

TOWN OF ELIZABETH
Financial Statements
Year Ended June 30, 2010

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 5/18/11

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INDEPENDENT AUDITOR'S REPORT

The Honorable Robert Crafton, Mayor and Members of the Board of Aldermen

Town of Elizabeth

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Elizabeth (the Town), as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements, as listed in the table of contents. These basic financial statements are the responsibility of the Town of Elizabeth's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the basic 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 basic financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Town of Elizabeth as of and for the year ended June 30, 2010, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated March 18, 2011 on my consideration of the Town of Elizabeth's internal control over financial reporting and my tests of its compliance with certain provision of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the result of my audit.

The Town has not presented the management's discussion and analysis information that the Government Auditing Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements. The Town has also not presented the required budgetary comparison information.

Elliott & Assoc. "APAC"

Leesville, Louisiana

March 18, 2011

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

TOWN OF ELIZABETH, LOUISIANA
Statement of Net Assets
June 30, 2010

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and interest-bearing deposits (Note 2)	\$196,868	\$636,194	\$833,032
Receivables, net (Note 4)	5,533	244,487	250,020
Due from other funds (Note 5)	<u>88,490</u>	<u>19,017</u>	<u>107,507</u>
Total current assets	<u>290,891</u>	<u>899,668</u>	<u>1,190,559</u>
Noncurrent assets:			
Restricted assets –			
Cash and interest bearing deposits	—	56,841	56,841
Capital assets, net of accumulated depreciation (Notes 7 and 8)	<u>509,240</u>	<u>1,883,179</u>	<u>2,392,419</u>
Total noncurrent assets	<u>509,240</u>	<u>1,940,020</u>	<u>2,449,260</u>
Total assets	<u>800,131</u>	<u>2,839,688</u>	<u>3,639,819</u>
LIABILITIES			
Current liabilities.			
Accrued interest payable	—	1,866	1,866
Accounts payable	7,099	405,615	412,714
Due to other funds	26,030	81,477	107,507
Salaries payable	—	5,792	5,792
Payroll taxes payable	2,078	1,217	3,295
Current maturities – long-term debt	<u>—</u>	<u>31,212</u>	<u>31,212</u>
Total current liabilities	<u>35,207</u>	<u>527,179</u>	<u>562,386</u>
Noncurrent liabilities.			
Customers' deposits	—	23,763	23,763
Long term debt payable	<u>—</u>	<u>1,028,375</u>	<u>1,028,375</u>
Total noncurrent liabilities	<u>—</u>	<u>1,052,138</u>	<u>1,083,350</u>
Total liabilities	<u>35,207</u>	<u>1,579,317</u>	<u>1,614,524</u>
NET ASSETS			
Invested in capital assets, net of related debt	509,240	813,956	1,323,196
Unrestricted	<u>255,684</u>	<u>446,415</u>	<u>702,099</u>
Total net assets	<u>764,924</u>	<u>1,260,371</u>	<u>2,025,295</u>

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

TOWN OF ELIZABETH
Statement of Activities
For the Year Ended June 30, 2010

	<u>Program Revenues</u>	<u>Fees, Fines, and Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenues and Changes in Net Assets</u>		
<u>Activities</u>	<u>Expenses</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental activities:						
General government	\$290,845	\$26,315	\$---	\$(264,530)	\$--	\$(264,530)
Public safety						
Police	9,020	6,585	--	(2,435)	--	(2,435)
Fire	20,645	--	--	(20,645)	--	(20,645)
Public works	--	--	--	--	--	--
Total governmental activities	<u>320,510</u>	<u>32,900</u>	<u>--</u>	<u>(287,610)</u>	<u>--</u>	<u>(287,610)</u>
Business-type activities:						
Electric	62,899	47,735	--	--	(15,164)	(15,164)
Natural gas	2,920,030	3,225,878	12,282	--	318,130	318,130
Water	99,942	81,279	--	--	(18,663)	(18,663)
Sewer	34,492	22,291	--	--	(12,201)	(12,201)
Total business-type activities	<u>3,117,363</u>	<u>3,377,183</u>	<u>12,282</u>	<u>272,102</u>	<u>272,102</u>	<u>272,102</u>
Total	<u>3,437,873</u>	<u>3,410,083</u>	<u>12,282</u>	<u>(287,610)</u>	<u>272,102</u>	<u>(15,508)</u>
General revenues.						
Taxes --						
Franchise				5,896	--	5,896
Ad valorem taxes				11,197	--	11,197
Sales taxes				35,384	--	35,384
Other taxes				11,010	--	11,010
Intergovernmental				54,122	30	54,152
Miscellaneous				64,875	--	64,875
Transfers, net				<u>64,733</u>	<u>(64,733)</u>	<u>--</u>
Total general revenues and transfers				<u>247,217</u>	<u>(64,703)</u>	<u>182,514</u>
Change in net assets						
Net assets, June 30, 2009				805,316	1,052,972	1,858,288
Net assets, June 30, 2010				<u>\$764,924</u>	<u>1,260,371</u>	<u>2,025,295</u>

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

TOWN OF ELIZABETH

**Balance Sheet
Governmental Funds
June 30, 2010**

	<u>General</u>	<u>Fire</u>	<u>Capital Improvements</u>	<u>Total</u>
ASSETS				
Cash	25,321	12,222	---	37,543
Interest-bearing deposits	---	---	159,325	159,325
Accounts receivable	3,989	1,544	---	5,533
Due from other funds	63,952	3,300	21,238	88,490
Prepaid expenses	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total assets	<u>\$93,262</u>	<u>\$17,066</u>	<u>180,563</u>	<u>290,891</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 4,433	2,666	---	7,099
Accrued expenses	2,078	---	---	2,078
Due to other funds	<u>24,957</u>	<u>1,073</u>	<u>---</u>	<u>26,030</u>
Total liabilities	<u>31,468</u>	<u>3,739</u>	<u>---</u>	<u>35,207</u>
Fund balance:				
Unreserved, undesignated	<u>61,794</u>	<u>13,327</u>	<u>180,563</u>	<u>255,684</u>
Total liabilities and fund balance	<u>\$93,262</u>	<u>17,066</u>	<u>180,563</u>	<u>290,891</u>

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

TOWN OF ELIZABETH

**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2010**

Total fund balance for governmental funds at June 30, 2010	\$255,684
Total net assets reported for governmental activities in the statement of net assets is different because.	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:	
Land	\$ 115,000
Equipment assets, net of \$400,301 in accumulated depreciation	<u>394,240</u> <u>509,240</u>
Total net assets of governmental activities at June 30, 2010	<u>\$764,924</u>

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

TOWN OF ELIZABETH

**Statement of Revenues, Expenditures, and Changes in Fund Balance –
Governmental Funds
For the Year Ended June 30, 2010**

	<u>Capital Improvement</u>	<u>Fire</u>	<u>General</u>	<u>Total</u>
Revenues:				
Taxes	---	10,093	53,394	63,487
Licenses and permits	---	---	21,513	21,513
Intergovernmental	---	---	54,122	54,122
Charges for services	---	---	4,802	4,802
Fines and forfeitures	---	---	6,585	6,585
Miscellaneous	1,535	4,713	81	6,329
Rental income	---	---	58,546	57,156
Total revenues	<u>1,535</u>	<u>14,806</u>	<u>199,043</u>	<u>213,993</u>
Expenditures:				
Current –				
General government	40	20,445	246,475	266,960
Public safety	---	---	9,020	9,020
Capital outlay	---	---	---	---
Debt service:				
Principal	---	---	---	---
Interest	---	---	---	---
Total expenditures	<u>40</u>	<u>20,445</u>	<u>255,495</u>	<u>275,980</u>
(Deficiency) excess of revenues over expenditures	<u>1,495</u>	<u>(5,639)</u>	<u>(57,842)</u>	<u>(61,907)</u>
Other financing sources (uses):				
Transfers out	(5,000)	---	---	(5,000)
Transfers in	---	13,200	56,533	69,733
Total other financing sources (uses)	<u>(5,000)</u>	<u>13,200</u>	<u>56,533</u>	<u>64,733</u>
Net change in fund balances	<u>(3,505)</u>	<u>7,561</u>	<u>81</u>	<u>4,137</u>
Fund balance, beginning	<u>184,068</u>	<u>5,766</u>	<u>61,713</u>	<u>251,547</u>
Fund balance, ending	<u>180,563</u>	<u>13,327</u>	<u>61,794</u>	<u>255,684</u>

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

TOWN OF ELIZABETH

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2010**

Total net changes in fund balance at June 30, 2010 per Statement of Revenues, Expenditures, and Changes in Fund Balance		\$4,137
The change in net assets reported for governmental activities in the statement of activities is different because.		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay which is considered expenditures on Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ ---	
Depreciation expense for the year ended June 30, 2010	<u>(44,529)</u>	<u>(44,529)</u>
Total changes in net assets at June 30, 2010 per statement of activities		<u>\$(40,392)</u>

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

TOWN OF ELIZABETH

**Proprietary Fund
Statement of Net Assets
June 30, 2010**

ASSETS

Current assets.	
Cash and interest bearing deposits	\$636,164
Due from other funds	19,017
Accounts receivable, net of allowance	<u>244,487</u>
Total current assets	<u>899,668</u>
Noncurrent assets.	
Restricted assets –	
Cash and interest bearing deposits	56,841
Capital assets, net of accumulated depreciation	<u>1,883,179</u>
Total noncurrent assets	<u>1,940,020</u>
Total assets	<u>\$2,839,688</u>

LIABILITIES

Current liabilities:	
Current maturities—long term debt	31,212
Accrued interest payable	1,866
Accounts payable	405,615
Salaries payable	5,792
Due to other funds	81,477
Payroll taxes payable	<u>1,217</u>
Total current liabilities	<u>527,179</u>
Noncurrent liabilities:	
Customers' deposits	23,763
Long-term debt	<u>1,028,375</u>
Total noncurrent liabilities	<u>1,052,138</u>
Total liabilities	<u>1,579,317</u>

NET ASSETS

Invested in capital assets, net of related debt	813,956
Unrestricted	<u>446,415</u>
Total net assets	<u>\$1,260,371</u>

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

TOWN OF ELIZABETH
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Net Assets
Year Ended June 30, 2010

Operating revenues	
Charges for services	\$3,328,088
Other fees	<u>49,095</u>
Total revenue	<u>3,377,183</u>
Operating expenses	
Gas purchases	2,406,164
Personal services	162,007
Water treatment costs	2,722
Professional fees	5,344
Auto expense	34,676
Supplies	42,445
Utilities and telephone	245,923
Dues	1,271
Repairs	15,249
Insurance	45,293
Miscellaneous	9,003
Depreciation (Note 6)	<u>93,758</u>
Total operating expenses	<u>3,063,855</u>
Income (loss) from operations	<u>313,328</u>
Nonoperating revenues (expenses)	
Interest expense	(53,508)
Investment income	30
Grant income	<u>12,282</u>
Total nonoperating revenues (expenses)	<u>(41,196)</u>
Income (loss) before contributions and transfers	272,132
Transfers out – general fund	(69,733)
Transfers in	<u>5,000</u>
Net Transfers	<u>(64,733)</u>
Change in net assets	207,399
Net assets at beginning of year	<u>1,052,972</u>
Net assets at end of year	<u>1,260,371</u>

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

TOWN OF ELIZABETH
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2010

	<u>Business-Type Activities</u>
Cash flows from operating activities.	
Cash received from customers	3,389,844
Cash payments to suppliers For goods and services	(2,694,736)
Cash payments to employees for services	(157,960)
Net cash provided by operating activities	<u>537,148</u>
Cash flows from noncapital financing activities:	
Miscellaneous	12,282
Transfers from other funds	(64,733)
Net cash provided by noncapital financing activities	<u>(52,451)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	---
Organization cost	---
Interest paid on bonds	(55,883)
Retirement of bonds	---
Construction in progress	---
Repayment of indebtedness	(36,461)
Net cash (used) by capital and related financing activities	<u>(92,344)</u>
Cash flow from investing activities.	
Interest on cash and investments	<u>30</u>
Net increase (decrease) in cash and cash investments	392,381
Cash and cash investments, July 1, 2009	<u>300,624</u>
Cash and cash investments, June 30, 2010	<u>693,005</u>

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

TOWN OF ELIZABETH
Proprietary Fund
Combining Statement of Cash Flows
For the Year Ended June 30, 2010

Reconciliation of (loss) from operations to net cash provided by operating activities:	
Income from operations	313,328
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities.	
Depreciation	93,758
Amortization	—
Change in assets and liabilities:	
Increase (decrease) in accounts receivable	(83,928)
Increase (decrease) in other current liabilities	(1,333)
Increase (decrease) in due from other funds	2,000
Increase (decrease) in accounts payable	217,377
Increase (decrease) in customer deposits	(56)
Increase (decrease) in other assets	---
Increase (decrease) in due to other funds	<u>(4,000)</u>
Net cash provided by operating activities	<u>537,148</u>

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

TOWN OF ELIZABETH

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Town of Elizabeth (the Town) 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, Financial Accounting Standards Board (FASB) Accounting Standards Codification have been applied unless those standards conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of these notes.

A. Financial Reporting Entity

The Town was originally formed as a Town on August 28, 1967 and operates under the provisions of the Lawrson Act. The Town operates under a Mayor-Board of Aldermen form of government. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Town of Elizabeth has no such component units.

The Town maintains various funds that provide services and benefits to its citizens including repairs and maintenance of approximately 15 miles of road and streets, and water, sewer, and garbage collection services to approximately 574 residents.

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

The statement of net assets and statement of activities display information about the Town, the primary government, as a whole. They include all funds of the reporting entity, except fiduciary funds and component units that are fiduciary in nature. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

TOWN OF ELIZABETH

Notes to Basic Financial Statements (Continued)

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

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. Fund financial statements report detailed information about the Town.

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 fund 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 fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The major funds of the Town are described below:

Governmental Funds –

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

TOWN OF ELIZABETH

Notes to Basic Financial Statements (Continued)

Additionally, the Town reports the following fund types:

Proprietary Funds –

Proprietary funds are used to account for ongoing organizations and activities that are similar to those often found in the private sector. The measurement focus is based upon determination of net income, financial position, and cash flows.

The Town operates proprietary funds for the gas, electric, sewer, and water operations. The gas operations began in late May 2004 when the Town purchased a natural gas distribution system from a private enterprise. The Town subleased the electrical system to Cleco in November 2008.

Enterprise funds

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town applies all applicable FASB Accounting Standards Codification pronouncements issued after November 30, 1989 in accounting and reporting for its enterprise fund. The Town's enterprise fund is the Utility Fund.

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.

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.

TOWN OF ELIZABETH

Notes to Basic Financial Statements (Continued)

- a. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are 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.

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.

Program revenues

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the Town's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Town's general revenues.

Allocation of indirect expenses

The Town reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function.

TOWN OF ELIZABETH

Notes to Basic Financial Statements (Continued)

D. Assets, Liabilities, and Equity

Cash and interest-bearing deposits

For purposes of the Statement of Net Assets, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposits of the Town. For the purpose of the proprietary fund statement of cash flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less when purchased. See Note (2) for additional GASB No. 3 disclosures.

Investments

Under state law the Town may deposit funds with a fiscal agent organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The Town may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool (LAMP), a nonprofit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.

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." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include ad valorem and franchise taxes. Business-type activities report customer's utility service receivables as their major receivables.

TOWN OF ELIZABETH

Notes to Basic Financial Statements (Continued)

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide or financial statements. Capital assets are capitalized at historical cost or estimated cost if historical 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. Prior to January 1, 2003, governmental funds' infrastructure assets were no capitalized. These assets have been valued at estimated historical cost.

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. Land and construction in progress are not depreciated. The range of estimated useful lives by type of asset is as follows:

<u>Description</u>	<u>Estimated</u>
<u>Lives</u>	
Roads, bridges, and infrastructures	40-50 years
Land improvements	40-50 years
Buildings and building improvements	40-50 years
Furniture and fixtures	5-15 years
Vehicles	5-10 years
Equipment	3-15 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements

Compensated Absences

The Town does not award compensated absences to its employees

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 utility meter deposits, current portions of long term debt and USDA sinking and reserve accounts

TOWN OF ELIZABETH

Notes to Basic Financial Statements (Continued)

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. The long-term debt consists primarily of two debt issues in the natural gas fund as described later.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

Equity Classifications

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

- a. 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 borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- b. 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.
- c. 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.

E. 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.

TOWN OF ELIZABETH

Notes to Basic Financial Statements (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.

F. Budgets and Budgetary Accounting

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

1. The Town prepares a proposed operating budget for the fiscal year and submits it to the Mayor and Board of Aldermen not later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of a resolution prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program, or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as finally amended by the Board of Aldermen.

G. Use of Estimates

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

TOWN OF ELIZABETH

Notes to Basic Financial Statements (Continued)

(2) Cash and Cash Equivalents

Under State law, the Town may deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Town may invest in United States bonds, treasury notes, time certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana, investments as stipulated in state law, or any other federally insured investment.

At June 30, 2010, the Town had cash and investments as follows:

	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL</u>
Cash (demand deposits) and Certificate of deposit	<u>\$ 833,032</u>	<u>\$ 56,841</u>	<u>\$889,873</u>

At year end, the carrying amount of the Town's deposits (demand deposits and certificates of deposit) was \$889,873 and bank balances were \$ 518,630. A summary of collateralization of bank balances is presented below

Insured (Federal deposit insurance)	\$ 518,630
Uncollateralized (In accordance with GAAP - See below)	
	<u>-----</u>
	<u>\$ 518,630</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 or securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times at least equal the amount on deposit with the fiscal agent. As of June 30, 2010, the Town's total bank balance is secured in full by FDIC insurance coverage and therefore the Town is not subject to custodial credit risk.

TOWN OF ELIZABETH

Notes to Basic Financial Statements (Continued)

(3) Ad Valorem

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

For the year ended June 30, 2010, taxes of 6.63 mills were levied on property with an assessed valuation of \$1,194,843 and were dedicated to general corporate purposes.

Total taxes levied were \$7,921. Furthermore, collections of delinquent taxes and other adjustments resulted in total collections of \$11,197. Taxes receivable at June 30, 2010, consisted of the following.

Taxes receivable - current roll	\$	—
Taxes receivable - prior years		—
		—
Allowance for uncollectible taxes		—
	\$	—

TOWN OF ELIZABETH, LOUISIANA

Notes to the Financial Statements (Continued)

(4) Receivables

The receivables of \$170,205 at June 30, 2010 are as follows.

<u>Class</u>	<u>General Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
Franchise	\$3,989	\$ 3,085	\$ 7,074
Charges for service	—	241,402	241,402
Intergovernmental	<u>1,544</u>	<u>—</u>	<u>1,544</u>
Total	<u>\$ 5,533</u>	<u>\$244,487</u>	<u>\$250,020</u>

(5) Interfund Receivables/Payables

At June 30, 2010, the following interfund receivables and payables existed:

<u>Due To:</u>	<u>General Fund</u>	<u>Due From:</u>				<u>Totals</u>
	<u>Fire Fund</u>	<u>Gas Fund</u>	<u>Electric Fund</u>	<u>Sewer Fund</u>	<u>Water Fund</u>	
Capital Impr. Fund	\$6,238	---	\$ 15,000	---	\$ ---	\$ 21,238
Fire Fund	1,300	---	---	2,000	---	3,300
Gas Fund	7,468	---	---	---	---	7,468
Electric Fund	8,858	1,073	---	---	428	10,456
Water Fund	1,093	---	---	---	---	1,093
General Fund	---	---	<u>50,813</u>	---	<u>2,000</u>	<u>63,952</u>
Totals	<u>\$24,957</u>	<u>1,073</u>	<u>\$ 65,813</u>	<u>2,000</u>	<u>\$ 2,428</u>	<u>\$ 107,507</u>

TOWN OF ELIZABETH, LOUISIANA

Notes to the Financial Statements (Continued)

(6) Capital Assets

Capital assets and depreciation activity as of and for the year ended June 30, 2010, for the primary government is as follows

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 115,000	\$ —	\$ —	\$ 115,000
Total capital assets, not be depreciated	<u>115,000</u>	<u>—</u>	<u>—</u>	<u>115,000</u>
Capital assets being depreciated				
Vehicles	\$ 112,762	\$ —	\$ —	\$ 112,762
Office Equipment	5,021	—	—	5,021
Buildings	528,724	—	—	528,724
Land Improvements	20,000	—	—	20,000
Equipment	<u>128,034</u>	<u>—</u>	<u>—</u>	<u>128,034</u>
Total capital assets being depreciated	<u>\$ 794,341</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 794,341</u>
Less accumulated depreciation for				
Vehicles	(33,832)	(12,106)	—	(45,939)
Office Equipment	(3,935)	(272)	—	(4,206)
Buildings	(218,380)	(13,086)	—	(231,466)
Land Improvements	(20,000)	(—)	—	(20,000)
Equipment	<u>(79,725)</u>	<u>(18,965)</u>	<u>—</u>	<u>(98,690)</u>
Total accumulated depreciation	<u>(355,872)</u>	<u>(44,429)</u>	<u>—</u>	<u>(400,301)</u>
Total capital assets, net	<u>\$553,669</u>	<u>\$ (44,429)</u>	<u>\$ —</u>	<u>\$ 509,240</u>

TOWN OF ELIZABETH, LOUISIANA

Notes to the Financial Statement (Continued)

(7) Capital Assets (continued)

	<u>Beginning</u> <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending</u> <u>Balance</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 18,275	—	—	18,275
Construction in progress	—	—	—	—
Total capital assets, not be depreciated	<u>18,275</u>	<u>—</u>	<u>—</u>	<u>18,275</u>
Capital assets being depreciated				
Plant and Equipment	2,957,217	—	—	2,957,217
Autos and trucks	<u>19,656</u>	<u>—</u>	<u>—</u>	<u>19,656</u>
Total capital assets being depreciated	<u>2,976,873</u>	<u>—</u>	<u>—</u>	<u>2,976,873</u>
Less accumulated depreciation for:				
All depreciable assets	\$ (1,030,712)	\$(93,758)	\$ —	(1,093,694)
Total business-type assets, net	<u>\$ 1,946,161</u>	<u>\$ (62,982)</u>	<u>\$ —</u>	<u>\$ 1,883,179</u>

Depreciation expense of \$ 138,287, for the year ended June 30, 2010, was charged to the following governmental functions:

<u>General administration</u>		<u>Business-type activities</u>	
Fire	\$100	Electric	3,858
General	<u>44,329</u>	Water	34,820
Total	<u>\$44,429</u>	Sewer	15,933
		Natural gas	<u>39,147</u>
		Total	<u>93,758</u>

(8) Long-Term Obligations

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, 2010:

	<u>Gas</u> <u>Revenue Bonds</u>	<u>USDA</u> <u>Debt</u>	<u>Sewer</u> <u>Revenue Bonds</u>	<u>Totals</u>
Current Portion	\$ 17,398	\$13,814	\$ —	\$ 31,212
Long-term portion	<u>436,750</u>	<u>591,625</u>	<u>—</u>	<u>1,028,375</u>
Total	<u>\$ 454,148</u>	<u>\$ 605,439</u>	<u>\$ —</u>	<u>\$1,059,587</u>

The following activity occurred during the fiscal year ended June 30, 2010.

Bonds Payable - 6/30/09	\$ 472,000	\$619,622	\$ 4,426	\$ 1,096,048
Additions	—	—	—	—
Bonds Retired	<u>(17,852)</u>	<u>(14,183)</u>	<u>(4,426)</u>	<u>(36,461)</u>
Bonds Payable -6/30/10	<u>\$ 454,148</u>	<u>\$605,439</u>	<u>\$ —</u>	<u>\$1,059,587</u>

TOWN OF ELIZABETH, LOUISIANA

Notes to the Financial Statement (Continued)

(9) Long-Term Obligations (continued)

The Town has two revenue bond issues outstanding as follows

\$ 677,478 USDA Revenue Bonds dated May 2, 2004 ; due in annual installments of \$40,302 through July 21, 2036 beginning July 21, 2010 \$605,439
at interest of 4 375% secured by gas revenues

\$ 568,000 Gas Revenue Bonds dated May 24, 2004; due in annual installments of \$ 42,000 to \$ 48,000 through June 1, 2026; interest at 5%; secured by gas revenues. 454,148

Totals \$1,059,587

The annual requirements to amortize all revenue bonds outstanding as of June 30, 2010, including interest payments of \$ 663,831 are as follows:

<u>Year Ending</u>	<u>Gas Revenue Bonds</u>	<u>USDA Bonds</u>	<u>Totals</u>
2011	\$ 42,000	40,302	\$ 82,302
2012	42,000	40,302	82,302
2013	42,000	40,302	82,302
2014	42,000	40,302	82,302
2015	42,000	40,302	82,302
2016-2020	210,000	201,510	411,510
2021-2025	210,000	201,510	411,510
2026-2030	85,672	201,510	201,706
2031-2035	---	<u>201,706</u>	<u>201,706</u>
	<u>\$ 715,672</u>	<u>1,0007,746</u>	<u>\$1,723,418</u>

(10) Employee Retirement

All employees of the Town are participants of the Social Security System.

(11) Capital Lease

There are no capital leases in effect at June 30, 2010.

TOWN OF ELIZABETH, LOUISIANA

Notes to the Financial Statement (Continued)

(12) Commitments and Contingencies

Litigation

At June 30, 2010, there is no pending litigation against the Town of Elizabeth.

(13) Compensation of Town Officials

A detail of compensation paid to the Mayor and Board of Aldermen for the year ended June 30, 2010 follows:

<u>Board Member</u>	<u># of Meetings</u>	<u>Total Paid</u>
Robert Crafton, Mayor	12	\$18,000
Nettie Clark, Alderwoman	12	960
Michael Melder, Alderman	12	960
Michael Sutton, Alderman	11	880
Lydia Kingam, Alderman	12	960
Shurley Smith, Alderwoman	12	<u>960</u>
		Total <u>\$22,720</u>

(14) Risk Management

The Town is exposed to risks of loss in the areas of health care, 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 coverage during the year

FUND FINANCIAL STATEMENTS (FFS)

OTHER FINANCIAL INFORMATION

TOWN OF ELIZABETH

**Proprietary Fund
Combining Statement of Net Assets
June 30, 2010**

	<u>Electric</u>	<u>Natural Gas Fund</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash and interest bearing deposits	27,843	551,246	49,827	7,248	636,164
Due from other funds	10,456	7,468	1,093	---	19,017
Accounts receivable, net of allowance	<u>3,085</u>	<u>233,984</u>	<u>5,732</u>	<u>1,686</u>	<u>244,487</u>
Total current assets	<u>41,384</u>	<u>825,776</u>	<u>56,652</u>	<u>8,934</u>	<u>932,746</u>
Noncurrent assets:					
Restricted assets --					
Cash and interest bearing deposits	---	42,714	14,127	---	56,841
Capital assets, net of accumulated depreciation	<u>52,262</u>	<u>1,224,903</u>	<u>422,051</u>	<u>183,963</u>	<u>1,883,179</u>
Total noncurrent assets	<u>52,262</u>	<u>1,234,539</u>	<u>436,178</u>	<u>183,963</u>	<u>1,906,942</u>
Total assets	<u>93,646</u>	<u>2,060,315</u>	<u>492,830</u>	<u>192,897</u>	<u>2,839,688</u>
LIABILITIES					
Current liabilities:					
Accrued interest payable	---	1,866	---	---	1,866
Accounts payable	4,353	398,924	2,181	157	405,615
Salaries payable	---	5,792	---	---	5,792
Due to other funds	2,000	65,813	11,236	2,428	81,477
Payroll taxes payable	---	1,217	---	---	1,217
Current maturities-long term debt	---	<u>31,212</u>	---	---	<u>31,212</u>
Total current liabilities	<u>6,353</u>	<u>504,824</u>	<u>13,417</u>	<u>2,585</u>	<u>527,179</u>
Noncurrent liabilities					
Customers' deposits	---	9,636	14,127	---	23,763
Long-term debt	---	<u>1,028,375</u>	---	---	<u>1,028,375</u>
Total noncurrent liabilities	---	<u>1,038,011</u>	<u>14,127</u>	---	<u>1,052,138</u>
Total liabilities	<u>6,353</u>	<u>1,542,835</u>	<u>27,544</u>	<u>2,585</u>	<u>1,579,317</u>
NET ASSETS					
Invested in capital assets, net of related debt	52,262	163,450	422,051	183,963	821,726
Unrestricted	<u>35,031</u>	<u>354,030</u>	<u>43,235</u>	<u>6,349</u>	<u>438,645</u>
Total net assets	<u>87,293</u>	<u>517,480</u>	<u>465,286</u>	<u>190,312</u>	<u>1,260,371</u>

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

TOWN OF ELIZABETH
Proprietary Fund
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Year Ended June 30, 2010

	<u>Electric</u>	<u>Natural Gas Fund</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues					
Charges for services	---	3,225,878	79,919	22,291	3,328,088
Other fees	<u>47,735</u>	---	<u>1,360</u>	---	<u>49,095</u>
Total revenue	<u>47,735</u>	<u>3,225,878</u>	<u>81,279</u>	<u>22,291</u>	<u>3,377,183</u>
Operating expenses					
Gas purchases	---	2,406,164	---	---	2,406,164
Personal services	18,620	111,029	29,000	3,358	162,007
Water treatment costs	---	---	197	2,525	2,722
Professional fees	1,825	1,100	2,419	---	5,344
Auto expense	---	34,676	---	---	34,676
Supplies	---	25,935	10,861	5,649	42,445
Utilities and telephone	32,516	197,949	15,458	---	245,923
Dues	---	1,021	250	---	1,271
Repairs	---	15,249	---	---	15,249
Insurance	6,080	27,053	6,080	6,080	45,293
Miscellaneous	---	7,199	857	947	9,003
Depreciation (Note 7)	<u>3,858</u>	<u>39,147</u>	<u>34,820</u>	<u>15,933</u>	<u>93,758</u>
Total operating expenses	<u>62,899</u>	<u>2,866,522</u>	<u>99,942</u>	<u>34,492</u>	<u>3,063,855</u>
Income (loss) from operations	(15,164)	359,356	(18,663)	(12,201)	313,328
Nonoperating revenues (expenses)					
Interest expense	---	(53,508)	---	---	(53,508)
Investment income	30	---	---	---	30
Grant income	---	<u>12,282</u>	---	---	<u>12,282</u>
Total nonoperating revenues (expenses)	<u>30</u>	<u>(41,226)</u>	<u>---</u>	<u>---</u>	<u>(41,196)</u>
Income (loss) before contributions and transfers	(15,134)	318,130	(18,663)	(12,201)	272,132
Transfers out	(1,000)	(34,245)	(27,768)	(6,720)	(69,733)
Transfers in	<u>5,000</u>	---	---	---	<u>5,000</u>
Net Transfers	<u>4,000</u>	<u>(34,245)</u>	<u>(27,768)</u>	<u>(6,720)</u>	<u>(64,733)</u>
Change in net assets	(11,134)	283,885	(46,431)	(18,921)	207,399
Net assets at beginning of year	<u>98,427</u>	<u>233,595</u>	<u>511,717</u>	<u>209,233</u>	<u>1,052,972</u>
Net assets at end of year	<u>87,293</u>	<u>517,480</u>	<u>465,286</u>	<u>190,312</u>	<u>1,260,371</u>

TOWN OF ELIZABETH
Proprietary Fund
Combining Statement of Cash Flows
For the Year Ended June 30, 2010

	<u>Gas</u>	<u>Water</u>	<u>Electric</u>	<u>Sewer</u>	<u>Totals</u>
Cash flows from operating activities:					
Cash received from customers/fees	3,243,686	82,413	46,333	17,412	3,389,844
Cash payments to suppliers					
For goods and services	(2,588,339)	(43,845)	(48,122)	(14,430)	(2,694,736)
Cash payments to employees for services	(114,068)	(26,333)	(17,433)	(126)	(157,960)
Net cash provided by operating activities	<u>541,279</u>	<u>12,235</u>	<u>(19,222)</u>	<u>2,856</u>	<u>537,148</u>
Cash flows from noncapital financing activities:					
Miscellaneous	12,282	—	—	—	12,282
Transfers from other funds	(34,545)	(27,768)	4,000	(6,720)	(64,733)
Net cash provided by noncapital financing activities	<u>(21,963)</u>	<u>(27,768)</u>	<u>4,000</u>	<u>(6,720)</u>	<u>(52,451)</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	—	—	—	(1)	(1)
Organization cost	—	—	—	—	—
Interest paid on bonds	(55,867)	—	—	(16)	(55,883)
Retirement of bonds	—	—	—	—	—
Construction in progress	—	—	—	—	—
Repayment of indebtedness	(32,035)	—	—	(4,426)	(36,461)
Net cash (used) by capital and related financing activities	<u>(87,702)</u>	<u>—</u>	<u>—</u>	<u>(4,443)</u>	<u>(92,345)</u>
Cash flow from investing activities:					
Interest on cash and investments	—	—	30	—	30
Net increase (decrease) in cash and cash investments	431,414	(15,533)	(15,192)	(8,307)	932,382
Cash and cash investments, July 1, 2009	<u>162,546</u>	<u>79,488</u>	<u>43,035</u>	<u>15,555</u>	<u>300,624</u>
Cash and cash investments, June 30, 2010	<u>593,960</u>	<u>63,955</u>	<u>27,843</u>	<u>7,248</u>	<u>693,006</u>

TOWN OF ELIZABETH
Proprietary Fund
Combining Statement of Cash Flows
For the Year Ended June 30, 2010

	<u>Gas</u>	<u>Water</u>	<u>Electric</u>	<u>Sewer</u>	<u>Totals</u>
Reconciliation of (loss) from operations to net cash provided by operating activities:					
Income from operations	\$359,356	(18,662)	(15,164)	(12,201)	313,329
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities:					
Depreciation	39,148	34,820	3,859	15,932	93,759
Amortization	---	---	---	---	---
Change in assets and liabilities:					
Increase (decrease) in accounts receivable	(84,844)	383	348	186	(83,927)
Increase (decrease) in other current liabilities	1,084	(2,417)	2,000	---	667
Increase (decrease) in due from other funds	---	---	(4,000)	---	(4,000)
Increase (decrease) in accounts payable	225,784	(1,082)	(6,265)	(1,061)	217,376
Increase (decrease) in customer deposits	751	(807)	---	---	(56)
Increase (decrease) in other assets	---	---	---	---	---
Increase (decrease) in due to other funds	---	---	---	---	---
Net cash provided by operating activities	<u>541,279</u>	<u>12,235</u>	<u>(19,222)</u>	<u>2,856</u>	<u>537,148</u>

INTERNAL CONTROL, COMPLIANCE, AND OTHER MATTERS

ELLIOTT & ASSOCIATES, INC.

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W Michael Elliott, CPA

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

The Honorable Robert Crafton, Mayor and Members of the Board of Aldermen

TOWN OF ELIZABETH

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Elizabeth, as of and for the year ended June 30, 2010, which collectively comprise the Town of Elizabeth's basic financial statements and have issued my report thereon dated March 18, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying summary schedule of current year audit findings and management's corrective action plan, that I consider to be significant deficiencies in internal control over financial reporting and identified as 10-1(IC) and 10-2(IC). 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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Elizabeth's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as item 10-1 (C) that is required to be reported under *Government Auditing Standards*

The Town's responses to the findings identified in my audit are described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan. I did not audit the Town's responses and, accordingly, I express no opinion on them.

This report is intended solely for the information and use of management and the Louisiana Legislative Auditor and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Elliott & Assoc. "ARAC"

Leesville, Louisiana

March 18, 2011

TOWN OF ELIZABETH

Summary Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year ended June 30, 2010

<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of finding</u>	<u>Corrective Action Taken</u>	<u>Corrective Action Planned</u>	<u>Name of Anticipated Contact Person</u>	<u>Completion Date</u>
CURRENT YEAR (6/30/10)—					
<u>Internal Control</u>					
10-1(1C) Unknown	Due to the small number of employees, the Town did not have adequate segregation of functions within the accounting system.	N/A	No response is considered necessary	Alice Chavez, Town Accountant	N/A
10-2(1C) 2010	The Town does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes	No	The Town has evaluated the cost vs benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Town to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation	Alice Chavez, Town Accountant	N/A

TOWN OF ELIZABETH

Summary Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (Continued)
Year ended June 30, 2010

Compliance.

There were no findings during the fiscal year ending June 30, 2010.

2010.1 Finding This audit is not being issued within the six months of the close of its June 30, 2010 fiscal year-end This is a violation of LSA R S #24.513 (A)
(5)

Management response.

The Town's financial statement issuance was delayed due to the auditor's hospitalization and illness in November and December 2010

PRIOR YEAR (6/30/09) —

There were no findings during the fiscal year ending June 30, 2009.