

City of St. Gabriel, Louisiana
St. Gabriel, Louisiana
Financial Statements
June 30, 2007

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

Release Date 2/6/08

City of St. Gabriel, Louisiana
Table of Contents
June 30, 2007

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION		
Independent Auditor's Report		4
Management's Discussion and Analysis		6
Basic Financial Statements		
Government-wide Financial Statements		
Statement of Net Assets	A	16
Statement of Activities	A-1	17
Fund Financial Statements		
Governmental Funds		
Balance Sheet	A-2	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	A-3	19
Statement of Revenues, Expenditures, and Changes in Fund Balance	A-4	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	A-5	21
Proprietary Funds		
Statement of Net Assets	A-6	22
Statement of Revenues, Expenses and Changes in Fund Net Assets	A-7	23
Statement of Cash Flows	A-8	24
Notes to Financial Statements	A-9	25
Required Supplementary Information		
General Fund		
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual	B	46
Ad Valorem Tax Fund #2		
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual	B-1	47
Civic Center Operating Fund		
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual	B-2	48
Parish-Wide Sales and Use Tax Fund		
Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget (GAAP Basis) and Actual	B-3	49
Code Enforcement Grant Fund		
Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget (GAAP Basis) and Actual	B-4	50
Notes to Required Supplementary Information	B-5	51
Supplementary Information		
Combining and Individual Fund Statements		
Major Governmental Funds		
General Fund		
Statement of Revenues - Budget (GAAP Basis) and Actual	C	52
Statement of Departmental Expenditures - Budget (GAAP Basis) and Actual	C-1	53

(Continued)

City of St. Gabriel, Louisiana
Table of Contents
June 30, 2007

	<u>Exhibit</u>	<u>Page</u>
Supplementary Information		
Combining and Individual Fund Statements		
Non-Major Governmental Funds		
General Fund		
Combining Balance Sheet	D	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	D-1	57
Sales and Use Tax Fund		
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual	D-2	58
Ad Valorem Tax Fund		
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual	D-3	59
Civic Center Capital Project Fund		
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual	D-4	60
Recreational Parks Capital Projects Fund		
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual	D-5	61
Sidewalks Improvement Capital Projects Fund		
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual	D-6	62
Road Improvement Capital Project Fund		
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual	D-7	63
Debt Service Fund		
Statement of Expenditures, Other Financing Sources and Changes in Fund Balance - Budget (GAAP Basis) and Actual -	D-8	64
 SPECIAL INDEPENDENT AUDITOR'S REPORTS		
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		65
Schedule of Findings and Questioned Costs		67
Summary of Prior Year Findings		73
 STATISTICAL INFORMATION		
Total Assets - Government-wide	Schedule	S-1
Liabilities and Net Assets - Government-wide		S-2
General Fund Revenues/Expenditures		S-3
Special Revenue Fund Revenues/Transfers		S-4
Capital Projects Revenues and Expenditures/Transfers In		S-5
Sewer Fund Revenues/Expenditures/Transfers In		S-6

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December 28, 2007

Independent Auditor's Report

The Honorable Mayor and
Members of the City Council
City of St. Gabriel, Louisiana 70776

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the

**City of St. Gabriel
St. Gabriel, Louisiana**

as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of St. Gabriel, Louisiana's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

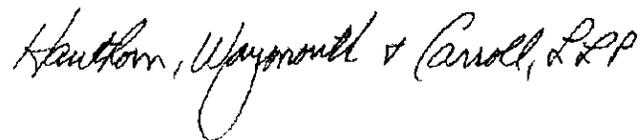
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Gabriel, Louisiana, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2007, on our consideration of the City of St. Gabriel, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 14 and 45 through 50, 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 an opinion on the financial statements that collectively comprise the City of St. Gabriel, Louisiana's, basic financial statements. The combining and individual non-major fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Yours truly,

A handwritten signature in cursive script that reads "Hawthorn, Wynnouth & Carroll, LLP". The signature is written in dark ink and is positioned below the "Yours truly," text.

**City of St. Gabriel, Louisiana
Management's Discussion and Analysis**

This analysis of the City of St. Gabriel's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2007. The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts.

FINANCIAL HIGHLIGHTS

In 2007, the City of St. Gabriel experienced a customary year financially as governmental revenues decreased significantly relative to prior years, as did the governmental expenditures. Certain funds continued to experience operating deficits that are not sustainable and the priorities of operating and infrastructure needs and obligations are greater than available resources. Accordingly, there must be a logical and thoughtful alignment of the City's resources to community needs.

The major financial highlights for 2007 are as follows:

- Assets of the City's primary government exceeded its liabilities at the close of the year by approximately \$9.2 million (net assets). Of this amount, approximately \$1.0 million (unrestricted net assets) may be used without restrictions to meet the City's ongoing obligations to citizens and creditors.
- The primary government's total net assets increased by approximately \$240,000 during 2007.
- Governmental activities' net assets increased by \$222,000, primarily the result of property tax revenues, sales tax revenues and operating grants and contributions.
- Business type total net assets increased by approximately \$20,000 primarily the result of transfers from special revenue funds.
- As of the end of the year, the primary government's governmental funds reported combined fund balances of \$1.2 million a decrease of \$214,000 in comparison to the prior year.

Significant aspects of the City's financial well being, as of and for the year ended June 30, 2007, are detailed throughout this analysis.

USING THIS ANNUAL REPORT

With the implementation of Governmental Accounting Standards Board statement No. 34, a government's presentation of financial statements has greatly changed. The new statements focus on the government as a whole and on major individual funds. Both perspectives allow the reader to address relevant questions, broaden a basis for comparison from year to year and enhance the City's accountability.

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (pages 16 and 17) provide information about the activities of the City as a whole and present a longer-term view of the City's finances.

Fund Financial Statements start on page 18. For governmental activities, these statements depict how services were financed in the short-term as well as what remains for future spending. Fund Financial Statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

**City of St. Gabriel, Louisiana
Management's Discussion and Analysis**

Reporting on the City as a Whole

The analysis of the City as a whole begins on page 16. The Statement of Net Assets and the Statement of Activities report information about the City as whole and about its activities in a way to determine if the City is in better condition as a result of the year's financial results. These statements include all assets and liabilities using the accrual basis of accounting which is similar to accounting methods used by most private-sector companies. All of the current year's revenues and expenses; are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods.

These two statements report the City's net assets and related changes. You can think of the City's net assets, the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property and sales tax base and the condition of the City's roads and buildings, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

Governmental Activities - most of the City's basic services are reported here, including public safety, streets and sanitation, culture and recreation, and general administration. Property and sales taxes, charges for services, and state and federal grants finance most of these activities.

Business-type Activities - the City charges a fee to customers to help it cover cost of certain services it provides. The City maintains a wastewater treatment system and is in the process of renovating this system, which is all reported here. The shortfall of revenue from this activity has been funded from sales tax collections.

At June 30, 2007, the City's net assets were \$9.2 million, of which \$1.0 million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limits the City's ability to use those net assets for day-to-day operations.

The analysis below of the primary government focuses on the net assets and change in net assets of the City's governmental activities.

**City of St. Gabriel, Louisiana
Statement of Net Assets
June 30, 2007 and 2006
(In Thousands)**

	Governmental Activities		Business-Type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$2,175	\$1,864	(\$310)	(\$359)	\$1,865	\$1,505
Capital assets	<u>7,772</u>	<u>7,761</u>	<u>9,129</u>	<u>9,236</u>	<u>16,901</u>	<u>16,997</u>
<u>Total assets</u>	<u>9,947</u>	<u>9,625</u>	<u>8,819</u>	<u>8,877</u>	<u>18,766</u>	<u>18,502</u>
Current and other liabilities	1,303	840	98	109	1,401	949
Long-term liabilities	<u>4,969</u>	<u>5,388</u>	<u>3,183</u>	<u>3,251</u>	<u>8,152</u>	<u>8,639</u>
<u>Total liabilities</u>	<u>6,272</u>	<u>6,228</u>	<u>3,281</u>	<u>3,360</u>	<u>9,553</u>	<u>9,588</u>

(Continued)

**City of St. Gabriel, Louisiana
Management's Discussion and Analysis**

Reporting on the City as a Whole (Continued)

(Continued) Net Assets	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Invested in capital assets, net of related debt	\$2,147	\$1,886	\$5,879	\$5,922	\$8,026	\$7,808
Restricted	161	243	30	29	191	272
Unrestricted	<u>1,367</u>	<u>1,268</u>	<u>(371)</u>	<u>(434)</u>	<u>996</u>	<u>834</u>
Total net assets	<u>3,675</u>	<u>3,397</u>	<u>5,538</u>	<u>5,517</u>	<u>9,213</u>	<u>8,914</u>

Net assets of the City's governmental activities increased by approximately 6% or \$222,000 during 2007. Unrestricted net assets represent the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

The \$1.4 million in unrestricted net assets of governmental activities represents the accumulated results of operations. It means that if we had to pay off all of the debt, we would have \$1.4 million remaining. The changes in net assets are discussed later in this analysis.

The net assets of the City's business activities increased approximately \$21,000 during 2007. The City operates wastewater treatment systems for the City. The primary focus of this activity is to operate on a profitable basis. However, the City has been required to subsidize these operations with sales and use tax collections to eliminate operating deficits.

The results of this year's operations for the primary government as a whole as reported in the Statement of Activities, are as follows:

**City of St. Gabriel, Louisiana
Statement of Activities
Years Ended June 30, 2007 and 2006
(In Thousands)**

Revenues	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Program revenues						
Charges for services	\$600	\$2,308	\$131	\$127	\$731	\$2,435
Operating grants and contributions	316	146			316	146
Capital grants and contributions			82	154	82	154
General revenues						
Ad valorem taxes	2,058	2,487			2,058	2,487
Sales taxes	1,731	697			1,731	697
Video poker taxes	640	597			640	597
Other general revenues	<u>260</u>	<u>197</u>	<u>6</u>	<u>1</u>	<u>266</u>	<u>198</u>
Total revenues	<u>5,605</u>	<u>6,432</u>	<u>219</u>	<u>282</u>	<u>5,824</u>	<u>6,714</u>

(Continued)

**City of St. Gabriel, Louisiana
Management's Discussion and Analysis**

Reporting on the City as a Whole (Continued)

(Continued)	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Functions/Programs Expenses						
General government	\$1,447	\$1,560			\$1,447	\$1,560
Public safety	1,129	1,195			1,129	1,195
Streets and sanitation	783	1,314			783	1,314
Culture and recreation	951	913			951	913
Wastewater treatment			\$973	\$1,005	973	1,005
Interest on long-term debt	299	223			299	223
<u>Total expenses</u>	<u>4,609</u>	<u>5,205</u>	<u>973</u>	<u>1,005</u>	<u>5,582</u>	<u>6,210</u>
Increase in net assets before transfers	996	1,227	(754)	(723)	242	504
Transfers	<u>(775)</u>	<u>(700)</u>	<u>775</u>	<u>700</u>	—	—
<u>Increase (decrease) in net assets</u>	<u>221</u>	<u>527</u>	<u>21</u>	<u>(23)</u>	<u>242</u>	<u>504</u>
Net Assets, beginning of year, as previously reported	3,397	2,870	5,517	5,540	8,914	8,410
Prior period adjustments	<u>57</u>	—	—	—	<u>57</u>	—
Net Assets, as restated	<u>3,454</u>	<u>2,870</u>	<u>5,517</u>	<u>5,540</u>	<u>8,971</u>	<u>8,410</u>
Net Assets, end of year	<u>3,675</u>	<u>3,397</u>	<u>5,538</u>	<u>5,517</u>	<u>9,213</u>	<u>8,914</u>

The increase in net assets of \$242,000 is due mainly to an increase in sales tax revenues.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is now on major funds, rather than generic fund types.

Reporting the City's Most Significant Funds

The analysis of the City's major funds begins on page 18 with the fund financial statements that provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, the City Council establishes other funds to control and manage money for particular purposes or meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental Funds - governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Most of the City's basic services are reported in governmental funds. These funds are reported using an accounting method called modified accrual

**City of St. Gabriel, Louisiana
Management's Discussion and Analysis**

Reporting the City's Most Significant Funds (Continued)

accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation to the financial statements. The governmental major funds (Exhibits A-2 and A-4) presentation is presented using the modified accrual basis and focuses on the major funds of the City. Finally, combining financial statements of the non-major funds can be found in the Combining Non-major Fund Statements that follow the basic financial statements.

Proprietary Funds - when the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Notes to the Financial Statements - the notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found in Exhibit A-9.

Other Information - in addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning original and final budgetary comparisons to actual results for the year for the City's major funds. See Exhibit B through B-4.

Certain supplementary financial information can be found in Exhibits C through D-9. These schedules and the statistical information (pages S1 through S6) are included for additional information and analysis and do not constitute a part of the basic financial statements.

Financial Analysis of the Government's Funds

The general government operations of the City are accounted for in the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds. The focus of these funds, as noted earlier, is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. The following is a summary of general governmental operations for 2007 by fund type.

	June 30, 2007 (in thousands)				2006	
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total	Total
Revenues and transfers	\$3,417	\$3,832	\$330		\$7,579	\$8,295
Expenditures and transfers	<u>3,840</u>	<u>3,561</u>	<u>322</u>	<u>\$71</u>	<u>7,794</u>	<u>7,439</u>
Surplus (deficit)	<u>(423)</u>	<u>271</u>	<u>8</u>	<u>(71)</u>	<u>(215)</u>	<u>856</u>

(Continued)

**City of St. Gabriel, Louisiana
Management's Discussion and Analysis**

Financial Analysis of the Government's Funds (Continued)

	<u>June 30, 2007 (in thousands)</u>					<u>2006</u>
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Project Funds</u>	<u>Total</u>	<u>Total</u>
Fund Balance						
June 30, 2006, as previously reported	\$760	\$643	\$6	\$139	\$1,548	\$692
Prior period adjustments	(200)	57	—	—	(143)	—
June 30, 2006, as restated	<u>560</u>	<u>700</u>	<u>6</u>	<u>139</u>	<u>1,405</u>	<u>692</u>
June 30, 2007	<u>137</u>	<u>971</u>	<u>14</u>	<u>68</u>	<u>1,190</u>	<u>1,548</u>

The City's governmental funds experienced a deficit of \$215,000 during 2007 that primarily related to its Special Revenue Funds. At year end, fund balances were approximately \$1,190,000 which is unrestricted and available for utilization at the City's discretion.

The General Fund is the chief operating fund of the City. At the end of the fiscal year, the General Fund balance was approximately \$137,000 compared to the fund balance of \$560,000 at 2006. The decrease in fund balance resulted from the operating deficit of \$423,000, which is less than the \$470,000 deficit budgeted by the City. This variation is primarily due to the budgeted revenues exceeding expectations.

The City's other major funds are the Ad Valorem 2 Tax Fund, and the Civic Center Operating Fund. The change to the Civic Center Operating Fund was approximately \$40,000. A deficit was reported in this fund primarily due to the increased social and recreational services expenditures. Additionally, the Ad Valorem 2 Tax Fund collections incurred a deficit of \$234,000 due to transfers out of other funds.

Sources of governmental revenues, excluding transfers, are summarized below.

Sources of Revenue	(In Thousands)			
	<u>2007</u>		<u>2006</u>	
	<u>Revenue</u>	<u>Percent</u>	<u>Revenue</u>	<u>Percent</u>
Taxes	\$3,834	68%	\$3,225	51%
Intergovernmental	1,293	23%	2,597	40%
Licenses and permits	169	3%	197	3%
Miscellaneous	<u>309</u>	<u>6%</u>	<u>413</u>	<u>6%</u>
<u>Total revenue</u>	<u>5,605</u>	<u>100%</u>	<u>6,432</u>	<u>100%</u>

Revenues of the primary government for general governmental fund types for 2007 totaled \$5.6 million, compared with \$6.4 million for the previous year, representing a \$826,214 or 13% decrease. The decrease in revenue of \$826,214 is primarily due to decreases in intergovernmental revenue. As noted above, the City's activities are largely supported by tax revenues, which represent 68% of total governmental resources.

**City of St. Gabriel, Louisiana
Management's Discussion and Analysis**

Financial Analysis of the Government's Funds (Continued)

Expenditures of the primary government decreased \$166,000 in 2007. Expenditures for general governmental functions for each major function are summarized in the following table.

Function	(In Thousands)			
	2007		2006	
	<u>Expenditure</u>	<u>Percent</u>	<u>Expenditure</u>	<u>Percent</u>
General government	\$1,420	28%	\$1,551	29%
Public safety	1,050	21%	1,092	21%
Streets and sanitation	1,032	20%	1,278	24%
Social and recreational services	819	16%	875	17%
Debt service	<u>789</u>	<u>15%</u>	<u>480</u>	<u>9%</u>
<u>Total expenditures</u>	<u>5,110</u>	<u>100%</u>	<u>5,276</u>	<u>100%</u>

The largest decrease in spending occurred in capital outlay of \$359,000 or 23%, which is due to the absence of funds received from FEMA in the prior year. The largest increase in spending occurred in general government of \$289,000 or 60%, primarily related to additional debt payments made by the City. The City experienced an increase in economic development expenditures of approximately \$250,000 which was due to an economic grant received from the State of Louisiana. Additionally, the City experienced a decrease in capital outlay expenditures of approximately \$163,000 which was the result of the completion of the Civic Center.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City's General Fund budget was amended on several occasions. The amendment of operating and capital budgets is a customary practice of the City and is reflective of the change that occurs with financial related matters throughout the fiscal year. The most significant change during 2007 was as follows:

- To reflect increased intergovernmental revenues.
- To reflect decreased tax and fines revenues.
- To reflect increases in most expenditures.

With these adjustments, the actual charges to appropriations (expenditures) were \$98,000 more than the related final budget appropriations of \$3.7 million. The most significant negative variance occurred in the City's social and recreational department, where expenditures were \$70,000 more than anticipated expenditures. The primary increases related to the acquisitions of fixed assets.

The City experienced increased expenditures in all departments relating to insurance, utilities, and fuel expenditures. In particular, employee health and the City's general liability insurance costs increased. Rising fuel costs have impacted the City relative to the vehicle fuel purchased along with City utility expenditures.

Finally, resources available for appropriation were \$2.1 million with expenditures appropriated at \$3.7 million, with the deficit funded by collections from the City's Ad Valorem and Sales Tax Funds. The operating deficit in the General Fund for 2007 was \$423,000 and the related fund balance was \$137,000 at year end.

**City of St. Gabriel, Louisiana
Management's Discussion and Analysis**

Capital Assets and Debt Administration

Capital Assets

At the end of 2007, the City had \$16.9 million invested in a broad range of capital assets, including vehicles, fire equipment, computer equipment, office furniture, land, buildings, park facilities, roads, and sewer treatment systems. This amount represents a net decrease of approximately \$96,000, or less than 1% over last year.

Capital Assets at year end (in thousands)

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$642	\$360	\$60	\$40	\$702	\$400
Buildings	4,880	4,960			4,880	4,960
Equipment and vehicles	723	819			723	819
Sewer treatment plants			9,069	9,196	9,069	9,196
Infrastructure	<u>1,527</u>	<u>1,622</u>	—	—	<u>1,527</u>	<u>1,622</u>
<u>Total assets, net of depreciation</u>	<u>7,772</u>	<u>7,761</u>	<u>9,129</u>	<u>9,236</u>	<u>16,901</u>	<u>16,997</u>

Debt

At year end, the City had \$8.9 million in bonds and notes outstanding versus \$9.2 million in 2006, an decrease of \$315,000 as show below.

	Balance	Additions	Deletions	Balance
	<u>June 30, 2006</u>			<u>June 30, 2007</u>
Public improvements	\$4,737,054		\$58,040	\$4,679,014
Certificate of Indebtedness	675,000		277,250	397,750
Capital leases	262,513	\$64,898	154,503	172,908
Short-term loans	200,000	1,125,000	950,000	375,000
Revenue bonds	<u>3,314,683</u>	—	<u>64,632</u>	<u>3,250,051</u>
	<u>9,189,250</u>	<u>1,189,898</u>	<u>1,504,425</u>	<u>8,874,723</u>

Additional debt issued during 2007 related primarily to short-term loans used to offset cash shortages until tax revenues were collected. The City also entered into capital lease agreements relating to equipment acquired for the general government and streets and sanitation departments. The City retired approximately \$1.5 million in debt during 2007.

The State of Louisiana limits the amount of general obligation debt that municipalities can issue to 35 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is significantly below this \$44 million state imposed limit. More detailed information about the City's long-term liabilities is presented in Note 6 to the financial statements.

**City of St. Gabriel, Louisiana
Management's Discussion and Analysis**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City's elected and appointed officials considered many factors when setting the fiscal year 2008 budget and tax rates. One of those factors is the economy. The largest taxpayers in the City are primarily companies involved in the oil refining and petrochemical processing sector. These companies are significantly impacted by the increasing cost of fuel, including natural gas. With the high price of fuel in recent years, these companies have experienced financial difficulty resulting in reduction of personnel staffing and the rate of plant expansion, if any. As a result, the local economy has been impacted by the financial concerns of this major industry in the City.

An important factor affecting the budget is the City ad valorem and sales tax collections that approximate 65% of budgeted revenue. The City budgeted an increase in total sales tax collections of approximately 3% for 2008. Additionally, the 2008 operating budget expenditures provide for increases in general liability and other insurance, employee health and workman's compensation insurance, retirement system contributions, and approximately 5% increase in personnel costs. For 2008, revenues are budgeted at \$5.3 million while expenditures are expected to be \$5.2 million. If these estimates are realized, the City's budgetary fund balances are expected to increase \$146,000 by the close of 2008.

These indicators were taken into account when adopting the General Fund budget for 2008. Property taxes are expected to remain constant during 2008 at approximately \$2.2 million. The taxes are expected to fund operations of the City's governmental operations, the Civic Center, including debt service, sewer operations, a housing program and economic development projects. Licensing fees and other funding sources are expected to decrease by approximately \$1.2 million primarily due to the decrease in grant revenue. The City will use these revenues to fund programs currently offered.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the City's Finance Office at (225) 642-9600, or write to Post Office Box 597, St. Gabriel, Louisiana 70776.

Basic Financial Statements

City of St. Gabriel, Louisiana
Statement of Net Assets
Exhibit A
June 30, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$1,345,998	\$266	\$1,346,264
Accounts receivable, net	7,551	13,469	21,020
Internal balances	363,642	(363,642)	
Due from other governments	433,857	9,428	443,285
Prepaid items	24,199		24,199
Restricted assets		30,416	30,416
Capital assets			
Non-depreciable	642,324	60,000	702,324
Depreciable, net	7,129,703	9,069,210	16,198,913
<u>Total assets</u>	<u>9,947,274</u>	<u>8,819,147</u>	<u>18,766,421</u>
Liabilities			
Accounts payable	181,847	12,661	194,508
Accrued payables	150,091	15,784	165,875
Accrued interest	37,606		37,606
Deferred revenue	277,867	2,869	280,736
Long-term payables			
Due within one year	655,141	67,277	722,418
Due in more than one year	4,969,531	3,182,774	8,152,305
<u>Total liabilities</u>	<u>6,272,083</u>	<u>3,281,365</u>	<u>9,553,448</u>
Net Assets			
Invested in capital assets, net of related debt	2,147,355	5,879,159	8,026,514
Restricted			
Capital projects	146,705	30,416	177,121
Debt service	14,406		14,406
Unrestricted	1,366,725	(371,793)	994,932
<u>Total net assets</u>	<u>3,675,191</u>	<u>5,537,782</u>	<u>9,212,973</u>
<u>Total liabilities and net assets</u>	<u>9,947,274</u>	<u>8,819,147</u>	<u>18,766,421</u>

The accompanying notes (Exhibit A-9) are an integral part of these financial statements.

City of St. Gabriel, Louisiana
Statement of Activities
Exhibit A-1
Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grant and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Primary Government							
Governmental Activities							
General government	\$1,196,698	\$463,430	\$184,340		(\$548,928)		(\$548,928)
Public safety	1,128,440	116,923	131,659		(879,858)		(879,858)
Streets and sanitation	783,372				(783,372)		(783,372)
Culture and recreation	951,094	20,010			(931,084)		(931,084)
Economic development	250,160				(250,160)		(250,160)
Interest on long-term debt	299,064				(299,064)		(299,064)
<u>Total governmental activities</u>	<u>4,608,828</u>	<u>600,363</u>	<u>315,999</u>		<u>(3,692,466)</u>		<u>(3,692,466)</u>
Business-Type Activities							
Waste water treatment facilities	973,028	130,678		\$81,347		(\$761,003)	(761,003)
<u>Total business-type activities</u>	<u>973,028</u>	<u>130,678</u>		<u>81,347</u>		<u>(761,003)</u>	<u>(761,003)</u>
<u>Total primary government</u>	<u>5,581,856</u>	<u>731,041</u>	<u>315,999</u>	<u>81,347</u>	<u>(3,692,466)</u>	<u>(761,003)</u>	<u>(4,453,469)</u>
General Revenues							
Taxes							
Property				2,058,494			2,058,494
Sales				1,730,497			1,730,497
Video poker				640,480			640,480
Other				45,044			45,044
Grants and contributions not restricted to specific programs							
Investment earnings				165,936	5,283		171,219
Transfers (to) from other funds				48,658	1,133		49,791
				(775,000)	775,000		
<u>Total general revenues and transfers</u>				<u>3,914,109</u>	<u>781,416</u>		<u>4,695,525</u>
Changes in net assets				221,643	20,413		242,056
Net Assets							
Beginning of year				3,453,548	5,517,369		8,970,917
End of year				<u>3,675,191</u>	<u>5,537,782</u>		<u>9,212,973</u>

The accompanying notes (Exhibit A-9) are an integral part of these financial statements.

City of St. Gabriel, Louisiana
 Balance Sheet
 Governmental Funds
 Exhibit A-2
 June 30, 2007

	<u>General</u>	<u>Ad Valorem 2 Tax Fund</u>	<u>Civic Center Operating Fund</u>	<u>Parish-wide Sales and Use Tax</u>	<u>Code Enforcement Grant Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets							
Cash and cash equivalents	\$507,806	\$66,976	\$53,254	\$106,123	\$334,757	\$277,082	\$1,345,998
Other receivables	7,551						7,551
Due from other governments	81,969		74,111	192,005		85,772	433,857
Prepaid items	24,199						24,199
Due from other funds	<u>170,133</u>			<u>370,000</u>			<u>540,133</u>
Total assets	<u>791,658</u>	<u>66,976</u>	<u>127,365</u>	<u>668,128</u>	<u>334,757</u>	<u>362,854</u>	<u>2,351,738</u>
Liabilities							
Accounts payable	173,536		8,311		41,214		223,061
Accrued expenses	99,856		2,123			6,898	108,877
Due to other funds	6,358				30,133	140,000	176,491
Deferred revenue					263,410	14,457	277,867
Short-term note payable	<u>375,000</u>						<u>375,000</u>
Total liabilities	<u>654,750</u>		<u>10,434</u>		<u>334,757</u>	<u>161,355</u>	<u>1,161,296</u>
Fund Balance							
Undesignated	<u>136,908</u>	<u>66,976</u>	<u>116,931</u>	<u>668,128</u>		<u>201,499</u>	<u>1,190,442</u>
Total fund balance	<u>136,908</u>	<u>66,976</u>	<u>116,931</u>	<u>668,128</u>		<u>201,499</u>	<u>1,190,442</u>
Total liabilities and fund balance	<u>791,658</u>	<u>66,976</u>	<u>127,365</u>	<u>668,128</u>	<u>334,757</u>	<u>362,854</u>	<u>2,351,738</u>

The accompanying notes (Exhibit A-9) are an integral part of these financial statements.

City of St. Gabriel, Louisiana
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Assets
 Exhibit A-3
 June 30, 2007

Total net assets reported for governmental activities in the statement of net assets are different because:

Total fund balances - governmental funds (Exhibit A-2)		\$1,190,442
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		7,772,027
Long-term liabilities (e.g. bonds, leases) are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Accrued interest payable	(\$37,606)	
Bonds and capital lease payable	<u>(5,249,672)</u>	<u>(5,287,278)</u>
<u>Net assets of governmental activities (Exhibit A)</u>		<u>3,675,191</u>

The accompanying notes (Exhibit A-9) are an integral part of these financial statements.

City of St. Gabriel, Louisiana
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Exhibit A-4
Year Ended June 30, 2007

	<u>General</u>	Ad Valorem 2 <u>Tax Fund</u>	Civic Center Operating <u>Fund</u>	Parish-Wide Sales and <u>Use Tax</u>	Code Enforcement <u>Grant Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues							
Taxes	\$894,642	\$1,200,918		\$1,232,889		\$505,586	\$3,834,035
Intergovernmental	879,341		\$282,529		\$131,659		1,293,529
License and permits	169,257						169,257
Fines	116,583						116,583
Other	183,963		8,094			10	192,067
<u>Total revenues</u>	<u>2,243,786</u>	<u>1,200,918</u>	<u>290,623</u>	<u>1,232,889</u>	<u>131,659</u>	<u>505,596</u>	<u>5,605,471</u>
Expenditures							
General government	1,419,883						1,419,883
Public safety	918,296				131,659		1,049,955
Streets and sanitation	1,031,703						1,031,703
Social and recreational services	267,036	16,000	501,573			34,848	819,457
Debt service	202,988		264,144			321,715	788,847
<u>Total expenditures</u>	<u>3,839,906</u>	<u>16,000</u>	<u>765,717</u>		<u>131,659</u>	<u>356,563</u>	<u>5,109,845</u>
Excess (deficiency) of revenues over expenditures	(1,596,120)	1,184,918	(475,094)	1,232,889		149,033	495,626
Other Financing Sources (Uses)							
Operating transfers in	1,107,940		435,000			365,632	1,908,572
Proceeds from debt issuance	64,898						64,898
Operating transfer out		(1,410,000)		(725,000)		(548,572)	(2,683,572)
<u>Total financing sources (uses)</u>	<u>1,172,838</u>	<u>(1,410,000)</u>	<u>435,000</u>	<u>(725,000)</u>		<u>(182,940)</u>	<u>(710,102)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(423,282)	(225,082)	(40,094)	507,889		(33,907)	(214,476)
Fund Balance							
Beginning of year, as previously reported	760,190			103,765			
Prior period adjustments	(200,000)			56,474			
Beginning of year, as restated	560,190	292,058	157,025	160,239		235,406	1,404,918
End of year	<u>136,908</u>	<u>66,976</u>	<u>116,931</u>	<u>668,128</u>		<u>201,499</u>	<u>1,190,442</u>

The accompanying notes (Exhibit A-9) are an integral part of these financial statements.

City of St. Gabriel, Louisiana
 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities
 Exhibit A-5
 Year Ended June 30, 2007

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

Net change in fund balances - total governmental funds (Exhibit A-4)		(\$214,476)
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Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation.

Capital outlay	\$530,639	
Depreciation expense	<u>(519,415)</u>	11,224

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of activities.

Proceeds from issuance of debt	(64,898)	
Principal payments on debt	<u>489,793</u>	<u>424,895</u>

<u>Change in net assets of governmental activities (Exhibit A-1)</u>		<u>221,643</u>
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The accompanying notes (Exhibit A-9) are an integral part of these financial statements.

City of St. Gabriel, Louisiana
Statement of Net Assets
Proprietary Funds - Sewer Fund
Exhibit A-6
June 30, 2007

<u>Assets</u>	
Current Assets	
Cash and cash equivalents	\$266
Accounts receivable, net	13,469
Due from other funds	6,358
Due from other governments	9,428
Restricted cash	<u>30,416</u>
Total current assets	59,937
 Capital Assets	
Non-depreciable	60,000
Depreciable, net	9,069,210
Total assets	<u>9,189,147</u>
 <u>Liabilities and Net Assets</u>	
Current Liabilities	
Accounts payables	12,661
Accrued payables	15,784
Deferred revenue	2,869
Due to other funds	370,000
Current portion of long-term debt	<u>67,277</u>
Total current liabilities	468,591
Long-Term Debt	<u>3,182,774</u>
Total liabilities	<u>3,651,365</u>
 Net Assets	
Invested in capital assets, net of related debt	5,879,159
Restricted	
Capital projects	30,416
Unrestricted	<u>(371,793)</u>
Total net assets	<u>5,537,782</u>
Total liabilities and net assets	<u>9,189,147</u>

The accompanying notes (Exhibit A-9) are an integral part of these financial statements.

City of St. Gabriel, Louisiana
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds - Sewer Fund
Exhibit A-7
Year Ended June 30, 2007

Revenues	
Charges for services	\$130,678
Miscellaneous	<u>6,416</u>
<u>Total operating revenues</u>	<u>137,094</u>
Expenses	
Personnel	270,530
Depreciation	262,377
Utilities	76,363
Other	72,057
Chemicals	67,197
Supplies	29,274
Maintenance	29,117
Bad debts	<u>22,048</u>
<u>Total operating expenses</u>	<u>828,963</u>
<u>Operating income (loss)</u>	(691,869)
Non-Operating	
Contributed capital, grant from governmental sources	81,347
Operating transfers from other funds	775,000
Interest	<u>(144,065)</u>
<u>Change in net assets</u>	20,413
Net Assets	
Beginning of year	<u>5,517,369</u>
Ending of year	<u>5,537,782</u>

The accompanying notes (Exhibit A-9) are an integral part of these financial statements.

City of St. Gabriel, Louisiana
Statement of Cash Flows
Proprietary Funds - Sewer Fund
Exhibit A-8
Year Ended June 30, 2007

Cash Flows From Operating Activities	
Receipts from customers	\$117,170
Payments to suppliers	(283,982)
Payments to employees	<u>(269,983)</u>
<u>Net cash used for operating activities</u>	<u>(436,795)</u>
Cash Flows from Capital and Related Financing Activities	
Fixed asset additions	(155,112)
Capital grants	81,347
Deferred revenue	(26,185)
Principal paid on capital debt	(64,632)
Interest paid on capital debt	<u>(144,065)</u>
<u>Net cash used for capital and related financing activities</u>	<u>(308,647)</u>
Cash Flows From Non-Capital and Related Financing Activities	
Transfers in from other funds	775,000
Payments on loans due to other funds	<u>(43,390)</u>
<u>Net cash provided by non-capital and related financing activities</u>	<u>731,610</u>
Net decrease in cash	(13,832)
Cash	
Beginning of period	<u>44,514</u>
End of period	<u>30,682</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating loss	(691,869)
Adjustments of operating loss	
Depreciation	262,377
Bad debts	22,048
Change in operating assets and liabilities	
Accounts receivable	(41,972)
Accounts payable and accrued liabilities	<u>12,621</u>
<u>Net cash used for operating activities</u>	<u>(436,795)</u>

The accompanying notes (Exhibit A-9) are an integral part of these financial statements.

City of St. Gabriel, Louisiana
Notes to Financial Statements
Exhibit A-9
June 30, 2007

Statement Presentation

The financial statements of the City of St. Gabriel, Louisiana (the City) have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The more significant accounting policies established in GAAP and used by the City are described below.

In June 1999, the GASB 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:

- Management's Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the City's activities, including infrastructure (roads, bridges, etc.).
- 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).

Note 1-Summary Of Significant Accounting Policies

A. Reporting Entity

These financial statements present the City as the primary government. For financial reporting purposes, the City is controlled by or dependent on the City's executive or legislative branches (the Mayor or the City Council, respectively). Control by or dependence on the City is determined on the basis of budget adoption, taxing authority, outstanding debts secured by revenues or general obligations of the City, obligations of the City to finance any deficits that may occur, or receipt of significant subsidies from the City.

B. Basis of Presentation

The City's basic financial statements consist of the government-wide statements of the primary government of the City of St. Gabriel, Louisiana and the fund financial statements (individual major funds and combined non-major funds). The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and applied to governmental units. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements and the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

City of St. Gabriel, Louisiana
Notes to Financial Statements
Exhibit A-9
June 30, 2007

Note 1-Summary Of Significant Accounting Policies (Continued)

B. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements include the statement of net assets and the statement of activities for all non-fiduciary activities of the City. As a general rule, the effect of interfund activity has been removed from these statements. The government-wide presentation focuses primarily on the sustainability of the government as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These statements distinguish between the governmental and business-type activities of the City.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Business-type activities are financed in whole or part by fees charged to external parties for utility services provided. The City's sewer services are classified as business-type activities.

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

FUND FINANCIAL STATEMENTS

The Fund Financial Statements are very similar to the traditional government fund statements as prepared by governments prior to the issuance of GASB No. 34. Emphasis is now on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column.

The daily operations of the City continue to be organized on the basis of funds and accounts groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures or expenses, as appropriate. Funds are organized into three major categories: governmental, proprietary and fiduciary. The City does not have any fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City (General Fund) or meets the following criteria:

- Total assets, liabilities, revenues, or expenditures/expense of that individual governmental fund or enterprise fund are at least 10% of the corresponding total for all funds of that category or type; and
- Total assets, liabilities, revenues, or expenditures/expense of that individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

City of St. Gabriel, Louisiana
Notes to Financial Statements
Exhibit A-9
June 30, 2007

Note 1-Summary Of Significant Accounting Policies (Continued)

FUND FINANCIAL STATEMENTS (Continued)

Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be expended and the means by which spending activities are controlled. The various funds and account groups of the primary government presented in the financial statements are described as follows.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the Council are financed. The acquisition, use, and balances of expendable financial resources and related liabilities of the City are accounted for through government funds. Measurement is focused upon determining changes in financial position, rather than net income. The following are the governmental fund types of the City:

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

Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue sources, other than major capital projects, that are legally restricted to expenditures for specified purposes. The Special Revenue Funds that are considered major funds are the Ad Valorem No. 2 Tax Fund, the Civic Center Operating Fund, the Parish-Wide Sales and Use Tax Fund and the Code Enforcement Grant Fund.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The Debt Service Fund is not considered a major fund.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by Proprietary Funds. There are no capital projects funds that are considered major funds.

Proprietary Fund Types

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Enterprise Funds - Enterprise Funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs and 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 (2) where the governing body has decided that periodic determination of revenues earned, expense incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City's Enterprise Fund has been considered a major fund.

City of St. Gabriel, Louisiana
Notes to Financial Statements
Exhibit A-9
June 30, 2007

Note 1-Summary Of Significant Accounting Policies (Continued)

C. Basis of Accounting and Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied.

Fund Financial Statements

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included in the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other uses) in net current assets. Governmental funds are maintained on the modified accrual basis of accounting.

Governmental fund revenues resulting from exchange transactions are recognized in the fiscal year in which the exchange takes place and meets the government's availability criteria (susceptible to accrual). "Available" means collectable within the current period or within 60 days after year-end. Charges for services, fines and forfeitures, and most governmental miscellaneous revenues are recorded as earned since they are measurable and available.

Nonexchange transactions, in which the City receives value without directly giving value in return, includes sales tax, ad valorem tax, federal and state aid and grants.

Ad valorem taxes are recorded in the year the taxes are assessed. Ad valorem taxes are assessed on a calendar year basis, become due on November 15th of each year, and become delinquent after December 31st. The taxes are generally collected in December, January and February of the current fiscal year. Sales taxes are recorded when in the possession of the intermediary collecting agent and are recognized as revenue at that time. Federal and state aid and grants are recorded as revenue when the City is entitled to the funds, generally corresponding to when grant related costs are incurred by the City.

Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) unmatured interest on general long-term debt which is recognized when due, and (2) claims and judgments and compensated absences are recorded as expenditures in the governmental fund type when paid with expendable financial resources. Allocations of costs such as depreciation and amortization are not recognized in the governmental funds.

All proprietary funds are accounted for on a flow of economic resources measurement focus. Proprietary funds are maintained on the accrual basis of accounting wherein revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized in the period incurred, if measurable.

D. Cash and Cash Equivalents

Cash and cash equivalents for the City include the Louisiana Asset Management Pool (LAMP) account and each individual fund's share of the consolidated operating cash accounts.

City of St. Gabriel, Louisiana
Notes to Financial Statements
Exhibit A-9
June 30, 2007

Note 1-Summary Of Significant Accounting Policies (Continued)

D. Cash and Cash Equivalents (Continued)

Consolidated bank accounts have been established for the City into which substantially all monies are deposited and from which most disbursements are made. In addition, investment purchases are charged and maturities are deposited to the consolidated bank account. The purpose of the consolidation of bank accounts was to provide administrative efficiency and to maximize investment earnings. The accounts entitled "Cash and Cash Equivalents" are therefore composed of a fund's pro rata share of the cash balance in the consolidated cash account plus its pro rata share of investments made through the investment of excess cash. Investment earnings are recorded in the General Fund.

The investment policy of the City is governed by state statutes that include depository and custodial contract provisions. The City invests funds in accordance with LRS 39:1211-1245 and 33:2955 which include, but are not limited to, United States Treasury Bonds, Treasury Notes, Treasury Bills and fully collateralized interest bearing checking accounts, and certificates of deposit. Other provisions require depositories to insure or collateralize all deposits in accordance with state law and require securities collateralizing deposits to be held by an independent third party with whom the City has a custodial agreement. The City primarily utilizes LAMP to invest idle funds.

For purposes of the statement of cash flows, liquid investments of the enterprise fund with a maturity of three months or less are considered to be cash equivalents. Also see Note 2.

E. Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. For governmental activities uncollectible amounts due for receivables are recognized as bad debts directly charged off at the time information becomes available which indicates that the particular receivable is not collectible. In governmental fund types, the uncollectible amount is charged directly to the revenue reported. In business-type activities, uncollectible amounts due from sewer billing receivables are recognized as bad debts through the use of an allowance account or are directly charged off at the time information becomes available which indicates that the particular receivable is not collectible. An allowance for doubtful accounts of approximately \$69,455 was recorded at June 30, 2007.

F. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds. Those related to short-term borrowings are classified as "due from other funds" or "due to other funds" on the statements of net assets/balance sheets and result primarily from participation in the consolidated cash account. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets. See Notes 9 and 10 for details of interfund transactions, including receivables and payables at year end. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

G. Restricted Cash

Restricted cash on the balance sheet of the enterprise funds represent amounts which have been designated to meet unexpected contingencies for property repairs and replacements. Restricted cash consisted of \$30,416 as of June 30, 2007.

City of St. Gabriel, Louisiana
Notes to Financial Statements
Exhibit A-9
June 30, 2007

Note 1-Summary Of Significant Accounting Policies (Continued)

H. Capital Assets

The accounting treatment of property, plant and equipment (fixed assets) 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.

Government-wide Financial Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Major outlays for capital assets and improvements are capitalized at completion of the construction projects.

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

Prior to the implementation of GASB 34, governmental funds' infrastructure assets were not capitalized. These assets are comprised of the streets maintained by the City and have been valued at estimated historical cost.

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

Buildings	25 - 40 years
Improvements	15 - 30 years
Machinery and equipment	5 - 20 years
Utility system	5 - 50 years
Infrastructure	20 - 40 years

Fund Financial Statements

In fund financial statements fixed assets used in governmental fund operations are not capitalized. Instead, capital acquisition and construction are reflected as expenditures in the governmental funds.

Property, plant and equipment used by the proprietary funds are stated at cost. Interest costs incurred during construction periods are capitalized. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Sewer treatment systems	10 - 40 years
Sewer pump station	20 years

I. Long-term Debt

The accounting treatment for 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.

City of St. Gabriel, Louisiana
Notes to Financial Statements
Exhibit A-9
June 30, 2007

Note 1-Summary Of Significant Accounting Policies (Continued)

I. Long-term Debt (Continued)

In the government-wide statement of net assets and in the proprietary fund types' financial statements, long-term debt is reported as liabilities. Bond issuance costs are reported as deferred charges and amortized over the term of the bond. The long-term debt consists primarily of public improvement bonds, certificates of indebtedness for public improvements and accrued compensated absences.

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 are reported as expenditures. The accounting for proprietary fund debt is the same in the fund statements as it is in the government-wide statements. The City is not obligated for any special assessment debt.

J. Compensated Absences

All full time employees of the City are entitled to annual vacation and sick leave with pay. Prior to 2002, vacation leave carried over from one year to another without limitation. Vacation leave unused upon termination or retirement will be paid to the employee. During 2002, the City adopted new leave policies whereby, accumulated unused vacation leave earned subsequent to the policy change would be forfeited at the end of the City's fiscal year end. Additionally, accumulated sick leave may be accumulated up to 60 days. However, such time is forfeited upon retirement or termination and has not been reflected in these financial statements.

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use by external parties such as creditors, grantors, laws or regulations of other governments.

L. Reserves and Designations of Equity

Some portions of fund balance and/or retained earnings are reserved to indicate that a portion of equity is legally restricted to a specific future use and is not available for appropriation or expenditure. Designated portions of fund balance indicate tentative future spending plans, which may be changed and are subject to subsequent authorization before expenditures can be made. The City has made the following reserves and designations of equity: (1) designated for subsequent year's expenditures is that portion of fund balance which has been budgeted to balance the following year's budgets, and (2) other designations are made for specific indicated purposes included in the title.

M. Interfund Transfers

Transfers between funds are included in the budgets of such funds. In those cases where repayment is expected, the advances are accounted for through the various interfund accounts.

City of St. Gabriel, Louisiana
Notes to Financial Statements
Exhibit A-9
June 30, 2007

Note 1-Summary Of Significant Accounting Policies (Continued)

N. Budget Policy and Budgetary Accounting

A proposed budget is prepared and submitted by the Mayor to the City Council prior to the beginning of each fiscal year. A budget summary and notice of a public hearing is published with the public hearing conducted prior to the commencement of the budget year.

The annual operating budget, prepared on the accrual basis, covers the general fund, the special revenue fund, the debt service funds, capital project fund and the enterprise fund. At the end of the fiscal year, unexpended appropriations automatically lapse. Budget amendments are approved by the City Council and are included in the financial statements.

In connection with budget preparation, a portion of the unreserved fund balance of an individual fund may be designated for expenditures of the subsequent year. Such designation represents the extent to which the fund balance is used to balance the subsequent year's operating budget of that fund, as reflected in the legally adopted budget.

O. 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 disclosures of contingent assets and liabilities at the date of the financial statements. They may also affect the reported amounts of revenues and expenses of proprietary funds and the government-wide financial statements during the reporting period. Actual results could differ from those estimates. Estimates are used primarily when accounting for depreciation, prepaid insurance, and deferred revenue.

Note 2-Cash and Investments

The City may invest in United States bonds, treasury notes, or certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana or other qualifying federally insured investments.

At year end, the City's deposits, including demand deposits accounts, certificates of deposit and restricted cash, totaled \$1,376,680 and the related bank balances were \$1,483,127. The bank balances at June 30, 2007 were secured as follows:

Federal Deposit Insurance Corporation	\$372,380
Pledged securities	836,424
Uninsured and uncollateralized	34,313
Investments not subject to categorization	
Louisiana Asset Management Pool (LAMP)	<u>240,009</u>
<u>Total bank balance</u>	<u>1,483,126</u>

Investments by the City in the LAMP pools are considered unclassified as to credit risk because they are not evidenced by securities that exist in physical or book form. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2007, \$34,313 of the City's bank balance \$1,483,126 was exposed to custodial credit risk because it was uninsured and uncollateralized.

City of St. Gabriel, Louisiana
Notes to Financial Statements
Exhibit A-9
June 30, 2007

Note 3-Due From Other Governments

Due from other governments at June 30, 2007 consists of the following:

Primary Government	
State of Louisiana - Video Poker and other	\$156,080
Parish of Iberville, Louisiana, sales tax	277,777
US Department of Agriculture - Rural Development	<u>9,428</u>
<u>Total primary government</u>	<u>443,285</u>

Note 4-Ad Valorem Taxes

The 1974 Louisiana Constitution, Article 7 Section 18, provided that land and improvements for residential purposes be assessed at 10% of fair market value; other property and electric cooperative properties excluding land are to be assessed at 15%; and public service properties excluding land are to be assessed at 25% of fair market value. Fair market value is determined by the elected assessor of the parish on all property subject to taxation except public service properties which are valued by the Louisiana Tax Commission (LRS 47:1957). The correctness of assessments by the assessor is subject to review and certification by the Louisiana Tax Commission. The assessor is required to reappraise all property subject to taxation at intervals of not more than four years.

All property taxes are recorded in governmental funds, as explained in Note 1 above. Revenues in governmental funds are recognized in the accounting period in which they become available and measurable. Property taxes are considered measurable in the calendar year of the tax levy. Accordingly, the taxes assessed for the calendar year falling within the current fiscal year are recorded as revenue. Property taxes are considered available because they are substantially collected during the fiscal year and are therefore available to liquidate liabilities of the current period.

The property tax calendar is as follows:

Millage rates adopted	November 16, 2006
Levy date	November 16, 2006
Due date	December 31, 2006
Lien date	January 1, 2007
Collection dates	December 1, 2006 to February 28, 2007

For the year ended June 30, 2007, taxes of 16.84 mills were levied for general government and public purposes on property with assessed valuations totaling \$125,150,972. Total taxes levied were \$2,107,542 and collected were \$2,058,494. Property tax mileage rates are adopted in the calendar year in which the taxes are levied and recorded. All taxes are due and collectible when the assessment rolls are filed on or before December 31 of the current year, and become delinquent thereafter.

The City collected ad valorem taxes of \$1,494,523 from ten property owners during the year ended June 30, 2007. Tax collections from four of the ten taxpayers amounted to \$1,176,445.

City of St. Gabriel, Louisiana
Notes to Financial Statements
Exhibit A-9
June 30, 2007

Note 5-Fixed Assets

A summary of changes in general fixed assets for the year ended June 30, 2007 is as follows:

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Governmental Activities				
Capital assets not being depreciated				
Land	<u>\$359,897</u>	<u>\$282,427</u>		<u>\$642,324</u>
Capital assets being depreciated				
Buildings and improvements	5,154,080	\$53,814		5,207,894
Equipment and vehicles	2,190,924	157,783		2,348,707
Infrastructure	<u>1,942,705</u>	<u>36,615</u>		<u>1,979,320</u>
<u>Total capital assets being depreciated</u>	<u>9,287,709</u>	<u>248,212</u>		<u>9,535,921</u>
Less accumulated depreciation for				
Buildings and improvements	194,164	133,559		327,723
Equipment and vehicles	1,371,666	253,901		1,625,567
Infrastructure	<u>320,973</u>	<u>131,955</u>		<u>452,928</u>
<u>Total accumulated depreciation</u>	<u>1,886,803</u>	<u>519,415</u>		<u>2,406,218</u>
Total capital assets being depreciated, net	<u>7,400,906</u>	<u>(271,203)</u>		<u>7,129,703</u>
Governmental activities capital assets, net	<u>7,760,803</u>	<u>11,224</u>		<u>7,772,027</u>
Business-type Activities				
Capital assets not being depreciated				
Land	<u>40,000</u>	<u>20,000</u>		<u>60,000</u>
<u>Total capital assets not being depreciated</u>				
Capital assets being depreciated				
Sewer treatment plants	9,764,138	135,112		9,899,250
Sewer pump station	<u>176,272</u>			<u>176,272</u>
<u>Total capital assets being depreciated</u>	<u>9,940,410</u>	<u>135,112</u>		<u>10,075,522</u>
Less accumulated depreciation for				
Sewer treatment plants	724,230	255,582		979,812
Sewer pump station	<u>19,705</u>	<u>6,795</u>		<u>26,500</u>
<u>Total accumulated depreciation</u>	<u>743,935</u>	<u>262,377</u>		<u>1,006,312</u>
Total capital assets being depreciated, net	<u>9,196,475</u>	<u>(127,265)</u>		<u>9,069,210</u>
Business-type activities capital assets, net	<u>9,236,475</u>	<u>(107,265)</u>		<u>9,129,210</u>

City of St. Gabriel, Louisiana
Notes to Financial Statements
Exhibit A-9
June 30, 2007

Note 5-Fixed Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General Government	\$181,432
Public Safety	89,501
Recreation	184,419
Streets and sanitation	<u>64,063</u>
<u>Total depreciation expense-governmental activities</u>	<u>519,415</u>

Note 6-Long-term Debt

Debt Outstanding - The following is a summary of debt transactions of the City for the year ended June 30, 2007:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>	<u>Due Within One Year</u>
Governmental Activities					
Public improvements	\$4,737,054		\$58,040	\$4,679,014	\$50,772
Certificates of indebtedness	675,000		\$277,250	397,750	165,750
Capital leases	262,513	\$64,898	154,503	172,908	63,619
Short-term loans	<u>200,000</u>	<u>1,125,000</u>	<u>950,000</u>	<u>375,000</u>	<u>375,000</u>
	<u>5,874,567</u>	<u>1,189,898</u>	<u>1,439,793</u>	<u>5,624,672</u>	<u>655,141</u>
Business-type Activities					
Revenue bonds	<u>3,314,683</u>	<u>-</u>	<u>64,632</u>	<u>3,250,051</u>	<u>67,277</u>

The City issued short-term debt during 2007 to meet cash working capital requirements, which is the result of the timing of property tax receipts.

Long-term debt obligations for the primary government at June 30, 2007, are comprised of the following:

Governmental Activities

\$1,300,000 Certificate of indebtedness secured by a pledge of general revenues, principal due annually in August, and interest due semiannually at 4.5%, maturing on August 1, 2009. \$1,100,000 is dedicated for road improvements and \$200,000 is dedicated for sewer improvements. \$397,750

\$4,980,000 Civic Center Revenue Bond secured by a pledge and dedication of sales tax revenues, due in monthly installments of \$22,012 through October 7, 2045; interest at 4.375%. 4,679,014

(Continued - amounts carried forward) 5,076,764

City of St. Gabriel, Louisiana
Notes to Financial Statements
Exhibit A-9
June 30, 2007

Note 6-Long-term Debt (Continued)

Governmental Activities

(Continued - amounts brought forward)	\$5,076,764
\$200,000 short-term loan due on demand with a variable interest rate, 7.25% at June 30, 2007. Note is collateralized by certificates of deposit.	200,000
\$75,000 short-term loan due on demand with a variable interest rate, 7.25% at June 30, 2007. Note is collateralized by certificates of deposit.	75,000
\$100,000 short-term loan due on demand with a variable interest rate, 6.64% at June 30, 2007. Note is collateralized by certificates of deposit.	100,000
Capital lease agreement secured by vehicles and equipment purchased, due in various monthly installments ranging from \$1,104 to \$2,500 through 2010.	<u>172,908</u>
<u>Total long-term debt from governmental activities</u>	<u>5,624,672</u>

Business-type Activities

Enterprise Fund - Revenue Bonds

\$200,000 Certificate of Indebtedness. See above \$1,300,000 Certificate of Indebtedness for description.	97,250
\$1,237,000 Sewer Revenue Bonds secured by a pledge and dedication of sewer revenues, due in monthly installments of \$5,617 through December 14, 2040, with interest at 4.50%.	1,163,815
\$532,000 Sewer Revenue Bonds secured by a pledge and dedication of sewer revenues, due in monthly installments of \$2,416 through June 6, 2041; interest at 4.50%.	503,737
\$1,064,000 Sewer Revenue Bonds secured by a pledge and dedication of sewer revenues, due in monthly installments of \$4,884 through December 18, 2043, with interest at 4.50%.	1,047,302
\$444,000 Sewer Revenue Bonds secured by a pledge and dedication of sewer revenues, due in monthly installments of \$1,980 through February 23, 2045, with interest at 4.50%.	<u>437,947</u>
<u>Total long-term debt from business-type activities</u>	<u>3,250,051</u>

The total amount of interest charged to expense for governmental activities for the years ending June 30, 2007 and 2006 was \$299,064 and \$234,952, respectively. Interest charged to expense related to business-type activities for the years ending June 30, 2007 and 2006 was \$144,065 and \$167,466, respectively.

City of St. Gabriel, Louisiana
Notes to Financial Statements
Exhibit A-9
June 30, 2007

Note 6-Long-term Debt (Continued)

Debt Service Requirements to Maturity - the annual requirements to amortize debt outstanding (not including short-term note) at June 30, 2007, are as follows:

	GOVERNMENTAL ACTIVITIES							
	Certificate of Indebtedness		Capital Leases		Civic Center Revenue Bond		Total Long-term Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$165,750	\$19,794	\$63,619	\$10,428	\$50,772	\$213,372	\$280,141	\$243,594
2009	174,250	12,144	50,361	5,904	53,039	211,105	277,650	229,153
2010	57,750	4,112	52,311	3,954	55,406	208,738	165,467	216,804
2011			6,617	954	57,879	206,265	64,496	207,219
2012					60,463	202,346	60,463	202,346
2013 - 2017					345,290	975,430	345,290	975,430
2018 - 2022					429,552	891,168	429,552	891,168
2023 - 2027					534,372	786,348	534,372	786,348
2028 - 2032					664,773	655,947	664,773	655,947
2033 - 2037					826,995	493,725	826,995	493,725
2038 - 2042					1,028,801	291,919	1,028,801	291,919
2043 - 2047					571,672	58,644	571,672	58,644
	<u>397,750</u>	<u>36,050</u>	<u>172,908</u>	<u>21,240</u>	<u>4,679,014</u>	<u>5,195,007</u>	<u>5,249,672</u>	<u>5,252,297</u>

	BUSINESS-TYPE ACTIVITIES						
	Certificate of Indebtedness		Sewer Revenue Bonds		Total Long-term Debt		
	Principal	Interest	Principal	Interest	Principal	Interest	
2008		\$29,250	\$3,493	\$38,027	\$140,737	\$67,277	\$144,230
2009		30,750	2,143	39,770	138,994	70,520	141,137
2010		37,250	726	41,592	137,172	78,842	137,898
2011				43,526	135,266	43,526	135,266
2012				45,492	133,182	45,492	133,182
2013 - 2017				260,715	633,105	260,715	633,105
2018 - 2022				326,186	567,634	326,186	567,634
2023 - 2027				407,109	486,711	407,109	486,711
2028 - 2032				510,602	383,218	510,602	383,218
2033 - 2037				638,833	254,987	638,833	254,987
2038 - 2042				655,677	99,250	655,677	99,250
2043 - 2047				145,272	6,740	145,272	6,740
		<u>97,250</u>	<u>6,362</u>	<u>3,152,801</u>	<u>3,116,996</u>	<u>3,250,051</u>	<u>3,123,358</u>

Normally, debt issues are not retired prior to their maturity. For accounting purposes, interest coupons issued in connection with the sale of various bond issues become obligations/expenditures of the City only with the passage of time, and they represent fixed and determinable obligations which must be retired from future revenues.

There are no outstanding bonds secured by ad valorem taxes of the City at this time.

City of St. Gabriel, Louisiana
Notes to Financial Statements
Exhibit A-9
June 30, 2007

Note 6-Long-term Debt (Continued)

Bond Restrictions - Sewer Revenue Bonds Phase I, II, III, and IV - In accordance with the indentures governing Sewerage Utility Fund Revenue Bonds Series 2000, 2001, 2002 and 2003, cash is required to be deposited into accounts administered by a trustee bank. These bonds are a direct liability of the Sewerage Enterprise Fund to be serviced by the earnings from the Fund. Deposits are to be made to these trust accounts in accordance with the requirements of each debt issue.

1. The Sewer System Revenue Fund requires all revenue derived from its operations to be deposited in a bank that is a member of the Federal Deposit Insurance Corporation as long as any of the bonds are outstanding. Required transfers should be made on a monthly basis to designated trust accounts. In addition, the Series 2000, 2001, 2002 and 2003 Bonds require the use of a separate construction account.
2. The Sewer Revenue Bond and Interest Sinking Funds require monthly fund transfers for the Sewer System Revenue Fund to provide payment of the next maturing interest and principal of the revenue bonds.
3. The Sewer Revenue Bond Reserve Funds require monthly transfers until a sum equal to the highest combined principal and interest falling due in any year has been accumulated. These funds are restricted to payment of principal and interest in case of default. Monthly transfers are \$281, \$121, \$244 and \$99. At June 30, 2007, \$11,084 and \$4,124 was held in these reserve accounts.
4. The Sewer Depreciation and Contingency Funds require monthly transfers of \$281, \$121, \$244 and \$99. The funds are restricted to payments for unusual or extraordinary maintenance, repairs, replacement, and extensions and improvements that will either enhance its revenue producing capacity or provide improved service. It will also be used to pay principal and interest if there are not sufficient funds in the Sewer Revenue Bond and Interest Sinking Funds, or Sewer Revenue Bond Reserve Funds. At June 30, 2007, \$11,084 and \$4,124 was held in these reserve accounts.

Bond Restrictions - Civic Center Revenue Bonds - In accordance with the indentures governing Civic Center Revenue Bonds, Series 2003, cash is periodically deposited into accounts administered by a trustee bank. These bonds are a direct liability of the Civic Center Special Revenue to be serviced by the earnings from the Fund. Deposits are made to these trust accounts in accordance with the requirements.

1. The Civic Center Revenue Funds require all revenue derived from its operations to be deposited in a bank that is a member of the Federal Deposit Insurance Corporation as long as any of the bonds are outstanding. Required transfers are made on a monthly basis to designated trust accounts.
2. The Civic Center Revenue Bond Reserve Fund requires monthly transfers of \$1,100 until a sum equal to the highest combined principal and interest falling due in any year has been accumulated. This fund is restricted to payment of principal and interest in case of default.
3. The Civic Center Depreciation and Contingency Funds requires monthly transfers of \$1,100. The Funds are restricted to payments for unusual or extraordinary maintenance, repairs, replacement, and extensions and improvements that will either enhance its revenue producing capacity or provide improved service. It will also be used to pay principal and interest if there are not sufficient funds in the Civic Center Revenue Fund.

The City was not in compliance with the Sinking, Reserve, Depreciation and Contingency Funds requirements of the Sewer Revenue Bonds Phase I, II, III and IV and Civic Center Revenue Bond covenants. The required deposits are not being made into the various accounts.

City of St. Gabriel, Louisiana
Notes to Financial Statements
Exhibit A-9
June 30, 2007

Note 7-Dedicated Revenues

Ad Valorem Tax - a 6.84 mill ad valorem tax was approved by voters in 2007. The tax is dedicated for public improvements including, but not limited to, sewer and waste water facilities, water and fire protection, streets, sidewalks, bridges, drainage and other capital expenditures, including operating and maintenance costs related thereto. Dedicated ad valorem taxes of \$849,598 were collected during the year ended June 30, 2007.

Additionally, a 10 mill ad valorem tax was approved by voters in October 2004. This tax is dedicated for public improvements including, but not limited to, housing, economic development, and funding for a Community Center. Dedicated ad valorem taxes of \$1,208,896 were collected during the year ended June 30, 2007.

Sales and Use Tax - a one-third of one percent sales and use tax is dedicated for public purposes, including, but not limited to, sewer and wastewater facilities, water and fire protection, streets, sidewalks, bridges and drainage and other capital expenditures, including operating and maintenance costs related thereto. The City received \$497,608 from sales and use tax during the year ended June 30, 2007.

Parish Wide Sales Tax - a one-third of one percent parish wide sales tax is dedicated for public infrastructure and maintenance. The City received \$1,232,889 from parish wide sales tax during the year ended June 30, 2007.

Note 8-Pension and Retirement Plans

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA

Plan Description - substantially all employees of the City are members of the Municipal Employees' Retirement System of Louisiana (System), a cost-sharing, multiple employer defined benefit pension plan administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the City are members of Plan A.

All permanent employees working at least 35 hours per week who are paid wholly or in part from City funds are eligible to participate in the System. Under Plan A, employees who retire at or after age 60, with a least 10 years of creditable service or at any age with at least 25 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to a 3% of their final average salary multiplied for each year of creditable service. Monthly retirement benefits paid under Plan A cannot exceed the lesser of 100% of final average salary or \$70 multiplied by total years of creditable service. Final average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average.

Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination.

The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees' Retirement System, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

City of St. Gabriel, Louisiana
Notes to Financial Statements
Exhibit A-9
June 30, 2007

Note 8-Pension and Retirement Plans (Continued)

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA(Continued)

Funding Policy - under Plan A, members are required by state statute to contribute 9.25% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 16.25% of annual covered payroll. Contributions to the System also include one-fourth of one percent of the ad valorem taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

The City's contribution to the System under Plan A for the year ended June 30, 2007 was \$127,812.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM

Plan Description - police department employees of the City are members of the Municipal Police Employees' Retirement System (System), a cost-sharing, multiple employer defined benefit pension plan administered by a separate board of trustees.

All permanent full-time police officers who are paid wholly or in part from City police department funds are required to participate in the System.

Under the plan, officers who retire at or after age 55 with at least 12 years of creditable service, or at or after age 50 with at least 20 years of creditable service, or any age with at least 25 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to three and one-third percent of their final average salary multiplied for each year of creditable service not to exceed 100% of salary. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employee's Retirement System, 7722 Office Park Boulevard, Suite 200, Baton Rouge, Louisiana 70809-7601 or by calling (225) 929-7411.

Funding Policy - under the Plan, members are required by state statute to contribute 7.5% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 15.5% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by state statute. As established by state statute, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

The City's contribution to the System under the Plan for the year ended June 30, 2007 was \$38,327.

FIREFIGHTERS' RETIREMENT SYSTEM

Plan Description - fire department employees of the City are members of the Firefighters' Retirement System (System), a state-wide cost sharing, multiple employer defined benefit pension plan administered by a separate board of trustees.

City of St. Gabriel, Louisiana
Notes to Financial Statements
Exhibit A-9
June 30, 2007

Note 8-Pension and Retirement Plans (Continued)

FIREFIGHTERS' RETIREMENT SYSTEM(Continued)

All permanent full-time fire department employees who are paid wholly or in part from the City's fire department are eligible to participate in the System.

Under the Plan, employees who retire at or after age 55 with at least 12 years of creditable service, or at or after age 50 with at least 20 years of creditable service, or any age with at least 25 years of creditable service, are entitled to a retirement benefit payable monthly for life equal to 3.0% of their final average compensation based on 36 consecutive months of highest pay multiplied for each year of creditable service not to exceed 100% of final salary. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Firefighters' Retirement System, Post Office Box 94095, Baton Rouge, Louisiana 70804-9095, or by calling (225) 925-4060.

Funding Policy - under the Plan, members are required by state statute to contribute 8.0% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 15.5% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by state statute.

As established by state statute, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

The City's contribution to the System under the Plan for the year ended June 30, 2007 was \$16,974.

Note 9-Interfund Transfers

Operating Transfers for the year ended June 30, 2007 were as follows:

<u>Governmental Activities</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General		
Sales tax	\$400,000	
Ad Valorem	12,940	
Ad valorem tax fund	220,000	
Sales and use tax - Parish-wide	475,000	
Sales and Use Tax Fund		
General fund		\$400,000
Road improvement	35,632	
Sewer fund		100,000
Sales and Use Tax Fund - Parish Wide		
General		475,000
Sewer fund		250,000
Ad Valorem - General	<u> </u>	<u>12,940</u>
(Continued - amounts carried forward)	1,143,572	1,237,940

City of St. Gabriel, Louisiana
Notes to Financial Statements
Exhibit A-9
June 30, 2007

Note 9-Interfund Transfers(Continued)

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental Activities</u>		
(Continued - amounts brought forward)	\$1,143,572	\$1,237,940
Ad Valorem Tax Fund #2		
Civic Center operating fund		435,000
Debt Service - roads		330,000
General		220,000
Sewer		425,000
Civic Center Operating Fund		
Ad Valorem Tax Fund #2	435,000	
Road Improvement		
Sales and Use Tax Fund		35,632
Debt Service Fund		
Ad Valorem Tax Fund #2	<u>330,000</u>	
<u>Total governmental activities</u>	<u>1,908,572</u>	<u>2,683,572</u>
<u>Business-type Activities</u>		
Sewer		
Sales tax	100,000	
Ad Valorem Tax Fund #2	425,000	
Sales and Use Tax Fund - Parish-wide	<u>250,000</u>	
<u>Total business-type activities</u>	<u>775,000</u>	
<u>Total primary government</u>	<u>2,683,572</u>	<u>2,683,572</u>

Note 10-Interfund Receivable and Payable Balances

Interfund balances at June 30, 2007 were as follows:

	<u>Receivable</u>	<u>Payable</u>
<u>Governmental Activities</u>		
General Fund		
Sewer Fund		\$6,358
Code Enforcement Grant Fund	30,133	
Sales and Use Tax Fund	140,000	
Code Enforcement Grant Fund		
General Fund		30,133
Sales and Use Tax Fund		
General Fund		140,000
Parish-wide Sales and Use Tax Fund		
Sewer	<u>370,000</u>	
<u>Total governmental activities</u>	<u>540,133</u>	<u>176,491</u>

City of St. Gabriel, Louisiana
Notes to Financial Statements
Exhibit A-9
June 30, 2007

Note 10-Interfund Receivable and Payable Balances (Continued)

<u>Business-type Activities</u>	<u>Receivable</u>	<u>Payable</u>
Sewer Fund		
General Fund	\$6,358	
Parish-wide Sales and Use Tax Fund	<u> </u>	\$370,000
<u>Total business-type activities</u>	<u>6,358</u>	<u>370,000</u>
<u>Total primary government</u>	<u>546,491</u>	<u>546,491</u>

Note 11-Compensation to Governing Body

The City's elected officials terms expire on June 30, 2007. The City compensated its Mayor and members of the City Council as follows:

Mayor George Grace	\$64,008
City Council	
Flora Danielfield	9,600
Freddie Frazier	9,600
Lionel Johnson	9,600
Andre Jones	9,600
Nyra Taylor	<u>9,600</u>
	<u>112,008</u>

Note 12-Commitments and Contingencies

Suits and Claims - various suits and claims arising in the ordinary course of operations are pending against the City. The majority of the cases are either covered by insurance or other defenses, however, the ultimate effect of such litigation cannot be ascertained at this time. It is the opinion of the City's management that the ultimate resolution of such litigation will not have a material effect on the financial position of the City.

Risk Management - the City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters for which the City carries commercial insurance. There were no major changes in insurance coverage from the prior year and settlements have not exceeded coverage in the past four years.

Grants - the City receives state and local grants for specific purposes that are subject to audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. It is the opinion of the City management that its compliance with the terms of grants will result in negligible, if any, disallowed costs.

Cash - The City typically maintains cash and temporary investments in local banks that may, at times, exceed the FDIC limits of \$100,000. Amounts in excess of the FDIC limits are required by law to be collateralized by securities pledged by the bank.

City of St. Gabriel, Louisiana
Notes to Financial Statements
Exhibit A-9
June 30, 2007

Note 13-New Accounting Pronouncement

GASB Statement No. 43, "Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans", and GASB Statement No. 45, "Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions", addresses accounting for other post-employment benefits. The City is required to adopt the statement for the year ended June 30, 2009. Management for the City has not yet addressed the impact of the adoption and whether it would have a material impact on the City's financial statements.

Note 14-Prior Period Adjustment

During 2007, the City discovered an error in the recording of 2006 transactions. The changes resulted in an increase in net assets on the balance sheet of the Government and Proprietary Funds and Net Assets on the government-wide basis. Changes to the balances are as follows:

	<u>Government-wide Governmental Activities</u>	
Net assets, beginning of year, as previously stated	\$3,397,077	
Increase to record 2006 sales tax receivable	<u>56,474</u>	
<u>Net assets, as restated</u>	<u>3,453,551</u>	
	<u>General Fund</u>	<u>Parish-wide Sales and Use Tax Fund</u>
Fund balance, beginning of year,		
Fund balance, beginning of year, as previously stated	\$760,190	\$103,765
Decrease to record short-term debt	(200,000)	
Increase to recorded 2006 sales tax receivable	<u> </u>	<u>56,474</u>
Fund balance, as restated	<u>560,190</u>	<u>160,239</u>

Required Supplementary Information

City of St. Gabriel, Louisiana
General Fund
Statement of Revenues, Expenditures, and Changes in Fund
Balance - Budget (GAAP Basis) and Actual
Exhibit B
Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (unfavorable)</u>
Revenues				
Taxes	\$940,000	\$890,000	\$894,642	\$4,642
Intergovernmental	320,000	785,000	879,341	94,341
Licenses and permits	175,000	175,000	169,257	(5,743)
Fines	170,000	100,000	116,583	16,583
Other	<u>50,200</u>	<u>118,200</u>	<u>183,963</u>	<u>65,763</u>
<u>Total revenues</u>	<u>1,655,200</u>	<u>2,068,200</u>	<u>2,243,786</u>	<u>175,586</u>
Expenditures				
General government	862,950	1,158,950	1,169,723	(10,773)
Public safety	919,300	907,300	918,296	(10,996)
Streets and sanitation	785,400	1,076,900	1,031,703	45,197
Economic development		250,000	250,160	(160)
Social and recreational services	198,100	196,100	267,036	(70,936)
Debt service	<u>91,000</u>	<u>153,000</u>	<u>202,988</u>	<u>(49,988)</u>
<u>Total expenditures</u>	<u>2,856,750</u>	<u>3,742,250</u>	<u>3,839,906</u>	<u>(97,656)</u>
Excess of expenditures over revenues	<u>(1,201,550)</u>	<u>(1,674,050)</u>	<u>(1,596,120)</u>	<u>77,930</u>
Other Financing Sources				
Proceeds from issuance of debt			64,898	64,898
Transfers In				
Sales and use tax fund	500,000	500,000	400,000	(100,000)
Ad valorem tax fund #2		8,962	12,940	3,978
Parish wide sales and use tax fund	475,000	475,000	475,000	
Ad valorem tax fund	<u>250,000</u>	<u>220,000</u>	<u>220,000</u>	
<u>Total other financing sources</u>	<u>1,225,000</u>	<u>1,203,962</u>	<u>1,172,838</u>	<u>(31,124)</u>
Excess (deficiency) of revenues and other financing sources over expenditures	<u>23,450</u>	<u>(470,088)</u>	<u>(423,282)</u>	<u>46,806</u>
Fund Balance				
Beginning of year, as previously reported			760,190	
Prior period adjustment			<u>(200,000)</u>	
Beginning of year, as restated			<u>560,190</u>	
End of year			<u>136,908</u>	

The accompanying notes (Exhibits A-9 and B-3) are an integral part of these financial statements.

City of St. Gabriel, Louisiana
Ad Valorem Tax Fund #2
Statement of Revenues, Expenditures, and Changes in Fund
Balance - Budget (GAAP Basis) and Actual
Exhibit B-1
Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (unfavorable)</u>
Revenues				
Taxes				
Ad valorem	<u>\$1,300,000</u>	<u>\$1,200,000</u>	<u>\$1,200,918</u>	<u>\$918</u>
Expenditures				
Economic development	30,000	30,000		30,000
Housing development	<u>35,000</u>	<u>35,000</u>	<u>16,000</u>	<u>19,000</u>
	<u>65,000</u>	<u>65,000</u>	<u>16,000</u>	<u>49,000</u>
Excess of revenues over expenditures	<u>1,235,000</u>	<u>1,135,000</u>	<u>1,184,918</u>	<u>49,918</u>
Other Financing Sources (Uses)				
Transfers				
General Fund				(8,962)
Civic Center operating fund	300,000	435,000	(435,000)	
General fund - streets	250,000	220,000	(220,000)	
Sewer	425,000	425,000	(425,000)	
Debt service - roads	<u>185,000</u>	<u>330,000</u>	<u>(330,000)</u>	
<u>Total other financing sources</u>	<u>1,160,000</u>	<u>1,410,000</u>	<u>(1,410,000)</u>	<u>(8,962)</u>
Excess (deficiency) of revenues over other financing sources	<u>75,000</u>	<u>(275,000)</u>	(225,082)	<u>40,956</u>
Fund Balance				
Beginning of year			<u>292,058</u>	
End of year			<u>66,976</u>	

The accompanying notes (Exhibits A-9 and B-3) are an integral part of these financial statements.

City of St. Gabriel, Louisiana
Civic Center Operating Fund
Statement of Revenues, Expenditures, and Changes in Fund
Balance - Budget (GAAP Basis) and Actual
Exhibit B-2
Year Ended June 30, 2007

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance -</u> <u>Favorable</u> <u>(unfavorable)</u>
Revenues				
Intergovernmental	\$275,000	\$275,000	\$282,529	\$7,529
Other	<u>45,000</u>	<u>10,000</u>	<u>8,094</u>	<u>(1,906)</u>
	320,000	285,000	290,623	5,623
Expenditures				
Social and recreational services	<u>628,644</u>	<u>750,144</u>	<u>765,717</u>	<u>(15,573)</u>
Excess (deficiency) of revenues over expenditures	(308,644)	(465,144)	(475,094)	(9,950)
Other Financing Sources				
Transfers in	<u>300,000</u>	<u>435,000</u>	<u>435,000</u>	_____
Excess (deficiency) of revenues over expenditures and other financing sources	<u>(8,644)</u>	<u>(30,144)</u>	(40,094)	<u>(9,950)</u>
Fund Balance				
Beginning of year			<u>157,025</u>	
End of year			<u>116,931</u>	

The accompanying notes (Exhibits A-9 and B-3) are an integral part of these financial statements.

City of St. Gabriel, Louisiana
Parish-Wide Sales and Use Tax Fund
Statement of Revenues, Expenditures, and Changes in Fund
Balance - Budget (GAAP Basis) and Actual
Exhibit B-3
Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (unfavorable)</u>
Revenues				
Taxes				
Sales and Use Tax Fund	<u>\$750,000</u>	<u>\$1,000,000</u>	<u>\$1,232,889</u>	<u>\$232,889</u>
Other Financing Sources				
Transfers				
General Fund	475,000	475,000	475,000	
Sewer Fund	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	
	<u>725,000</u>	<u>725,000</u>	<u>725,000</u>	
Excess of revenues over other financing uses	<u>25,000</u>	<u>275,000</u>	<u>507,889</u>	<u>232,889</u>
Fund Balance				
Beginning of year, as previously reported			103,765	
Prior period adjustment			<u>56,474</u>	
Beginning of year, as restated			<u>160,239</u>	
End of year			<u>668,128</u>	

The accompanying notes (Exhibits A-9 and B-3) are an integral part of these financial statements.

City of St. Gabriel, Louisiana
Code Enforcement Grant Fund
Statement of Revenues, Expenditures and Changes in Fund
Balance - Budget (GAAP Basis) and Actual
Exhibit B-4
Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (unfavorable)</u>
Revenues				
Intergovernmental	\$395,069	\$395,069	\$131,659	(\$263,410)
Expenditures				
General government	<u>225,039</u>	<u>225,039</u>	<u>131,659</u>	<u>93,380</u>
Excess of revenues over expenditures	<u>170,030</u>	<u>170,030</u>	_____	<u>(170,030)</u>
Other Financing Sources				
Proceeds from issuance of debt		_____	_____	_____
Excess of other financing sources over expenditures		<u>170,030</u>		<u>(170,030)</u>
Fund Balance				
Beginning of year			_____	
End of year			=====	

City of St. Gabriel, Louisiana
Notes to Required Supplementary Information
Exhibit B-5
June 30, 2007

Note 1-Budgets

A. Budget Policy and Budgetary Accounting

A proposed budget is prepared and submitted by the Mayor to the City Council prior to the beginning of each fiscal year. A budget summary and notice of a public hearing is published with the public hearing being conducted prior to the commencement of the budget year.

The annual operating budget, prepared on the accrual basis, covers the general, special revenue, debt service and enterprise funds. At the end of the fiscal year, unexpended appropriations automatically lapse. Budget amendments are approved by the City Council and are included in the financial statements.

In connection with budget preparation, a portion of the unreserved fund balance of an individual fund may be designated for expenditures of the subsequent year. Such designation represents the extent to which the fund balance is used to balance the subsequent year's operating budget of that fund, as reflected in the legally adopted budget.

B. Basis of Accounting

All of the City's budgets are prepared on the accrual basis of accounting, which is described in Note 1 to the City's financial statements for the year ended June 30, 2007.

C. Excess of Expenditures Over Appropriations

The City's actual expenditures for general government, streets and sanitation, public safety, and social and recreational activities exceeded budgeted appropriations by approximately \$1,009,893. Such amounts were funded by proceeds from the issuance of debt during 2007.

The accompanying notes (Exhibits A-9 and B-3) are an integral part of these financial statements.

City of St. Gabriel, Louisiana
 General Fund
 Statement of Revenues - Budget (GAAP Basis) and Actual
 Exhibit C
 Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (unfavorable)</u>
Revenues				
Taxes				
Ad valorem	\$900,000	\$850,000	\$849,598	(\$402)
Telephone	28,000	28,000	31,736	3,736
Cable television	12,000	12,000	13,308	1,308
Licenses and permits	175,000	175,000	169,257	(5,743)
Intergovernmental				
State of Louisiana	20,000	185,000	184,340	(660)
Federal		300,000	318,192	18,192
Video draw poker	275,000	275,000	357,951	82,951
Contract services	25,000	25,000	18,858	(6,142)
Fines	170,000	100,000	116,583	16,583
Other				
Interest	7,200	7,200	48,648	41,448
Miscellaneous	<u>43,000</u>	<u>111,000</u>	<u>135,315</u>	<u>24,315</u>
<u>Total revenues</u>	<u>1,655,200</u>	<u>2,068,200</u>	<u>2,243,786</u>	<u>175,586</u>

The accompanying notes (Exhibits A-9 and B-3) are an integral part of these financial statements.

City of St. Gabriel, Louisiana
General Fund
Statement of Departmental Expenditures - Budget (GAAP Basis) and Actual
Exhibit C-1
Year Ended June 30, 2007

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance - Favorable <u>(unfavorable)</u>
General Government				
Salaries	\$253,000	\$323,000	\$320,181	\$2,819
Payroll taxes	9,000	13,000	12,036	964
Municipal retirement	37,000	40,000	40,773	(773)
Travel	12,000	12,000	3,163	8,837
Fixed asset acquisitions	10,000	110,000	86,209	23,791
Accounting	90,000	155,000	149,270	5,730
Dues and subscriptions	7,000	11,000	12,908	(1,908)
Consultants	40,000	15,000	11,590	3,410
Contract labor	10,000	40,000	37,987	2,013
Insurance	140,700	150,700	175,463	(24,763)
Legal	75,000	75,000	78,219	(3,219)
Building maintenance	13,000	23,000	28,074	(5,074)
Vehicle fuel	7,500	7,500	21,106	(13,606)
Office supplies	17,000	25,000	36,606	(11,606)
Vehicle maintenance	12,000	16,000	14,754	1,246
Publishing	2,250	2,250	2,327	(77)
Telephone	30,000	30,000	28,894	1,106
Utilities	62,000	62,000	70,264	(8,264)
Other	<u>35,500</u>	<u>48,500</u>	<u>39,899</u>	<u>8,601</u>
<u>Total general government</u>	<u>862,950</u>	<u>1,158,950</u>	<u>1,169,723</u>	<u>(10,773)</u>
Streets and Sanitation				
Salaries	426,900	436,900	431,356	5,544
Payroll taxes	15,000	27,500	29,378	(1,878)
Municipal retirement	66,000	46,000	33,359	12,641
Fixed asset acquisitions	15,000	65,000	26,337	38,663
Insurance	99,500	78,500	77,480	1,020
Contract labor		201,000	213,261	(12,261)
Equipment maintenance	50,000	70,000	71,732	(1,732)
Street and building maintenance	19,500	47,000	54,321	(7,321)
Utilities	1,500	3,000	3,879	(879)
Vehicle fuel	37,000	37,000	33,971	3,029
Equipment rental	40,000	15,000	17,092	(2,092)
Supplies	10,000	30,000	23,472	6,528
Other	<u>5,000</u>	<u>20,000</u>	<u>16,065</u>	<u>3,935</u>
<u>Total streets and sanitation</u>	<u>785,400</u>	<u>1,076,900</u>	<u>1,031,703</u>	<u>45,197</u>

(Continued)

The accompanying notes (Exhibits A-9 and B-3) are an integral part of these financial statements.

City of St. Gabriel, Louisiana
 General Fund
 Statement of Departmental Expenditures - Budget (GAAP Basis) and Actual
 Exhibit C-1
 Year Ended June 30, 2007

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (unfavorable)</u>
Public Safety				
Police				
Salaries	\$440,000	\$440,000	\$439,441	\$559
Payroll taxes	18,500	19,500	20,525	(1,025)
Municipal and police retirement	69,000	49,000	42,286	6,714
Insurance	73,000	72,500	94,320	(21,820)
Fixed asset acquisitions	10,000	5,000	8,404	(3,404)
Travel	1,000	1,000	783	217
Clothing	1,500	1,500	3,269	(1,769)
Training	1,500	4,000	3,513	487
Office supplies	6,000	4,000		4,000
Telephone	8,000	11,000	10,720	280
Vehicle fuel	38,000	36,000	36,351	(351)
Vehicle maintenance	12,500	27,500	27,218	282
Equipment maintenance	2,500	2,500	232	2,268
Field supplies	6,000	3,000	178	2,822
Printing	1,000	1,000		1,000
Other	<u>15,000</u>	<u>19,500</u>	<u>27,661</u>	<u>(8,161)</u>
<u>Total police</u>	<u>703,500</u>	<u>697,000</u>	<u>714,901</u>	<u>(17,901)</u>
Fire				
Salaries	150,000	150,000	144,648	5,352
Payroll taxes	5,000	5,000	6,069	(1,069)
Firefighters retirement	28,000	28,000	16,974	11,026
Insurance	21,000	21,000	22,470	(1,470)
Fixed asset acquisitions	6,000			
Other	<u>5,800</u>	<u>6,300</u>	<u>13,234</u>	<u>(6,934)</u>
<u>Total fire</u>	<u>215,800</u>	<u>210,300</u>	<u>203,395</u>	<u>6,905</u>
<u>Total public safety</u>	<u>919,300</u>	<u>907,300</u>	<u>918,296</u>	<u>(10,996)</u>
Economic Development	<u> </u>	<u>250,000</u>	<u>250,160</u>	<u>(160)</u>

(Continued)

The accompanying notes (Exhibits A-9 and B-3) are an integral part of these financial statements.

City of St. Gabriel, Louisiana
 General Fund
 Statement of Departmental Expenditures - Budget (GAAP Basis) and Actual
 Exhibit C-1
 Year Ended June 30, 2007

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (unfavorable)</u>
Social and Recreational Services				
Social Services and Recreation				
Salaries	\$69,300	\$36,300	\$37,215	(\$915)
Payroll taxes	2,750	1,750	757	993
Municipal retirement	8,100	6,100	6,048	52
Insurance	12,800	12,800	12,105	695
Vehicle	4,400	4,400	2,528	1,872
Supplies	1,800	1,800	2,053	(253)
Contract labor	300	300	4,308	(4,008)
Other	<u>250</u>	<u>250</u>	<u>287</u>	<u>(37)</u>
<u>Total social services and recreation</u>	<u>99,700</u>	<u>63,700</u>	<u>65,301</u>	<u>(1,601)</u>
Senior Center				
Salaries	59,600	90,600	90,369	231
Payroll taxes	3,000	6,000	5,290	710
Municipal retirement	9,000	9,000	6,825	2,175
Insurance	4,200	4,200	7,036	(2,836)
Vehicle	2,700	2,700	1,602	1,098
Supplies	900	900	240	660
Contract labor			160	(160)
Fixed asset acquisition			64,897	(64,897)
Other	<u>500</u>	<u>500</u>	<u>684</u>	<u>(184)</u>
<u>Total senior center</u>	<u>79,900</u>	<u>113,900</u>	<u>177,103</u>	<u>(63,203)</u>
Youth Camp				
Other	<u>18,500</u>	<u>18,500</u>	<u>24,632</u>	<u>(6,132)</u>
<u>Total social and recreational services</u>	<u>198,100</u>	<u>196,100</u>	<u>267,036</u>	<u>(70,936)</u>
Debt Service	<u>91,000</u>	<u>153,000</u>	<u>202,988</u>	<u>(49,988)</u>
<u>Total general fund expenditures</u>	<u>2,856,750</u>	<u>3,742,250</u>	<u>3,839,906</u>	<u>(97,656)</u>

The accompanying notes (Exhibits A-9 and B-3) are an integral part of these financial statements.

City of St. Gabriel, Louisiana
 Nonmajor Governmental Funds
 Combining Balance Sheet
 Exhibit D
 June 30, 2007

	Sales and Use Tax Fund	Ad Valorem Tax Fund	Civic Center Capital Project Fund	Recreational Parks Capital Project Fund	Sidewalks Improvement Capital Project Fund	Road Improvement Capital Project Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Assets								
Cash and cash equivalents	\$172,848		\$14,757	\$74,891	\$180		\$14,406	\$277,082
Due from other governments	<u>85,772</u>		—	—	—		—	<u>85,772</u>
Total assets	<u>258,620</u>		<u>14,757</u>	<u>74,891</u>	<u>180</u>		<u>14,406</u>	<u>362,854</u>
Liabilities								
Accounts payable			6,898					6,898
Due to other funds	140,000							140,000
Deferred revenue	—		14,457	—	—		—	<u>14,457</u>
Total liabilities	<u>140,000</u>		<u>21,355</u>	—	—		—	<u>161,355</u>
Fund Balance								
Undesignated	<u>118,620</u>		<u>(6,598)</u>	<u>74,891</u>	<u>180</u>		<u>14,406</u>	<u>201,499</u>
Total fund balance	<u>118,620</u>		<u>(6,598)</u>	<u>74,891</u>	<u>180</u>		<u>14,406</u>	<u>201,499</u>
Total liabilities and fund balance	<u>258,620</u>		<u>14,757</u>	<u>74,891</u>	<u>180</u>		<u>14,406</u>	<u>362,854</u>

The accompanying notes (Exhibits A-9 and B-3) are an integral part of these financial statements.

City of St. Gabriel, Louisiana
 Non-Major Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Exhibit D-1
 Year Ended June 30, 2007

	Sales and Use Tax Fund	Ad Valorem Tax Fund	Civic Center Capital Project Fund	Recreational Parks Capital Projects Fund	Sidewalks Improvement Capital Projects Fund	Road Improvement Capital Project Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues								
Taxes	\$497,608	\$7,978						\$505,586
Other						\$10		10
<u>Total revenues</u>	<u>497,608</u>	<u>7,978</u>				<u>10</u>		<u>505,596</u>
Expenditures								
Debt service							\$321,715	321,715
Capital project			\$8,252	\$26,516		80		34,848
<u>Total expenditures</u>			<u>8,252</u>	<u>26,516</u>		<u>80</u>	<u>321,715</u>	<u>356,563</u>
Excess (deficiency) of revenues over expenditures	<u>497,608</u>	<u>7,978</u>	<u>(8,252)</u>	<u>(26,516)</u>		<u>(70)</u>	<u>(321,715)</u>	<u>149,033</u>
Other Financing Sources (Uses)								
Operating transfers In	35,632						330,000	365,632
Operating transfers out	(500,000)	(12,940)				(35,632)		(548,572)
<u>Total other financing sources (uses)</u>	<u>(464,368)</u>	<u>(12,940)</u>				<u>(35,632)</u>	<u>330,000</u>	<u>(182,940)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>33,240</u>	<u>(4,962)</u>	<u>(8,252)</u>	<u>(26,516)</u>		<u>(35,702)</u>	<u>8,285</u>	<u>(33,907)</u>
Fund Balance								
Beginning of year, as restated	<u>85,380</u>	<u>4,962</u>	<u>1,654</u>	<u>101,407</u>	<u>\$180</u>	<u>35,702</u>	<u>6,121</u>	<u>235,406</u>
End of year	<u>118,620</u>	<u>-</u>	<u>(6,598)</u>	<u>74,891</u>	<u>180</u>	<u>-</u>	<u>14,406</u>	<u>201,499</u>

The accompanying notes (Exhibits A-9 and B-3) are an integral part of these financial statements.

City of St. Gabriel, Louisiana
Sales and Use Tax Fund
Statement of Revenues, Expenditures and Changes in Fund
Balance - Budget (GAAP Basis) and Actual
Exhibit D-2
Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (unfavorable)</u>
Revenues				
Taxes				
Sales and use tax	<u>\$600,000</u>	<u>\$600,000</u>	<u>\$497,608</u>	<u>(\$102,392)</u>
Other Financing Sources (Uses)				
Transfers				
General Fund	500,000	(500,000)	(400,000)	100,000
Road Improvement Capital Fund	36,406	(35,702)	35,632	71,334
Sewer Fund	<u>100,000</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u> </u>
<u>Total other financing sources (uses)</u>	<u>636,406</u>	<u>(635,702)</u>	<u>(464,368)</u>	<u>171,334</u>
Excess (deficiency) of revenues over other financing sources (uses)	<u>(36,406)</u>	<u>(35,702)</u>	33,240	<u>68,942</u>
Fund Balance				
Beginning of year			<u>85,380</u>	
End of year			<u>118,620</u>	

The accompanying notes (Exhibits A-9 and B-3) are an integral part of these financial statements.

City of St. Gabriel, Louisiana
 Ad Valorem Tax Fund
 Statement of Revenues, Expenditures and Changes in Fund
 Balance - Budget (GAAP Basis) and Actual
 Exhibit D-3
 Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (unfavorable)</u>
Revenues				
Taxes				
Ad valorem		\$4,000	\$7,978	\$3,978
Other Financing Uses				
Transfers out				
General Fund		<u>8,962</u>	<u>(12,940)</u>	<u>(3,978)</u>
Excess (deficiency) of other financing uses over revenues		<u>(4,962)</u>	<u>(4,962)</u>	<u>---</u>
Fund Balance				
Beginning of year			<u>4,962</u>	
End of year			<u>---</u>	

The accompanying notes (Exhibits A-9 and B-3) are an integral part of these financial statements.

City of St. Gabriel, Louisiana
 Civic Center Capital Project Fund
 Statement of Revenues, Expenditures and Changes in Fund
 Balance - Budget (GAAP Basis) and Actual
 Exhibit D-4
 Year Ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (unfavorable)</u>
Revenues			
Capital project		\$ -	\$ -
Expenditures			
Capital outlay		6,898	6,898
Other		<u>1,354</u>	<u>1,354</u>
		<u>8,252</u>	<u>8,252</u>
Excess of expenditures over revenues		(8,252)	<u>(8,252)</u>
Fund Balance			
Beginning of year		<u>1,654</u>	
End of year		<u>(6,598)</u>	

The accompanying notes (Exhibits A-9 and B-3) are an integral part of these financial statements.

City of St. Gabriel, Louisiana
 Recreational Parks Capital Projects Fund
 Statement of Revenues, Expenditures and Changes in Fund
 Balance - Budget (GAAP Basis) and Actual
 Exhibit D-5
 Year Ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (unfavorable)</u>
Expenditures			
Capital Project			
Capital outlay		\$26,516	(\$26,516)
Excess of revenues over expenditures		(26,516)	<u>(26,516)</u>
Fund Balance			
Beginning of year		<u>101,407</u>	
End of year		<u>74,891</u>	

The accompanying notes (Exhibits A-9 and B-3) are an integral part of these financial statements.

City of St. Gabriel, Louisiana
Sidewalks Improvement Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund
Balance - Budget (GAAP Basis) and Actual
Exhibit D-6
Year Ended June 30, 2007

	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance -</u> <u>Favorable</u> <u>(unfavorable)</u>
Revenues			
Grant revenue	\$ --	\$ --	\$ --
Expenditures			
Capital Project			
Capital outlay	_____	_____	_____
Excess (deficiency) of revenues over expenditures	_____		_____
Fund Balance			
Beginning of year		_____180	
End of year		_____180	

The accompanying notes (Exhibits A-9 and B-3) are an integral part of these financial statements.

City of St. Gabriel, Louisiana
Road Improvement Capital Project Fund
Statement of Revenues, Expenditures and Changes in Fund
Balance - Budget (GAAP Basis) and Actual
Exhibit D-7
Year Ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (unfavorable)</u>
Revenues			
Interest		\$10	\$10
Expenditures			
Capital Project			
Capital outlay		<u>80</u>	<u>(80)</u>
Excess of expenditures over revenues		(70)	(70)
Other Financing Sources			
Transfers in			
Transfers out		<u>(35,632)</u>	—
Excess of expenditures and other financing sources over revenues		(35,702)	<u>(70)</u>
Fund Balance			
Beginning of year		<u>35,702</u>	
End of year		<u>—</u>	

The accompanying notes (Exhibits A-9 and B-3) are an integral part of these financial statements.

City of St. Gabriel, Louisiana
Debt Service Fund
Statement of Revenues, Expenditures and Changes in Fund
Balance - Budget (GAAP Basis) and Actual
Exhibit D-8
Year Ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (unfavorable)</u>
Expenditures			
Debt service			
Principal	\$295,250	\$277,250	\$18,000
Debt service	<u>27,062</u>	<u>44,465</u>	<u>(17,403)</u>
<u>Total expenditures</u>	322,312	321,715	597
Other Financing Sources			
Transfers in - ad valorem #2	<u>330,000</u>	<u>330,000</u>	_____
Excess of other financing sources over expenditures	<u>7,688</u>	8,285	<u>597</u>
Fund Balance			
Beginning of year		<u>6,121</u>	
End of year		<u>14,406</u>	

The accompanying notes (Exhibits A-9 and B-3) are an integral part of these financial statements.

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

J. CHARLES PARKER, C.P.A.
LOUIS D. McKNIGHT, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.



CERTIFIED PUBLIC ACCOUNTANTS

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December 28, 2007

**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 Mayor and
Members of the City Council
City of St. Gabriel, Louisiana 70776

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Gabriel, Louisiana as of and for the year ended June 30, 2007, which collectively comprise the City of St. Gabriel, Louisiana's basic financial statements and have issued our report thereon dated December 28, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of St. Gabriel Louisiana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of St. Gabriel's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of St. Gabriel'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, and report financial data

in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of finding and questioned costs as items 2007-1 through 2007-4 and 2007-6 through 2007-10 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

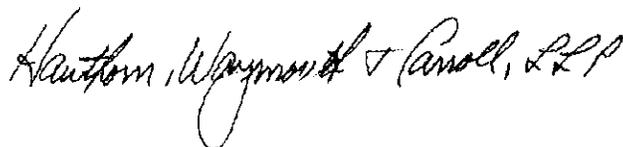
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of St. Gabriel's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as findings 2007-5, 2007-11 and 2007-12.

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

Yours truly,



**City of St. Gabriel, Louisiana
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007**

Reportable Conditions:

2007-1 Segregation of Duties

Observation: There is not sufficient segregation of duties to have effective internal control. The finding results from the small size of the City that is served by a limited accounting system. These limitations allow no opportunity for meaningful segregation of duties. This is a prior year finding.

Recommendation: The City uses an independent CPA firm to assist their accounting department. We recommend that duties be assigned between the CPA firm and the City personnel so that internal controls will be enhanced.

Management's Response: The City assigns tasks to staff members to mitigate the risks associated with the preparation of interim financial statements.

The City restructured the Finance department during 2006, which included utilization of its CPA firm to perform a variety of accounting functions. In particular, the City utilizes its CPA firm to perform the following functions:

- Prepare employee payroll on a bi-weekly basis,
- Reconcile cash accounts monthly,
- Prepare interim financial statements and annual operating budgets,
- Prepare weekly cash position reports.

The City's finance staff receives and prepares all daily cash deposits and administers accounts payable and related vendor cash disbursements.

The City feels that this process has helped enhance its internal controls, since new internal control functions were added or enhanced. Furthermore, the City plans to implement the following functions during 2008 to create a segregation of duties and further enhancement of internal control:

- Implement an internal audit function, as follows:
 - To review cash disbursements for record retention and state law compliance, particularly public bid laws,
 - Review accounts payable data input for accuracy and elimination of double posting and/or payment,
 - To periodically review fixed asset management efforts;
- Assist with the implementation of an automated purchase order system,
- Conduct monthly reconciliation of traffic tickets issued and collected by the City's Police Department.

2007-2 Increase Usage of Purchase Order System

Observation: While the City maintains a purchase order system, City employees with purchasing responsibilities do not adhere to the established policy. This is a prior year finding.

Recommendation: The City should establish a uniform written policy for the use of a purchase order system. All employees having purchasing responsibilities should be educated on the new policy and be required to adhere to the policy.

City of St. Gabriel, Louisiana
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Reportable Conditions (Continued)

Management's Response: The City's departmental heads are assigned responsibility for purchasing, to include execution of purchase orders. However, the City relies heavily on the approval process used when disbursements are made. In particular, the Mayor approves all expenditures prior to the disbursement being made, which the City believes operates effectively.

The City adopted a purchasing policy manual during 2007, but implementation has not been executed to the satisfaction of management of the City. Furthermore, the City purchased software in late 2007 to automate the purchase order process. As a result of these actions, the City anticipates addressing this issue in 2008.

2007-3 Improve Collections of Receivables

Observation: Significant amounts of sewer fees have not been collected. This is a prior year finding.

Recommendation: We recommend the following: (1) Continuance of legal action against customers that have delinquent accounts; (2) Pursue negotiation with Iberville Parish to allow for the disconnection of water service for delinquent accounts.

Management's Response: The Mayor of the City has been diligent with efforts associated with collecting fees for providing sewer services. The internal efforts of the City have not produced the results desired, which is the ultimate collection of receivables outstanding. In any event, the City has initiated the following steps:

1. Delinquent sewer users have been assigned to the City attorney who is pursuing this matter for the City. At this point, liens have been placed on the customer's property for delinquent bills. On the other hand, the City's goal is the collection of the sewer fee which has not been forthcoming. The City intends to vigorously pursue this matter until an adequate resolution is achieved.
2. The City has requested assistance from the Parish of Iberville's Water District serving the east side of the parish. At this point, an agreement was recently reached for cut-off of residential water service by the Water District for unpaid City sewer services. The City hopes that this new procedure currently being implemented will result in the collection of delinquent receivables.

In any event, the City is continuing to pursue any and all means necessary for potential improvements to collections of receivables.

On the other hand, in October, 2007, the Mayor submitted a delinquent list to the City Council for water cut-off approval. The request was tabled by the Council as a further review of the matter was requested by the City Council.

2007-4 Traffic Ticket Receipts

Observation: The Police Department receives money in the form of cash, cashier's checks and money orders. There is no reconciliation between payments received and ticket activity. This is a prior year finding.

City of St. Gabriel, Louisiana
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Reportable Conditions (Continued)

Recommendation: Collections should be a function of the finance department of the City. We suggest the collection be transferred to the finance department of the City. We also recommend a monthly reconciliation be made between payments received and tickets cleared.

Management's Response: The City is satisfied with the current system. However, see 2007-1. During 2008, the City anticipates implementing a monthly procedure to reconcile the tickets cleared to deposits made. Furthermore, the City anticipates implementing software during 2008 that is capable of performing an accounting of the entire ticket issuance process and will allow the City to efficiently reconcile ticket receipts. The City anticipates resolving this matter in 2007.

2007-5 Public Bid Law

Observation: According to the Louisiana Public Bid Law, the City is required to obtain and document at least three telephone or facsimile quotes for purchases in excess of \$10,000 and a public advertisement must be made for purchases in excess of \$20,000. On three occasions, the City purchased assets which cost more than \$10,000 for which no quotes were obtained. Two of the assets cost more than \$20,000 and no public advertisement was made as required. This is a prior year finding.

Recommendation: The City should comply with the Louisiana Public Bid Law concerning purchases.

Management's Response: The City will enhance its purchasing procedures to identify items being purchased in excess of \$10,000, so that a public bid determination can be made. Personnel with purchasing authority have been notified regarding the above instances so that future occurrences, such as these, can be avoided. Furthermore, the City's purchasing policy that was adopted in 2007 clearly defined the procedures necessary to adhere to the public bid law.

2007-6 Payroll Records

Observation: We found nineteen (19) personnel files had not been updated to reflect their new rates. There were four (4) instances where the hours on the time sheets did not equal the hours that were paid to the employee. There were three (3) instances where the employee's time sheets were not approved.

Recommendation: Personnel files should be updated to reflect current rates. Hours on time sheets should be reviewed to match hours paid. Time sheets should be approved.

Management's Response: The City's employee pay rates are approved each year during the process of preparing and adopting the annual operating budget. As a result, pay rates are approved prior to the start of the City's fiscal year.

On the other hand, City personnel responsible for maintaining employee personnel files have been made aware of the matters disclosed. As a result, the employee files will be updated as necessary.

Furthermore, time sheet discrepancies have been reviewed with the City personnel responsible for time accumulation and such instances are not expected to occur in the future.

City of St. Gabriel, Louisiana
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Reportable Conditions (Continued)

2007-7 Ad Valorem Taxes

Observation: Details relating to ad valorem tax payments received by the City were not being attached to deposits making it impossible to identify who has made payments for ad valorem taxes and who still owes. The City has a software package that is designed to handle ad valorem taxes, but it is not being utilized correctly, resulting in incomplete and inaccurate data.

Recommendation: The City should utilize the software package to keep up with payments made for ad valorem taxes.

Management's Response: The City exhausted considerable amount of time and resources addressing this matter during 2007. The City has taken the following corrective action as a result of this matter:

1. The City was provided with a report from its external CPA firm detailing observations and recommendations. The taxpayer information assembled was provided to the City's legal counsel for appropriate action. Such action included:
 - Development of an unpaid taxpayer list that was reasonable and based on the information available.
 - Notification of these identified taxpayers as required by law.
 - Conducted a tax sale in December 2007 for remaining unpaid taxes.
 - Continued efforts with the taxpayers identified so that property taxes are remitted.
2. The City purchased software designed for the administration of tax billing and collection accounting. Furthermore, the City terminated the previous tax collector and assigned these responsibilities to the City Clerk. The City Clerk is responsible for tax administration, including accounting for 2007 property tax billings and related collections.
3. In March 2008, the City will review the results of 2007 tax billing and related collections with the Mayor and City Council. A detailed report will be provided that will include delinquent taxpayers.
4. The City will monitor 2007 tax administration closely during the next few months so that a similar situation is not experienced.

2007-8 Occupational Licenses

Observation: The City is not maintaining an occupational license log. As a result, payments cannot be traced from the license log to the actual license. Without a log, the City is unable to identify which licenses are delinquent. This is a prior year finding.

Recommendation: The City should follow its policy for collection of occupational licenses.

Management Response: The City has customarily prepared an occupational license log detailing all information recommended by the auditors. However, the City tax collection was responsible for the execution of this task was on leave from February through August 2007 (See Finding 2007-7). As a result, the individual performing this task was not aware of the requirement.

The City will prepare the log during 2008 and pursue any delinquent licenses.

City of St. Gabriel, Louisiana
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Reportable Conditions (Continued)

2007-9 Accounts Payable and Disbursements

Observation: We noted several invoices that were entered into the accounts payable system twice. The system is not being utilized to prevent duplicate payments. Several disbursements did not have proper documentation.

Recommendation: Accounts payable should be entered only from invoices and they should be stamped and dated at the time of entry. Invoices should be entered separately and not grouped. Once an invoice is paid, it should be stamped "Paid" with a date indicating when it was paid. All invoices should be available for inspection. Individual receipts for purchase receipts should be attached to credit card statements.

Management's Response: The City hired an accountant in November 2007 that will be responsible for maintaining disbursement documentation. Additionally, the accountant will implement procedures to monitor invoice data input to identify duplication. Additionally, cash disbursements will be monitored to eliminate any duplicate payments. Finally, the City has either received credit for duplicate payments identified to vendors or is seeking refunds for any remaining amounts.

2007-10 Advances of Funds to Employees

Observation: The City loaned funds to employees by advancing sick and vacation pay. The City also paid an employee's electric bill. According to Louisiana Constitution, Article 7, Section 14, funds of the City shall not be loaned to an individual person.

Recommendation: The City should make no advances to employees.

Management's Response: The City will begin monitoring leave balances on a monthly basis so that similar instances are avoided. Furthermore, the City reviewed leave balances as of December 2007 and the required adjustments are being made.

2007-11 Noncompliance with Bond Covenants

Observation: The City is not in compliance with the bond covenants requiring monthly deposits to be made into the Sinking Fund, Reserve Fund, and Contingency Fund from Net Revenues, no later than the 20th day of each month. The payments were being made directly from Net Revenues to the USDA and were not being processed through the required Funds.

Recommendation: We recommend that the City adhere to all of the bond covenants set forth in the bond resolutions.

Management's Response: The City will review this matter during 2008 for further action.

City of St. Gabriel, Louisiana
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Reportable Conditions (Continued)

2007-12 Pledged Securities

Observation: L.R.S. 49:321 requires that funds shall not exceed at any time the amount insured by the Federal Deposit Insurance Corporation in any one banking institution or any one savings and loan association unless the uninsured portion is collateralized by the pledge of securities. At June 30, 2007, the City had \$34,313 of cash balances in excess of FDIC insurance with one banking institution.

Recommendation: We recommend the City monitor their cash balances, and ensure that adequate coverage is maintained through the use of pledged securities when amounts exceed the FDIC insurance.

Management's Response: The City has contracted the financial institution where the funds are maintained for appropriate action. The City has instructed the bank to increase the level of pledged security so that bank balances are appropriately secured. The City will reconcile the pledge report periodically to maintain sufficient pledged amounts.

**City of St. Gabriel, Louisiana
Summary of Prior Year Findings
Year Ended June 30, 2007**

Reportable Conditions:

2006-1 Segregation of Duties

Observation: There is not sufficient segregation of duties to have effective internal control. The finding results from the small size of the City that is served by a limited accounting system. These limitations allow no opportunity for meaningful segregation of duties. This is a prior year finding.

Recommendation: The City uses an independent CPA firm to assist their accounting department. We recommend that duties be assigned between the CPA firm and the City personnel so that internal controls will be enhanced.

Management's Response: The City assigns tasks to staff members to mitigate the risks associated with the preparation of interim financial statements. However, during 2006, the City's finance director resigned. As a result, the City experienced turnover in this key position through the first half of its fiscal year.

The City restructured the Finance department during 2006, which included utilization of its CPA firm to perform a variety of accounting functions. In particular, the City utilizes its CPA firm to perform the following functions:

- Prepare employee payroll on a bi-weekly basis,
- Reconcile cash accounts monthly,
- Prepare interim financial statements and annual operating budgets,
- Prepare weekly cash position reports.

The City's finance staff receives and prepares all daily cash deposits and administers accounts payable and related vendor cash disbursements.

The City feels that this process has helped enhance its internal controls, since new internal control functions were added or enhanced. Furthermore, the City is considering implementing the following functions during 2007 to create a segregation of duties and further enhancement of internal control:

- Implement an internal audit function, as follows:
 - To review cash disbursements for record retention and state law compliance, particularly public bid laws,
 - Review accounts payable data input for accuracy and elimination of double posting and/or payment,
 - To periodically review fixed asset management efforts;
- Assist with the implementation of an automated purchase order system,
- Assist with the revision of the City's policy manual,
- Conduct monthly reconciliation of traffic tickets issued and collected by the City's Police Department.

Resolution: This finding repeats as current year finding 2007-1.

2006-2 Increase Usage of Purchase Order System

Observation: While the City maintains a purchase order system, City employees with purchasing responsibilities do not adhere to the established policy. This is a prior year finding.

**City of St. Gabriel, Louisiana
Summary of Prior Year Findings
Year Ended June 30, 2007**

Reportable Conditions (Continued)

Recommendation: The City should establish a uniform written policy for the use of a purchase order system. All employees having purchasing responsibilities should be educated on the new policy and required to adhere to the policy.

Management's Response: The City's departmental heads are assigned responsibility for purchasing, to include execution of purchase orders. However, the City relies heavily on the approval process used when disbursements are made. In particular, the Mayor approves all expenditures prior to the disbursement being made, which the City believes operates effectively.

On the other hand, the City plans to initiate improvements to the purchase order system, by assigning purchasing responsibility to the department manager with the City finance director serving in a supervisory role. Finally, the City is reviewing computer software to automate this function.

Resolution: This finding repeats as current year finding 2007-2.

2006-3 Improve Collections of Receivables

Observation: Significant amounts of sewer fees have not been collected. This is a prior year finding.

Recommendation: We recommend the following: (1) Continuance of legal action against customers that have delinquent accounts; (2) Pursue negotiation with Iberville Parish to allow for the disconnection of water service for delinquent accounts.

Management's Response: The Mayor of the City has been diligent with efforts associated with collecting fees for providing sewer services. The internal efforts of the City have not produced the results desired, which is the ultimate collection of receivables outstanding. In any event, the City has initiated the following steps:

1. Delinquent sewer users have been assigned to the City attorney who is pursuing this matter for the City. At this point, liens have been placed on the customer's property for delinquent bills. On the other hand, the City's goal is the collection of the sewer fee which has not been forthcoming. The City intends to vigorously pursue this matter until an adequate resolution is achieved.
2. The City has requested assistance from the Parish of Iberville's Water District serving the east side of the parish. At this point, an agreement was recently reached for cut-off of residential water service by the Water District for unpaid City sewer services. The City hopes that this new procedure currently being implemented will result in the collection of delinquent receivables.

In any event, the City is continuing to pursue any and all means necessary for potential improvements to collections of receivables.

Resolution: This finding repeats as current year finding 2007-3.

**City of St. Gabriel, Louisiana
Summary of Prior Year Findings
Year Ended June 30, 2007**

Reportable Conditions (Continued)

2006-4 Traffic Ticket Receipts

Observation: The Police Department receives money in the form of cash, cashier's checks or money orders which are made payable to the Iberville Parish Sheriff's Office. A police department employee accumulates the payments and calls an employee of the Sheriff's Office to pick them up. The police department has a system which requires the Sheriff's department employee to sign for these items. There is no reconciliation between payments received and tickets cleared. This is a prior year finding.

Recommendation: The system the Police Department is using is appropriate in form but the function of collections should be a function of the finance department of the City. We suggest the collection system currently in place be transferred to the finance department of the City. We recommend the Police Department do a monthly reconciliation between payments received and tickets cleared.

Management's Response: The City is satisfied with the current system. However, see 2006-1. During 2007, the City anticipates implementing a monthly procedure to reconcile the tickets cleared to deposits made. The City anticipates resolving this matter in 2007.

Resolution: This finding repeats as current year finding 2007-4.

2006-5 Public Bid Law

Observation: According to the Louisiana Public Bid Law, the City is required to obtain and document at least three telephone or facsimile quotes for purchases in excess of \$10,000 and a public advertisement must be made for purchases in excess of \$20,000. On four occasions, the City purchased assets which cost more than \$10,000 for which no quotes were obtained. One of the assets cost more than \$20,000 and no public advertisement was made as required. This is a prior year finding.

Recommendation: The City should comply with the Louisiana Public Bid Law concerning purchases.

Management's Response: The City considers these to be isolated matters. The City will enhance its purchasing procedures to identify items being purchased in excess of \$10,000, so that a public bid determination can be made. Personnel with purchasing authority will be notified regarding the above instances so that future occurrences, such as these, can be avoided.

One item related to the purchase of a used vehicle that represented an attractive purchase for the City. Another item related to the purchase of building material for the construction of a metal storage building at the City's community center. The City constructed this facility with its own personnel that was attractive economically for the City. The City considered this to be a public works project and did not consider it as a public bid item.

Finally, the City entered into a lease that it considered to be an operating lease. The City did not believe this item required public bid since it was renting the item. Furthermore, the City considers the use of these leasing programs as practical for the City in managing its heavy equipment needs.

Resolution: This finding repeats as current year finding 2007-5.

**City of St. Gabriel, Louisiana
Summary of Prior Year Findings
Year Ended June 30, 2007**

Reportable Conditions (Continued)

2006-6 Fixed Asset Management

Observation: We were unable to locate a Dell computer during our test of the fixed asset inventory.

Recommendation: The fixed asset inventory listing should be maintained and updated on a regular basis.

Management's Response: The City will review fixed asset inventory records and remove surplus/obsolete items, such as the one old computer identified by the City's auditors. The item identified was a donated piece of equipment. Furthermore, during 2006, federal officials from FEMA were housed at City Hall on a 24 hour basis for the majority of the fiscal year. Certain areas of the City's facilities that were previously used for equipment storage were converted to sleeping quarters. As a result, certain obsolete equipment, such as the item identified, were moved or discarded to accommodate housing these individuals.

The City considers this matter to be as an isolated incident as vigorous efforts are made to manage property. On the other hand, the City will continue to take an annual physical inventory as required by state law and will implement a procedure to identify older items that should be removed from the listing in an appropriate fashion. This matter will be resolved in 2007.

Resolution: This finding was resolved in the current year.

2006-7 Travel Policy

Observation: Travel policy states a maximum reimbursement amount for meals to be paid to employees and council members that travel. The mayor is being reimbursed for actual meal expenditures that exceed the amounts stated in the travel expense reimbursement policy.

Recommendation: The Town should adhere to its travel policy.

Management's Response: The City follows policy used by the State of Louisiana's employees and considers its current accounting and disbursement practice as appropriate. Although the City's travel policy stated a reimbursement amount, the travel policy is outdated and will be revised to coincide with State practices and current City practices. The City policy handbook is approaching 10 years in age and is considered outdated. As a result, the entire policy manual will be reviewed and appropriate changes will be made. The City does not consider this matter to be a major finding, but anticipates resolution of this matter during 2007.

Resolution: This finding was resolved in the current year.

2006-8 Occupational Licenses

Observation: The City is not following its policy for delinquent payment of occupational, beer and liquor licenses. One company in the City of St. Gabriel has not paid any of these licenses, and continues to remain open and sell alcohol. This is a prior year finding.

**City of St. Gabriel, Louisiana
Summary of Prior Year Findings
Year Ended June 30, 2007**

Reportable Conditions (Continued)

Recommendation: The City should follow its policy for collection of occupational licenses.

Management Response: The City identified the company and is making efforts to collect these unpaid occupational licenses. The City has contacted this company on numerous occasions to collect the unpaid amounts. Additionally, the City is utilizing its legal counsel to address this matter.

2006-9 Accounts Payable and Disbursements

Observation: During our audit, we noted several invoices that were entered into the accounts payable system twice. The system is not being utilized to prevent duplicate payments. We also noted seven invoices that were paid twice and of the seven, two were for travel reimbursement expenses. Several disbursements did not have proper documentation.

Recommendation: Accounts payable should be entered only from invoices and they should be stamped and dated at the time of entry. Invoices should be entered separately and not grouped. Once an invoice is paid, it should be stamped "Paid" with a date indicating when it was paid. All invoices should be available for inspection.

Management's Response: The CPA firm that assists the City will monitor accounts payable to try to eliminate this issue. See 2006-1. Furthermore, the City will implement procedures to monitor invoice data input to identify duplication. Additionally, cash disbursements will be monitored to eliminate any duplicate payments. Finally, the City has either received credit for duplicate payments identified to vendors or is seeking refunds for any remaining amounts. The City is working to ensure that proper documentation is maintained.

Resolution: This finding repeats as current year finding 2007-9.

2006-10 Overtime Policy and Payment

Observation: We noted five employees that were paid double time for overtime hours worked. The City of St. Gabriel's policy states that employees should only be reimbursed time and a half for overtime hours worked.

Recommendation: The City should adhere to its overtime policy.

Management's Response: The City intends to revise its overtime policy to allow payment of double time for holidays worked which is a common practice. The overtime related to hurricane relief efforts during 2005 and 2006 which was required in the City contract with FEMA. Additionally, all overtime was approved by the City Council when such efforts were necessary to assist in disaster relief efforts. During 2005 and 2006, the City served as a central point for housing federal officials on a 24 hour basis and as a central morgue. The assistance required extraordinary efforts on the part of the City of St. Gabriel as a government as well as a community.

Resolution: This finding was resolved in the current year.

City of St. Gabriel, Louisiana
Summary of Prior Year Findings
Year Ended June 30, 2007

Reportable Conditions (Continued)

2006-11 Noncompliance with Bond Covenants

Observation: The City is not in compliance with the bond covenants requiring monthly deposits to be made into the Sinking Fund, Reserve Fund, and Contingency Fund from Net Revenues, no later than the 20th day of each month. The payments were being made directly from Net Revenues to the USDA and were not being processed through the required Funds.

Recommendation: We recommend that the City adhere to all of the bond covenants set forth in the bond resolutions.

Management's Response: The City committed to comply with the bond covenants as specified in the bond resolutions. Subsequent to the year end, the City initiated procedures to comply with the covenants.

Resolution: This finding repeats as current year finding 2007-11.

2006-12 Pledged Securities

Observation: L.R.S. 49:321 requires that funds shall not exceed at any time the amount insured by the Federal Deposit Insurance Corporation in any one banking institution or any one savings and loan association unless the uninsured portion is collateralized by the pledge of securities. At June 30, 2007, the City had \$623,280 of cash balances in excess of FDIC insurance with one banking institution.

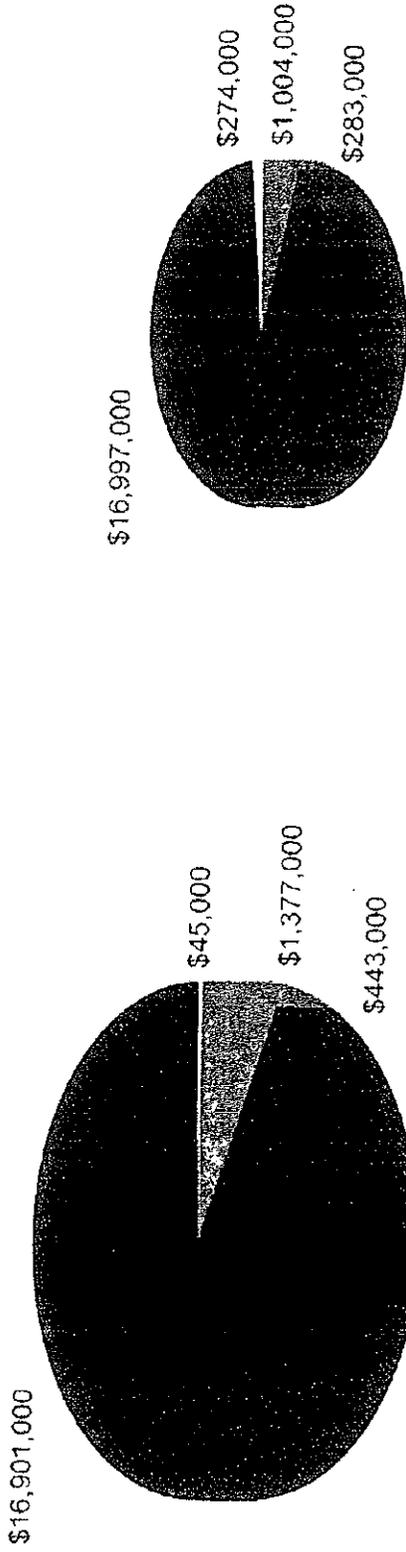
Recommendation: We recommend the City monitor their cash balances, and ensure that adequate coverage is maintained through the use of pledged securities when amounts exceed the FDIC insurance.

Management's Response: Subsequent to year end, the City obtained pledged securities for amounts exceeding the FDIC limit.

Resolution: This finding repeats as current year finding 2007-12.

CITY OF ST. GABRIEL, LOUISIANA

ASSETS - GOVERNMENT-WIDE



JUNE 30, 2007

JUNE 30, 2006

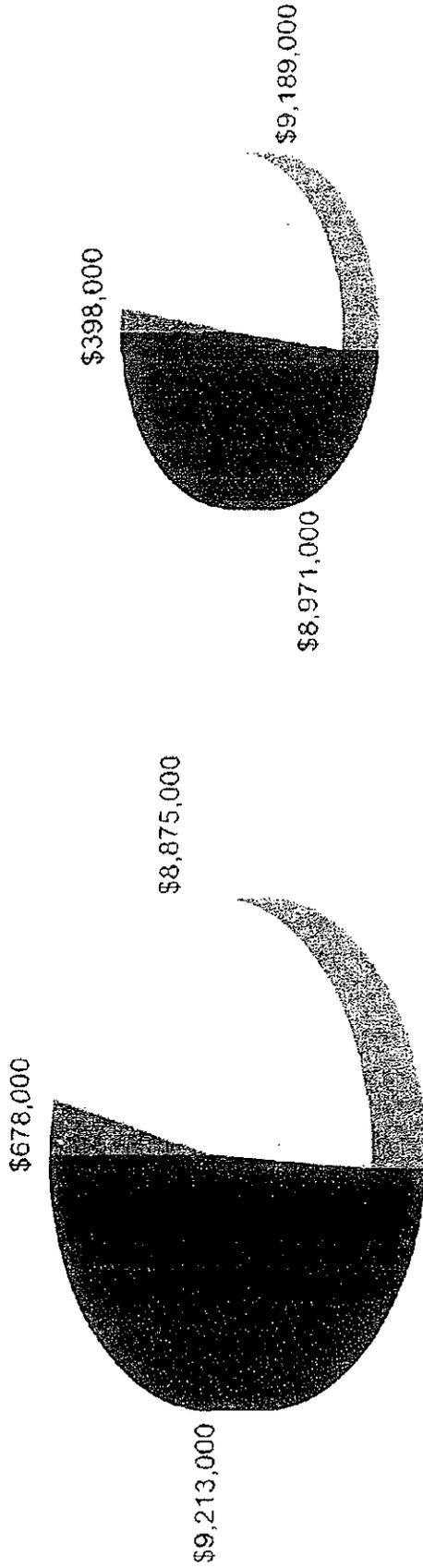
- CASH & CASH EQUIVALENTS
- PROPERTY AND EQUIPMENT
- DUE FROM OTHER GOVERNMENTS
- OTHER

ASSETS = \$ 18,766,000

ASSETS = \$ 18,558,000

CITY OF ST. GABRIEL, LOUISIANA

LIABILITIES & NET ASSETS - GOVERNMENT-WIDE



JUNE 30, 2007

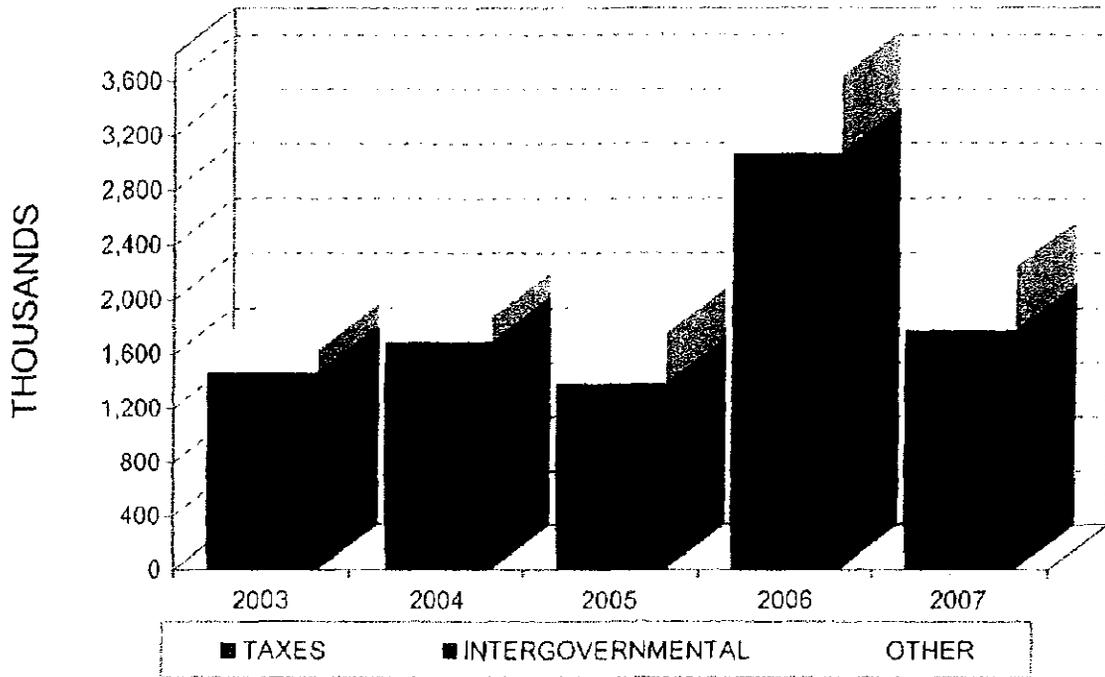
JUNE 30, 2006

LIABILITIES	DEBT	NET ASSETS
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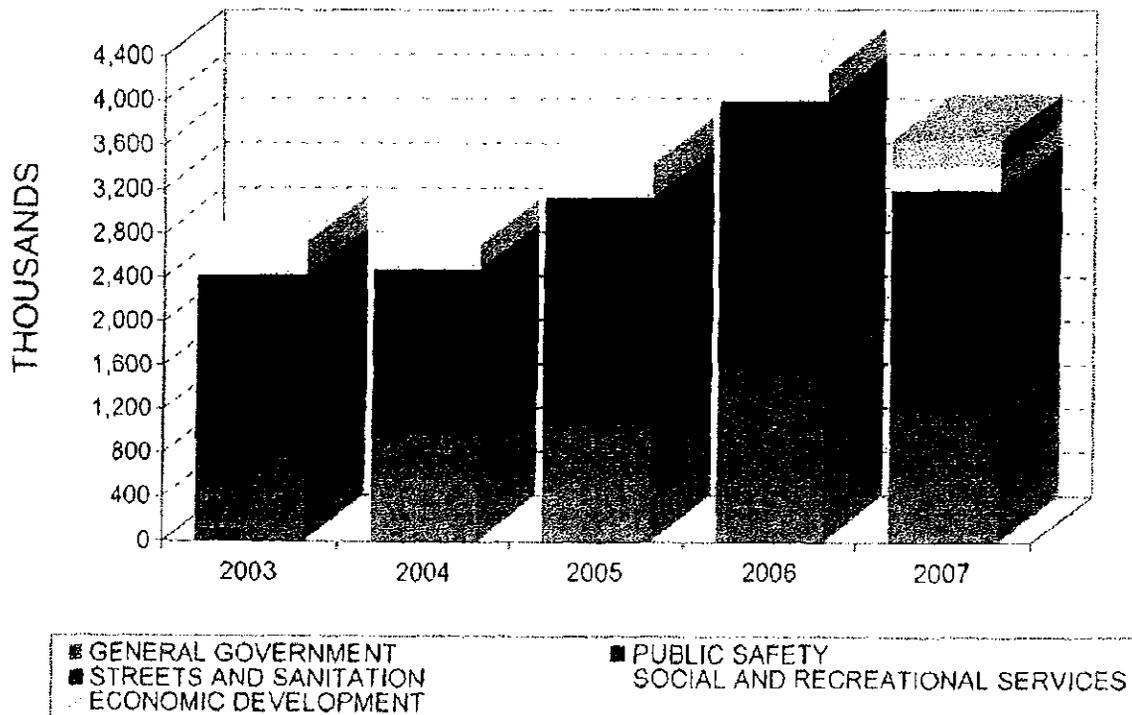
LIABILITIES = \$ 9,553,000
 NET ASSETS = \$ 9,213,000

LIABILITIES = \$ 9,587,000
 NET ASSETS = \$ 8,971,000

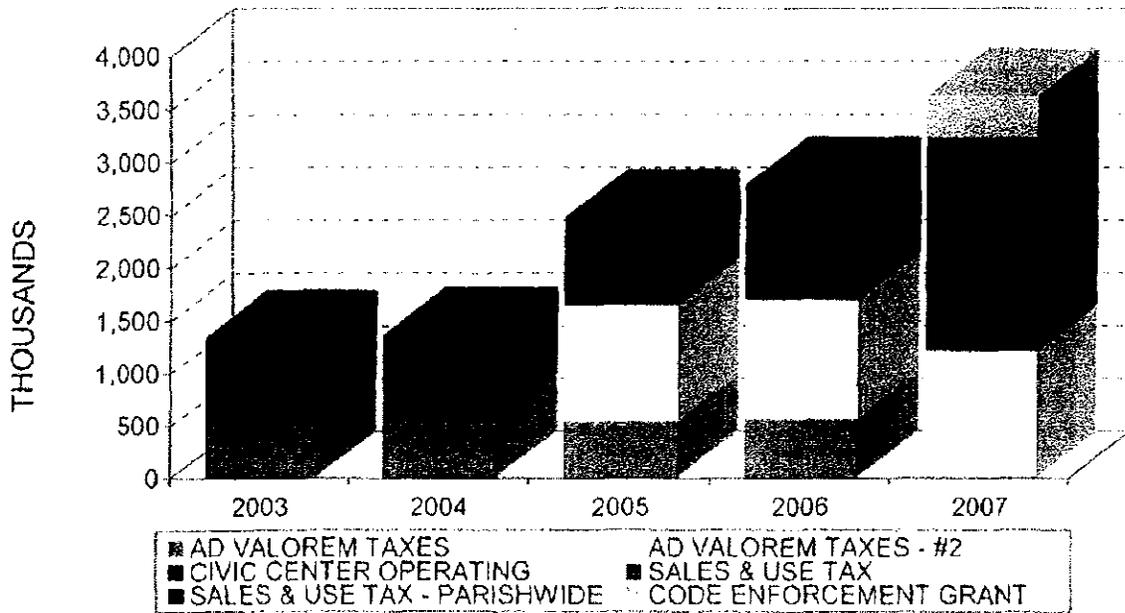
GENERAL FUND REVENUES CITY OF ST. GABRIEL, LOUISIANA



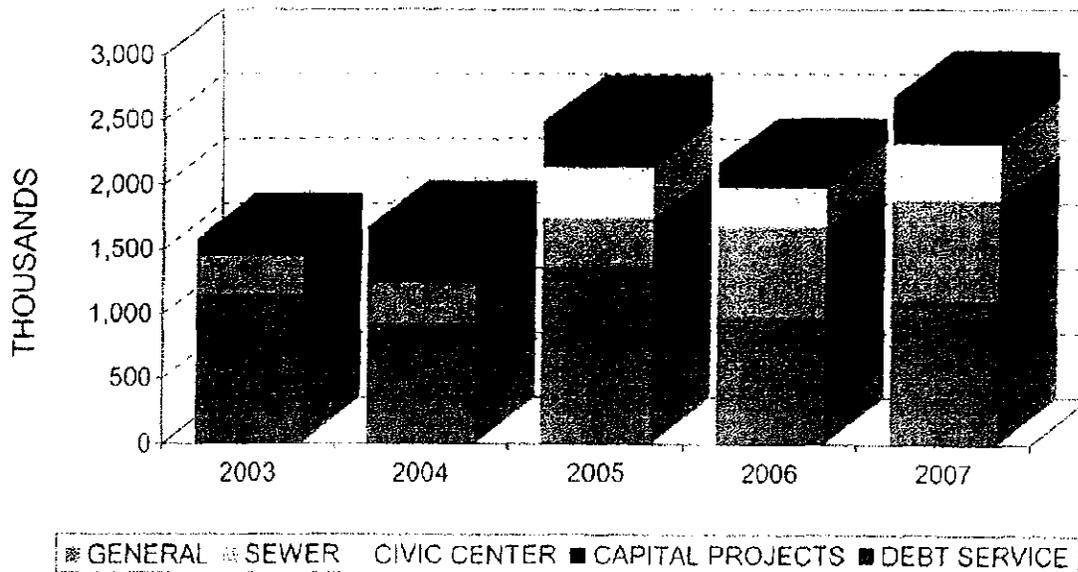
GENERAL FUND EXPENDITURES CITY OF ST. GABRIEL, LOUISIANA



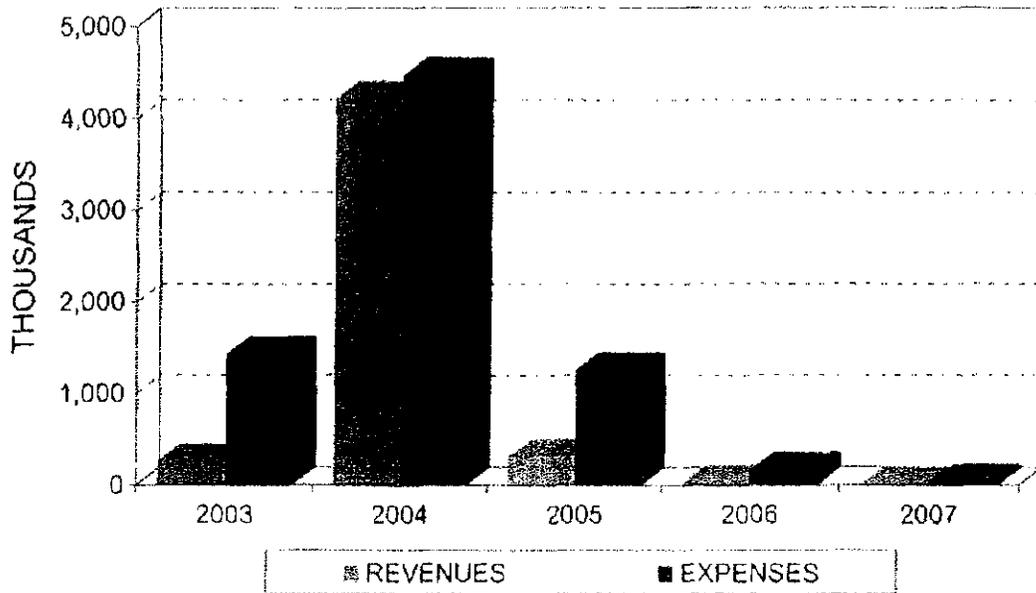
SPECIAL REVENUE FUND REVENUES CITY OF ST. GABRIEL, LOUISIANA



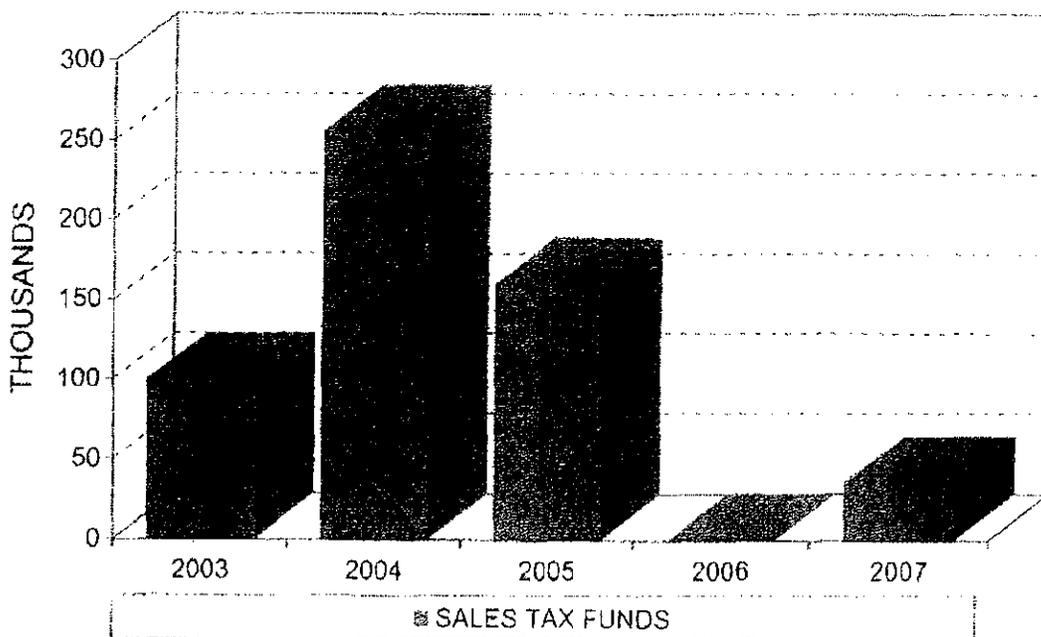
SPECIAL REVENUE FUND TRANSFERS CITY OF ST. GABRIEL, LOUISIANA



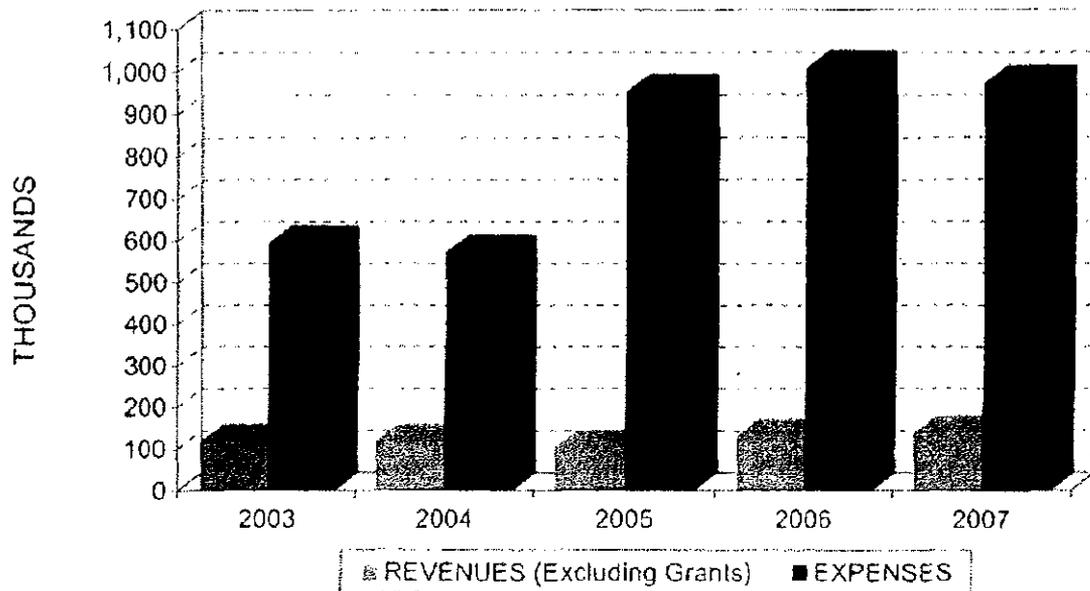
**CAPITAL PROJECTS FUND REVENUES AND EXPENSES
(EXCLUDING SEWER CAPITAL PROJECTS)
CITY OF ST. GABRIEL, LOUISIANA**



**CAPITAL PROJECTS FUND TRANSFERS IN
CITY OF ST. GABRIEL, LOUISIANA**



SEWER FUND REVENUES AND EXPENSES CITY OF ST. GABRIEL, LOUISIANA



SEWER FUND TRANSFERS IN CITY OF ST. GABRIEL, LOUISIANA

