining information accordingly.

Bank statements are being reconciled accurately by a certified public accountant who is also assisting with other accounting procedures such as: payroll taxes, financial statements, and the adoption of a budget. The CPA will support the administrator until she is current on all duties that are required.

Thereafter, a training team (which will consist of town employees from different municipalities) will come in and assist the staff on any additional training that's necessary. In addition to that, the administrator is also working on supplying the staff with monthly webinars, seminars, and workshops that could be of any aid.