

**VILLAGE OF DOWNSVILLE
LOUISIANA**

**FINANCIAL STATEMENTS
DECEMBER 31, 2004**

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 8-10-05

VILLAGE OF DOWNSVILLE, LOUISIANA
FINANCIAL STATEMENTS
DECEMBER 31, 2004

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ACCOUNTANT'S REVIEW REPORT

The Honorable Reggie Skains, Mayor
and Council Members
Village of Downsville
P.O. Box 128
Downsville, Louisiana 71234

I have reviewed the accompanying financial statements of the government activities, business type activities, and each major fund of the Village of Downsville, Louisiana, as of and for the year ended December 31, 2004, which collectively comprise the Village's basic financial statements, as listed in the table of contents. All information included in these financial statements is the representation of the management of the Village of Downsville.

My review was conducted in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants and applicable standards of Government Auditing Standards issued by the Comptroller General of the United States of America. A review consists principally of inquiries of Village personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

My review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the basic financial statements in order for them to be in conformity with generally accepted accounting principles. The management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 27, 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. Such information has been subjected to certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information applied in the review of the basic financial statements, and I am not aware of any material modifications that should be made thereto.

In accordance with the Louisiana Governmental Audit Guide and the provisions of state law, I have issued a report dated July 27, 2005, on the results of my agreed-upon procedures.


Don M. McGehee
Certified Public Accountant
July 27, 2005

**REQUIRED SUPPLEMENTAL INFORMATION
(PART I)**

VILLAGE OF DOWNSVILLE

*P.O. Box 128
Downsville, Louisiana 71234*

MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2004

The Village has adopted the reporting principles and methods of the Governmental Accounting Standards Board's (GASB) Statement No. 34. This statement requires a "management's discussion and analysis" (MD&A) to be presented in financial reports which include the basic financial statements. The MD&A provides an overview of the financial activities of the Village based upon currently known facts, decisions, and conditions. Our MD&A follows; please read it in conjunction with the financial statements which begin on page 8.

Basic Financial Statements

The basic financial statements include government-wide and fund financial statements. The government-wide statements consist of a Statement of Net Assets and a Statement of Activities and provide information about the financial activities of the Village as a whole. The government-wide statements present a long-term view of our finances. Fund financial statements consist of the respective fund's balance sheet and the fund's statement of revenues, expenditures and changes in fund balance, if applicable. The fund statements tell how the Village's services were financed in the short-term and what remains for future spending. The primary difference between the fund and government-wide statement presentation methods is that expenditures for capital assets are expensed in the fund financial statements but capitalized and depreciated in the government-wide statements.

Statement of Net Assets and Statement of Activities

One of the most important questions asked about our finances is, "Is the Village of Downsville as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Village as a whole and about our activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is a method similar to accounting used by most private-sector companies. All revenues and expenses of the current year are reported under this method regardless of when cash is received or disbursed.

These two statements report the Village's net assets and the changes in the net assets. You can think of net assets - the difference between assets and liabilities - as one way to measure the financial health, or financial position, of the Village. Increases/(decreases) in the Village's net assets are one indicator of whether our financial health is improving/(deteriorating). You will need to consider other nonfinancial factors, however, such as changes in the Village's tax base and the condition of the Village's roads, to assess the overall health of the Village.

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

Governmental Activities - Most of the Village's basic services are reported here, including the police, streets, parks and recreation, and general and administration. Franchise taxes, fines, and grants finance most of these activities. Expenses primarily include salaries, utilities, and insurance.

Business-Type Activities - The Village's water and sewer system are reported here. The Village charges a fee to customers to cover the cost of these services. These charges finance most of these services. Expenses primarily include depreciation, system repairs and maintenance, and interest expense.

Government-Wide Financial Analysis

As noted above, net assets may serve as a useful indicator of the Village's financial position. The GASB Statement 34 reporting model was utilized for the first time for the year ended December 31, 2004. It was not required under this statement to restate prior period operating results to provide comparative data to the current year's operations, but in future years when prior year information is available, a comparative analysis will be presented. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the governmental and business-type activities of the Village of Downsville.

Table 1
Total Net Assets

	Governmental Activities	Business- Type Activities	Total Primary Government
Current and Other Assets	\$ 6,894	\$ 117,830	\$ 124,724
Capital Assets	<u>16,731</u>	<u>786,130</u>	<u>802,861</u>
Total Assets	<u>23,625</u>	<u>903,960</u>	<u>927,585</u>
Long-Term Debt	0	188,923	188,923
Other Liabilities	<u>478</u>	<u>40,058</u>	<u>40,536</u>
Total Liabilities	<u>478</u>	<u>228,981</u>	<u>229,459</u>
Net Assets:			
Investment in Capital Assets	16,731	593,322	610,053
Restricted Net Assets	0	49,580	49,580
Unrestricted Net Assets	<u>6,416</u>	<u>32,077</u>	<u>38,493</u>
Total Net Assets	<u>\$ 23,147</u>	<u>\$ 674,979</u>	<u>\$ 698,126</u>

About 6% (\$38,493) of total net assets is unrestricted. Virtually all unrestricted net assets are composed of cash as of December 31, 2004. Unrestricted net assets can be used to finance the day-to-day operations of the Village without constraints.

The largest portion, 87% (\$610,053), of the Village's net assets are invested in capital assets. These capital assets consist of land, water and sewer system, office furniture, and equipment. The Village uses these capital assets to provide services to its citizens; consequently, capital assets are not available for future spending.

The Village's total net assets include about 7% (\$49,580) of restricted amounts. This amount is restricted by a grant for the construction of a new water well and is composed of cash.

See accountant's review report.

Table 2
Change in Net Assets

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total Primary Government</u>
Revenues			
Program Revenues:			
Charges for Services	\$ 1,306	\$ 46,011	\$ 47,317
Operating Grants	0	15,000	15,000
Capital Grants	3,266	281,000	284,266
General Revenues:			
Franchise Tax	3,855	0	3,855
Other General Revenues	43	518	561
Total Revenues	<u>8,470</u>	<u>342,529</u>	<u>350,999</u>
Program Expenses			
General Government	503	0	503
Police	4,321	0	4,321
Streets	2,339	0	2,339
Water and Sewer	0	86,209	86,209
Total Expenses	<u>7,163</u>	<u>86,209</u>	<u>93,372</u>
Excess Before Special Items and Transfers	1,307	256,320	257,627
Special Item - Forfeited Bid Bond Transfers	0 <u>(874)</u>	10,500 <u>874</u>	10,500 <u>0</u>
Increase in Net Assets	433	267,694	268,127
Net Assets - Beginning	<u>22,714</u>	<u>407,285</u>	<u>429,999</u>
Net Assets - Ending	<u>\$ 23,147</u>	<u>\$ 674,979</u>	<u>\$ 698,126</u>

Governmental activities were responsible for a \$433 increase in the Village's total net assets, for the year ended December 31, 2004, which represents an increase of approximately .2% of beginning net assets. The Village received \$3,266 in grant proceeds for improvements to the Village's ball park.

Business-type activities increased total net assets 62% (\$267,694) for the year ended December 31, 2004. The key elements of this increase is a \$281,000 grant received for the construction of a new water well and a \$15,000 operating grant to cover repairs and maintenance expense. The Village also received \$10,500 in proceeds from a forfeited bid bond. The Village would not have been able to cover the operating costs of the water and sewer fund if it had not received the operating grant and bid bond proceeds.

Fund Financial Statements

As of December 31, 2004, the Village's governmental funds reported a fund balance of \$6,416, which is about 49% (\$6,791) less than last year's fund balance. During 2004, the Village's intergovernmental revenue increased from 2003 because of the grant revenue received on the ball park project; however, the Village spent \$5,091 on this project. The Village also purchased land for \$2,500 in 2004. Although this capital outlay expenditure and the ball park project reduced unrestricted fund balance, it created new assets for the Village, as reported in the Statement of Net Assets.

Amounts reported for business-type activities in the Village's individual funds are identical to the business-type activities reported in the government-wide presentation.

See accountant's review report.

Governmental Funds Budgetary Highlights

The Village of Downsville amends its budget when it is determined that there are unexpected differences between actual and anticipated revenues and/or expenditures. The final amended budget was adopted October 12, 2004. The differences between the original and final amended budget were an 87% (\$3,740) increase in revenues and an 88% (\$7,260) increase in expenditures. The change in budgeted revenues is primarily to recognize \$3,300 in state grant revenue for ball park improvements. Capital outlay expenditures were adjusted \$7,700 for the lot purchased and items needed for ball park project. There were no other significant budget adjustments.

There were no unfavorable variances between final budgeted amounts and actual amounts exceeding 5% of the amounts budgeted, except for \$5,900 that was expected to be transferred in by the water and sewer fund that was not transferred and the \$874 that was actually transferred to the water and sewer fund that was not anticipated. Actual revenues, excluding transfers, were \$420 (5%) more than budgeted and actual expenditures were \$1,158 (7%) less than budgeted.

Capital Assets

In 2004, the Village of Downsville purchased land for \$2,500 and lights for the ball park for \$5,091 for a total investment in capital assets of \$7,591 by the general fund. The water and sewer fund began construction on a new water well with a total of \$231,420 invested in the construction project for 2004. For the upcoming year, the Village plans to complete the water well construction project and extend water lines in the water and sewer fund, which will all be funded by grants. In the general fund, the Village will continue to work on the ball park project in 2005, which will be funded by a grant. There are no plans to issue debt to finance the purchase of any future project.

Next Year's Budget

The Village considered many factors when setting the budget for the year ending December 31, 2005. Anticipated general fund revenues are \$5,620 which is a 51% (\$2,850) decrease under the actual 2004 amounts. A decrease was budgeted because there was a state grant received in 2004 that was not expected to recur in 2005. General fund expenditures are expected to be \$7,995, a 44% (\$6,395) decrease from the 2004 actual amounts. This budgetary decrease is primarily due to a decrease of \$7,591 in anticipated capital outlay. Total general fund balance is expected to increase by approximately \$3,485.

Business-type activities are expected to be underfunded. However, the Village has a grant to extend the water lines which will increase the number of customers and increase revenues without significantly affecting expenses. There are no plans to increase water or sewer rates at this time.

Requests for Additional Information

This financial report is designed to provide citizens and taxpayers with a general overview of the finances of the Village of Downsville and to show accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Village of Downsville at P.O. Box 128, Downsville, Louisiana 71234.

GOVERNMENT WIDE FINANCIAL STATEMENTS

VILLAGE OF DOWNSVILLE, LOUISIANA
STATEMENT OF NET ASSETS
DECEMBER 31, 2004

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash	\$ 3,147	\$ 12,177	\$ 15,324
Accounts Receivable, net	0	6,659	6,659
Interest Receivable	0	78	78
Taxes Receivable	838	0	838
Internal Balances	2,718	(2,718)	0
Prepaid Expenses	191	1,149	1,340
Noncurrent Assets:			
Restricted Cash	0	88,306	88,306
Restricted Investments	0	12,149	12,149
Capital Assets, net	16,731	786,130	802,861
Other Assets	<u>0</u>	<u>30</u>	<u>30</u>
TOTAL ASSETS	<u>\$ 23,625</u>	<u>\$ 903,960</u>	<u>\$ 927,585</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 478	\$ 5,002	\$ 5,480
Retainage Payable	0	18,969	18,969
Accrued Expenses	0	350	350
Accrued Interest Payable	0	1,200	1,200
Current Portion of Revenue Bonds Payable	0	3,885	3,885
Noncurrent Liabilities:			
Customer Deposits	0	10,652	10,652
Revenue Bonds Payable	<u>0</u>	<u>188,923</u>	<u>188,923</u>
TOTAL LIABILITIES	<u>478</u>	<u>228,981</u>	<u>229,459</u>
NET ASSETS			
Invested in Capital Assets, net of related debt	16,731	593,322	610,053
Restricted	0	49,580	49,580
Unrestricted	<u>6,416</u>	<u>32,077</u>	<u>38,493</u>
TOTAL NET ASSETS	<u>23,147</u>	<u>674,979</u>	<u>698,126</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 23,625</u>	<u>\$ 903,960</u>	<u>\$ 927,585</u>

See accountant's review report.
See accompanying notes to financial statements.

VILLAGE OF DOWNSVILLE, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Business Type Activities	
			Total	Total	Total	Governmental Activities
PRIMARY GOVERNMENT						
GOVERNMENTAL ACTIVITIES:						
General Government	\$ 503	\$ 0	\$ 0	\$ 0	\$ (503)	\$ (503)
Police	4,321	1,306	0	0	(3,015)	(3,015)
Streets	2,339	0	0	0	(2,339)	(2,339)
Parks and Recreation	0	0	0	3,266	3,266	3,266
TOTAL GOVERNMENTAL ACTIVITIES	7,163	1,306	0	3,266	(2,591)	(2,591)
BUSINESS-TYPE ACTIVITIES:						
Water and Sewer	86,209	46,011	15,000	281,000	255,802	255,802
TOTAL PRIMARY GOVERNMENT	93,372	47,317	15,000	284,266	(2,591)	253,211
GENERAL REVENUES:						
Taxes						
Franchise					3,855	3,855
State Revenue Sharing					11	11
Investment Earnings					32	550
SPECIAL ITEM:						
Proceeds from Forfeited Bid Bond					0	10,500
TRANSFERS					(874)	0
TOTAL GENERAL REVENUES AND TRANSFERS					3,024	11,892
CHANGE IN NET ASSETS					433	268,127
NET ASSETS-BEGINNING					22,714	407,285
NET ASSETS-ENDING					23,147	674,979
					\$	\$

See accountant's review report.
See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

VILLAGE OF DOWNSVILLE, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUND
GENERAL FUND
DECEMBER 31, 2004

ASSETS	
Cash	\$ 3,147
Franchise Tax	
Receivable	838
Due from Water and Sewer Fund	2,718
Prepaid Insurance	<u>191</u>
Restricted Assets:	
TOTAL ASSETS	\$ <u>6,894</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Accounts Payable	\$ <u>478</u>
TOTAL LIABILITIES	<u>478</u>
FUND BALANCE:	
Unreserved	<u>6,416</u>
TOTAL FUND BALANCE	<u>6,416</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>6,894</u>

RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2004

Total Fund Balance-Governmental Fund	\$ 6,416
 Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	<u>16,731</u>
 Net Assets of Governmental Activities	 \$ <u>23,147</u>

See accountant's review report.
See accompanying notes to financial statements.

VILLAGE OF DOWNSVILLE, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--GOVERNMENTAL FUND
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

REVENUES	
Franchise Taxes	\$ 3,855
Fines	1,306
Intergovernmental	
State Grant	3,266
State Revenue Sharing	11
Interest	<u>32</u>
TOTAL REVENUES	<u>8,470</u>
EXPENDITURES	
General Government	
Dues	125
Maintenance of Town Property	67
Miscellaneous	70
Office Supplies	105
Capital Outlay	2,500
Police Department	
Insurance	574
Miscellaneous	156
Salaries	3,360
Street Department	
Street Lights	2,339
Park and Recreation Department	
Capital Outlay	<u>5,091</u>
TOTAL EXPENDITURES	<u>14,387</u>
DEFICIENCY OF REVENUES	
 UNDER EXPENDITURES	(5,917)
OTHER FINANCING USES	
Operating Transfer Out--Water and Sewer Fund	<u>(874)</u>
TOTAL OTHER FINANCING USES	<u>(874)</u>
DEFICIENCY OF REVENUES UNDER	
 EXPENDITURES AND OTHER USES	(6,791)
FUND BALANCE-BEGINNING	<u>13,207</u>
FUND BALANCE-ENDING	<u>\$ 6,416</u>

See accountant's review report.
See accompanying notes to financial statements.

VILLAGE OF DOWNSVILLE, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

NET CHANGE IN FUND BALANCES-GOVERNMENTAL FUNDS \$ (6,791)

**Amounts reported for Governmental Activities in the
Statement of Activities are Different Because:**

Governmental Funds report capital outlays as expenditures.
In the Statement of Activities the cost of those assets is
allocated over their estimated useful lives and reported as
depreciation expense. To reconcile the difference in
accounting between the fund accounting method and the
government-wide method, an adjustment is necessary to
recognize the difference by which capital outlay in the
governmental fund exceeded depreciation expense in the
government-wide statements.

7,224

**CHANGE IN NET ASSETS OF GOVERNMENTAL
ACTIVITIES**

\$ 433

See accountant's review report.
See accompanying notes to financial statements.

VILLAGE OF DOWNSVILLE, LOUISIANA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
DECEMBER 31, 2004

	<u>Water and Sewer Enterprise Fund</u>
ASSETS	
CURRENT ASSETS:	
Cash	\$ 12,177
Accounts Receivable, net	6,659
<i>Interest Receivable</i>	78
Prepaid Insurance	<u>1,149</u>
TOTAL CURRENT ASSETS	<u>20,063</u>
NONCURRENT ASSETS:	
Restricted Cash	88,306
Restricted Investments	12,149
Capital Assets:	
Land	1,000
Equipment	2,949
Water Distribution System	1,076,139
<i>Less Accumulated Depreciation</i>	(525,378)
Construction in Progress	<u>231,420</u>
Capital Assets, net	<u>786,130</u>
Other Assets	<u>30</u>
TOTAL NONCURRENT ASSETS	<u>886,615</u>
TOTAL ASSETS	<u>906,678</u>
LIABILITIES	
CURRENT LIABILITIES:	
Accounts Payable	5,002
Accrued Expenses	350
Due to General Fund	2,718
Liabilities Payable from Restricted Assets:	
Retainage Payable	18,969
Accrued Interest Payable	1,200
Revenue Bonds Payable	<u>3,885</u>
TOTAL CURRENT LIABILITIES	<u>32,124</u>
NONCURRENT LIABILITIES:	
Customer Deposits	10,652
Revenue Bonds Payable	<u>188,923</u>
TOTAL NONCURRENT LIABILITIES	<u>199,575</u>
TOTAL LIABILITIES	<u>231,699</u>
NET ASSETS	
Invested in Capital Assets, net of related debt	593,322
Restricted for Construction of New Well	49,580
Unrestricted	<u>32,077</u>
TOTAL NET ASSETS	<u>\$ 674,979</u>

See accountant's review report.

See accompanying notes to financial statements.

VILLAGE OF DOWNSVILLE, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Water and Sewer Enterprise Fund</u>
OPERATING REVENUES	
Water Sales	\$ 34,290
Sewer Charges	11,721
Proceeds from Forfeited Bid Bond	<u>10,500</u>
TOTAL OPERATING REVENUES	<u>56,511</u>
OPERATING EXPENSES	
Accounting	3,820
Bad Debt Expense	70
Depreciation	26,922
Dues	794
Insurance	350
Miscellaneous	598
Office Supplies	747
Outside Services	3,456
Professional Fees	2,136
Safe Drinking Water Fee	190
Salaries	5,122
System Repair and Maintenance	25,208
System Supplies and Expense	1,328
Taxes-Payroll	392
Telephone and Utilities	<u>4,991</u>
TOTAL OPERATING EXPENSES	<u>76,124</u>
OPERATING LOSS	(19,613)
NON-OPERATING REVENUES AND EXPENSES	
Intergovernmental Revenue - Grant	15,000
Interest Income	517
Interest Expense	<u>(10,084)</u>
NET NON-OPERATING REVENUES (EXPENSES)	<u>5,433</u>
LOSS BEFORE CONTRIBUTIONS AND TRANSFERS	(14,180)
CAPITAL CONTRIBUTIONS	281,000
TRANSFERS IN	<u>874</u>
CHANGE IN NET ASSETS	267,694
TOTAL NET ASSETS - BEGINNING	<u>407,285</u>
TOTAL NET ASSETS - ENDING	<u>\$ 674,979</u>

See accountant's review report.
See accompanying notes to financial statements.

VILLAGE OF DOWNSVILLE, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Water and Sewer Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers and Users	\$ 56,533
Cash Payments for Goods and Services	(45,529)
Cash Payments for Salaries and Wages	<u>(5,122)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>5,882</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from Operating Grant	15,000
Operating Transfers from General Fund	<u>874</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>15,874</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Grant	281,000
Principal Payments on Revenue Bonds	(3,790)
Interest Payments on Revenue Bonds	(10,123)
Construction Costs	<u>(212,451)</u>
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>54,636</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of Investments	11,664
Purchase of Investments	(12,149)
Interest Received	<u>689</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>204</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	76,596
CASH AT BEGINNING OF YEAR	<u>23,887</u>
CASH AT END OF YEAR	<u>\$ 100,483</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Loss	\$ (19,613)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities--	
Depreciation	26,922
(Increase) Decrease in Accounts Receivable	172
(Increase) Decrease in Prepaid Insurance	(1,149)
Increase (Decrease) in Accounts Payable	(1,588)
Increase (Decrease) in Accrued Expenses	(211)
Increase (Decrease) in Due From Other Funds	1,499
Increase (Decrease) in Customers' Deposits	<u>(150)</u>
Total Adjustments	<u>25,495</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 5,882</u>

See accountant's review report.
See accompanying notes to financial statements.

VILLAGE OF DOWNSVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Downsville, Louisiana, was incorporated pursuant to Section II of Act 136 of the Sessions Act as approved July 13, 1898. The Village operates under a Mayor-Council form of government.

The accompanying basic financial statements of the Village of Downsville, Louisiana, are prepared in accordance with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles for state and local governments through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Village has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Village has chosen not to do so. The more significant accounting policies established in GAAP and used by the Village are discussed below.

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

For the first time the financial statements include:

- (1) A Management's Discussion and Analysis (MD &A) section providing an analysis of the overall financial position and results of operations for the Village of Downsville.
- (2) Financial statements prepared using full accrual accounting for all of the activities of the Village of Downsville.

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 the financial statements). The Village has elected to implement the general provisions of the Statement in the current year and chose not to retroactively report infrastructure assets (i.e., general infrastructure assets acquired or constructed prior to January 1, 2004, are not reported in the financial statements).

A. Reporting Entity

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

See accountant's review report.

VILLAGE OF DOWNSVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basic Financial Statements--Government Wide Statements

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Village's police protection, highways and streets, parks and recreation, and general administrative services are classified as governmental activities. The Village's water and sewer services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column. They are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net assets are reported in three parts--invested in capital assets, restricted net assets, and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net costs of each of the Village's functions and business-type activities. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating grants, and capital grants. Program revenues must be directly associated with the function or a business-type activity. The net costs (by function or business-type activity) are normally covered by general revenue (taxes, interest income, etc.). The Village does not allocate indirect costs.

The government-wide focus is more on the sustainability of the Village as an entity and the change in the Village's net assets resulting from the current year's activities.

C. Basic Financial Statements--Fund Financial Statements

The financial transactions of the Village of Downsville are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following funds are used by the Village of Downsville:

Governmental Funds--The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Village of Downsville:

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

Proprietary Funds--The focus of proprietary fund measurement is upon determination of operating income, changes in net asset, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Village:

Enterprise Funds - Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

See accountant's review report.

VILLAGE OF DOWNSVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured, basis of accounting refers to the when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The revenues susceptible to accrual are franchise fees, interest income, and intergovernmental revenues. All other governmental fund revenues are recognized when received.

E. Budgetary Information

The Village of Downsville, Louisiana, adopted an operating budget, on a basis consistent with generally accepted accounting principles, on its general fund for the year ended December 31, 2004, as required by Louisiana law. Budgetary data utilized in preparing the operating budget is gathered from actual prior year operating revenues and expenditures and from expected and known changes in future revenues and expenditures. It is monitored by management and amended throughout the year as necessary. Prior to the year ended December 31, 2004, the Village adopted an amended budget for the general fund approving revisions to revenues and expenditures. Appropriations lapse at year-end and must be re-appropriated for the following year to be expended.

F. Deposits and Investments

Cash and cash equivalents consist of interest-bearing demand deposits, and time deposits with original maturities of three months or less from date of acquisition. Deposits are carried at cost which approximates market value.

See accountant's review report.

VILLAGE OF DOWNSVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Under state law, the Village of Downsville may invest funds in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities. Investments are reported at fair value.

G. Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use, as described below:

The "customer deposit" account is used to report proceeds from customers' meter deposits. A corresponding liability is presented to record these funds held by the enterprise fund.

The Village received a grant to construct a new water well. The proceeds from this grant were deposited into a separate account and are restricted to the construction of this well. A liability is recorded for retainage payable on the construction contract and the remainder is recorded as restricted net assets.

Under terms of its bond debt, the Village reserves a portion of its cash flow for specific future uses. All reserves used by the Village are recorded as restricted cash and are described as follows:

Reserved for Revenue Bond Sinking Fund - An account used to segregate a portion of cash for debt service resources legally restricted to the payment of long-term debt principal and interest amounts maturing in the future years.

Reserved for Revenue Bond Reserve Fund - An account used to segregate a portion of cash for debt service resources restricted to the payment of long-term debt principal and interest amounts maturing in the future years when sufficient amounts are not reserved in bond debt service accounts.

Reserved for Revenue Bond Contingency - An account used to segregate a portion of cash for extensions, additions, improvements, renewals and replacements necessary to properly operate the system; and for debt service resources restricted to the payment of long-term debt principal and interest amounts maturing in future years when sufficient amounts are not reserved in the bond debt service and bond reserve accounts.

H. Vacation and Sick Leave

Vacation and sick leave are noncumulative. There are no accumulated and vested benefits relating to vacation and sick leave that require accrual or disclosure at year end.

I. Interfund Receivables and Payables

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

See accountant's review report.

VILLAGE OF DOWNSVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Equity Classifications

Government Wide Statements--Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt--Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets--Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets--All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements--Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as government wide statements.

K. Statement of Cash Flows

For the purposes of the Statement of Cash Flows, all cash and cash equivalents are considered cash regardless of whether there are restrictions on their use.

L. Use of Estimates

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

M. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. All capital assets, other than land, are depreciated using the straight-line method over the following estimated useful lives:

Distribution System	40 years
Improvements to Distribution System	40 years
Equipment and Furniture	5 to 7 years

General infrastructure capital assets consisting of streets, bridges, sidewalks, and drainage systems acquired before January 1, 2004, are excluded from capital assets.

N. Interfund Transfers

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

See accountant's review report.

VILLAGE OF DOWNSVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" on the fund financial statements balance sheets, as well as all other outstanding balances between funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade receivables are shown net of an allowance for uncollectibles. Uncollectible amounts due for water and sewer revenue are recognized as bad debts through the establishment of an allowance account.

P. Prepaid Insurance

Payments made to insurance companies for insurance coverage that will benefit periods beyond December 31, 2004, are recorded as prepaid items in the asset section of the fund financial statements balance sheet.

NOTE 2 - CASH AND INVESTMENTS

The Village maintains its cash and investment accounts in First United Bank and Iberia Bank, which are insured by the Federal Deposit Insurance Corporation (FDIC). FDIC coverage is \$100,000 for all demand deposits and \$100,000 for all time deposits (time deposits are defined as any interest bearing account). All of the Village's cash consisted of interest bearing demand deposits, while investments consisted of one certificate of deposit. At December 31, 2004, the bank balance was \$121,734 and the carrying amount was \$115,779 for all accounts, which was covered by FDIC insurance.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts Receivable consisted of customer billings for water and sewer usage. There were fourteen customer accounts totaling \$3,309 past due at December 31, 2004; all of these accounts were active at year end. Accounts Receivable, including the allowance for uncollectible accounts, at December 31, 2004, was as follows:

Water Sales and Sewer Charges Receivable	\$ 7,166
Less: Allowance for Doubtful Accounts	<u>(507)</u>
Net Accounts Receivable	<u>\$ 6,659</u>

NOTE 4 - RESTRICTED ASSETS--PROPRIETARY FUND TYPE

Restricted assets were applicable to the following at December 31, 2004:

Revenue Bond Sinking Fund	\$ 2,817
Revenue Bond Reserve Fund	10,296
Revenue Bond Depreciation and Contingency Fund	8,141
Rural Development Grant Proceeds	68,549
Customers' Deposits	<u>10,652</u>
Total	<u>\$ 100,455</u>

See accountant's review report.

VILLAGE OF DOWNSVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 5 - CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2004, for the Village of Downsville is as follows:

	Beginning Balance <u>01/01/04</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>12/31/04</u>
Governmental Activities:				
Capital Assets				
Land	\$ 0	\$ 2,500	\$ 0	\$ 2,500
Furniture and Equipment	1,836	0	0	1,836
Construction in Progress-Ballpark	<u>8,164</u>	<u>5,091</u>	<u>0</u>	<u>13,255</u>
Total Capital Assets	<u>10,000</u>	<u>7,591</u>	<u>0</u>	<u>17,591</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	<u>493</u>	<u>367</u>	<u>0</u>	<u>860</u>
Total Accumulated Depreciation	<u>493</u>	<u>367</u>	<u>0</u>	<u>860</u>
Governmental Capital Assets, Net	<u>\$ 9,507</u>	<u>\$ 7,224</u>	<u>\$ 0</u>	<u>\$ 16,731</u>
Business-Type Activities:				
Capital Assets				
Land	\$ 1,000	\$ 0	\$ 0	\$ 1,000
Machinery and Equipment	2,949	0	0	2,949
Water and Sewer Systems	1,076,139	0	0	1,076,139
Construction in Progress-Water Well	<u>0</u>	<u>231,420</u>	<u>0</u>	<u>231,420</u>
Total	<u>1,080,088</u>	<u>231,420</u>	<u>0</u>	<u>1,311,508</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	6,357	19	0	6,376
Water and Sewer Systems	<u>492,099</u>	<u>26,903</u>	<u>0</u>	<u>519,002</u>
Total Accumulated Depreciation	<u>498,456</u>	<u>26,922</u>	<u>0</u>	<u>525,378</u>
Business-Type Capital Assets, Net	<u>\$ 581,632</u>	<u>\$ 204,498</u>	<u>\$ 0</u>	<u>\$ 786,130</u>

Depreciation expense of \$367 for the year ended December 31, 2004, was charged to the following governmental functions:

General Government	\$ 136
Police	<u>231</u>
Total Governmental Depreciation Expense	<u>\$ 367</u>

NOTE 6 - LONG-TERM DEBT

The following is a summary of bond transactions of the Village of Downsville for the year ended December 31, 2004:

Bonds Payable at January 1	\$ 196,598
Less Bonds Retired	<u>(3,790)</u>
Bonds Payable at December 31	192,808
Less Current Maturities	<u>(3,885)</u>
Long-Term Bonds Payable at December 31, 2004	<u>\$ 188,923</u>

See accountant's review report.

VILLAGE OF DOWNSVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 6 - LONG-TERM DEBT (continued)

Bonds Payable at December 31, 2004, were comprised of the following issues:

Revenue Bonds--\$92,800 Water and Sewer Revenue Bonds dated August 14, 1980, due in various annual installments from \$5,000 to \$6,000 through August 14, 2020; interest at a rate of 5%.	\$ 60,000
Revenue Bonds--\$146,000 Water Revenue Bonds dated December 28, 1994 due in monthly installments of \$734 beginning January 28, 1996 through December 28, 2034; interest at a rate of 5.25%	<u>132,808</u>
Total	<u>\$ 192,808</u>

The annual debt service requirements to maturity for outstanding revenue bonds as of December 31, 2004, is as follows:

Year Ending	\$92,800 Bonds		\$146,000 Bonds		Total
December 31,	Principal	Interest	Principal	Interest	Total
2005	\$ 2,000	\$ 3,000	\$ 1,885	\$ 6,928	\$ 13,813
2006	3,000	2,900	1,986	6,826	14,712
2007	3,000	2,750	2,093	6,719	14,562
2008	3,000	2,600	2,206	6,607	14,413
2009	3,000	2,450	2,324	6,488	14,262
2010-2014	17,000	9,950	13,638	30,425	71,013
2015-2019	23,000	5,100	17,721	26,342	72,163
2020-2024	6,000	300	23,027	21,035	50,362
2025-2029	0	0	29,923	14,140	44,063
2030-2034	0	0	38,005	5,181	43,186
Totals	<u>\$ 60,000</u>	<u>\$ 29,050</u>	<u>\$ 132,808</u>	<u>\$130,691</u>	<u>\$ 352,549</u>

There are a number of limitations and restrictions contained in the various bond indentures. The Village is in compliance with all significant limitations and restrictions.

NOTE 7 - INTERFUND TRANSACTIONS AND BALANCES

Interfund operating transfers are as follows:

	Transfers In	Transfers Out
General Fund	\$ 0	\$ 874
Water and Sewer Fund	<u>874</u>	<u>0</u>
Totals	<u>\$ 874</u>	<u>\$ 874</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in a fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

VILLAGE OF DOWNSVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 8 - COMMITMENTS

The Village received a \$281,000 Water Well Grant from the Louisiana Department of Health and Hospitals and the United States Department of Agriculture-Rural Development. The Village awarded Continental Drilling and Service, Inc. a contract for \$271,748 on December 23, 2003, for construction of the water well. The original contract had a change order resulting in a revised contract amount of \$241,826. During 2004, Continental Drilling received \$170,722 in payments on this contract. Retainage was being held at year end for \$18,969. The remaining balance commitment on this contract was \$52,135, at December 31, 2004.

The Village was approved for a \$109,815 Ballpark Grant from the Louisiana Office of State Parks. No contracts have been awarded for this grant, however \$3,266 has been received as requested for reimbursement.

A \$267,375 Walking Trails Enhancement Grant from the Louisiana Department of Transportation and Development has been approved.

NOTE 9 - COMPENSATION PAID THE COUNCIL MEMBERS

The Council members did not accept any compensation for the year ended December 31, 2004.

**REQUIRED SUPPLEMENTAL INFORMATION
(PART II)**

VILLAGE OF DOWNSVILLE, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
--BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budgeted Amounts</u>		Actual Amounts Budgetary Basis	Variance with Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Franchise Taxes	\$ 3,500	\$ 3,500	\$ 3,855	\$ 355
Fines and Forfeitures	500	1,200	1,306	106
Intergovernmental				
Revenue Sharing	50	15	11	(4)
State Grant	0	3,300	3,266	(34)
Interest	<u>260</u>	<u>35</u>	<u>32</u>	<u>(3)</u>
TOTAL REVENUE	<u>4,310</u>	<u>8,050</u>	<u>8,470</u>	<u>420</u>
EXPENDITURES				
General Government				
Dues	0	0	125	(125)
Election	250	0	0	0
Maintenance of Town Property	0	0	67	(67)
Miscellaneous	600	150	70	80
Office Supplies	100	740	105	635
Capital Outlay	0	2,500	2,500	0
Police				
Auto Maintenance and Repairs	700	260	0	260
Insurance	775	775	574	201
Supplies	0	160	156	4
Salary	3,360	3,360	3,360	0
Streets				
Street Lights	2,500	2,400	2,339	61
Park and Recreation				
Capital Outlay	<u>0</u>	<u>5,200</u>	<u>5,091</u>	<u>109</u>
TOTAL EXPENDITURES	<u>8,285</u>	<u>15,545</u>	<u>14,387</u>	<u>1,158</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(3,975)	(7,495)	(5,917)	1,578
OTHER FINANCING SOURCES (USES)				
Operating Transfer In (Out)--Utility Fund	<u>5,900</u>	<u>5,900</u>	<u>(874)</u>	<u>(6,774)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>5,900</u>	<u>5,900</u>	<u>(874)</u>	<u>(6,774)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES				
	1,925	(1,595)	(6,791)	(5,196)
FUND BALANCE-BEGINNING	<u>24,187</u>	<u>24,187</u>	<u>13,207</u>	<u>(10,980)</u>
FUND BALANCE-ENDING	<u>\$ 26,112</u>	<u>\$ 22,592</u>	<u>\$ 6,416</u>	<u>\$ (16,176)</u>

See accountant's review report.

AGREED-UPON PROCEDURES

DON M. MCGEHEE
(A Professional Accounting Corporation)
P.O. Box 1344
806 North Trenton
Ruston, Louisiana 71273-1344

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

The Honorable Reggie Skains, Mayor
and Council Members
Village of Downsville
P.O. Box 128
Downsville, Louisiana 71234

I have performed the procedures included in the Louisiana Governmental Audit Guide and enumerated below, which were agreed to by the management of the Village of Downsville and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the Village of Downsville's compliance with certain laws and regulations during the year ended December 31, 2004 included in the accompanying Louisiana Attestation Questionnaire. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of Government Auditing Standards. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

1. Select all expenditures made during the year for material and supplies exceeding \$20,000, or public works exceeding \$100,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

There were no expenditures made during the year for materials and supplies exceeding \$20,000. There were six expenditures made on a public works contract that combined exceeded \$100,000. I examined documentation which indicated that it had been properly advertised and accepted in accordance with the provisions of LSA-RS 38:2211-2251.

Code of Ethics for Public Officials and Public Employees

2. Obtain from management a list of the immediate family members of the mayor and each alderman as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interests of the mayor, each alderman, and employees, as well as their immediate families.

Management provided me with the required list including the noted information.

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided me with the required list.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedure (3) were also included on the listing obtained from management in agreed-upon procedure (2) as immediate family members.

None of the employees included on the list of employees provided by management [agreed-upon procedure (3)] appeared on the list provided by management in agreed-upon procedure (2).

Budgeting

5. Obtain a copy of the legally adopted budget and all amendments.

Management provided me with copies of the approved 2004 general fund budget. There was an amendment made to the 2004 budget during the year.

6. Trace the budget adoption and amendments to the minute book.

I traced the adoption of the original 2004 general fund budget to the minutes of a meeting held on December 16, 2004, which indicated that the budget had been approved by the mayor and council members of the Village of Downsville. I also traced to the minutes of a meeting held on October 12, 2004, which indicated the budget amendment had been approved by the mayor and council members.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by 5% or more or if actual expenditures exceed budget amounts by 5% or more. (Note, state law exempts from the amendment requirements general and special revenue funds with anticipated expenditures of \$500,000 or less and exempts special revenue funds whose expenditures drive revenue recognition-primarily federal funds.)

I compared the revenues and expenditures of the final general fund budget to actual revenues and expenditures. Actual revenues failed to meet budgeted amounts by 39%; actual expenses were 2% less than budgeted. However, anticipated expenditures were less than \$500,000, therefore the Village was exempt from the amendment requirements.

Accounting and Reporting

8. Randomly select six disbursements made during the period under examination and:

- (a) trace payments to supporting documentation as to proper amount and payee;

I examined supporting documentation for all six disbursements and found that payment was for the proper amount and made to the correct payee.

- (b) determine if payments were properly coded to the correct fund and general ledger account; and

All six payments were coded to the correct fund and general ledger account.

- (c) determine whether payments received approval from proper authorities.

Inspection of documentation supporting each of the six selected disbursements indicated approval from the mayor.

Meetings

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1 - 12 (the open meetings law).

The Village of Downsville is only required to post a notice of each meeting and the accompanying agenda on the door of the meeting place. I found marked copies of the notices and agendas for the meetings, signed by the clerk indicating that they were posted properly.

Debt

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.

I inspected copies of bank deposit slips for the period under examination and noted no deposits which appeared to be proceeds of bank loans, bonds, or like indebtedness.

Advances and Bonuses

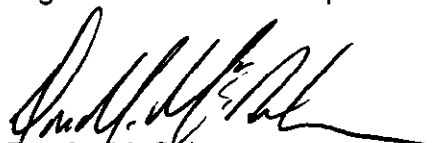
11. Examine payroll records for the year to determine whether any payments have been made to employees which may constitute bonuses, advances, or gifts.

A reading of minutes of the Village for the year indicated no approval for the payments noted. I also inspected payroll records for the year and noted no instances which would indicate payments to employees which would constitute bonuses, advances, or gifts.

During the performance of the procedures described above, I did become aware that the Village did not have the engagement completed within six months of the close of the year, which is a violation of state law.

I was not engaged to and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the use of management of the Village of Downsville and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Don M. McGeehee
Certified Public Accountant
July 27, 2005

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Government)

July 19, 2005 (Date Transmitted)

Don M. McGehee, PCA
806 North Trenton
Buston, LA 71276

(Auditors)

In connection with your review of our financial statements as of [date] and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of (date of completion/representations). July 19, 2005

Public Bid Law

It is true that we have complied with the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office..

Yes No

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of LSA-RS 42:1101-1124.

Yes No

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of LSA-RS 42:1119.

Yes No

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-14) or the budget requirements of LSA-RS 39:34.

Yes No

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36.

Yes No

We have filed our annual financial statements in accordance with LSA-RS 24:514, 33:463, and/or 39:92, as applicable.

Yes [] No [] N/A [✓]

We have had our financial statements audited or compiled in accordance with LSA-RS 24:513.

Yes [✓] No [] *

Meetings

We have complied with the provisions of the Open Meetings Law, provided in RS 42:1 through 42:12.

Yes [✓] No []

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 39:1410.60-1410.65.

Yes [✓] No []

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 79-729.

Yes [✓] No []

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any *communications received between the end of the period under examination and the issuance of this report*. We acknowledge our responsibility to disclose to you any known noncompliance which may occur subsequent to the issuance of your report.

<u>Carly A Butler</u>	<u>Clerk</u> <u>Secretary</u>	<u>7-19-05</u>	<u>Date</u>
	<u>Treasurer</u>		<u>Date</u>
<u>Reggie A. S. Kaine</u>	<u>Mayor</u> <u>President</u>	<u>7-19-05</u>	<u>Date</u>

* Except that it was not completed timely.

OTHER REPORTS

**VILLAGE OF DOWNSVILLE, LOUISIANA
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2004**

SECTION I AGREED-UPON PROCEDURES REPORT

FINDINGS

2004-1 The engagement was not completed within six months of the close of the year as required by state law. The Village received a \$281,000 federal grant during 2004, but failed to include it in revenue when determining the reporting requirements for the 2004 financial statements. Using this information, the Village engaged an accountant to perform a compilation, which they believed would meet their reporting requirements. Once the error was discovered, it was not possible to upgrade the engagement and complete it within six months of year end. I recommend that the mayor and council be sure to include all grant monies in their calculation of revenues when determining the state reporting requirements, so that they engage for the proper services with sufficient time to complete the engagement within six months of year end.

MANAGEMENT'S RESPONSES

The clerk, Cathy Butler, will calculate revenue for 2005, including all grant revenues, to provide the mayor and council prior to engaging an accountant. They will use this information to determine the state reporting requirements for the year ending December 31, 2005. An accountant will then be approved for the required 2005 engagement.

VILLAGE OF DOWNSVILLE, LOUISIANA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2004

SECTION I AGREED-UPON PROCEDURES REPORT

FINDINGS	CURRENT YEAR STATUS
2003-1 An unfavorable budget variance in excess of 5% for revenues.	No longer applicable.
2003-2 An agenda was not prepared and posted for a special meeting.	Resolved.