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**VILLAGE OF DOWNSVILLE, LOUISIANA
1986 - 1988 WATERWORKS
IMPROVEMENT PROJECT**

**FINANCIAL STATEMENTS
JUNE 30, 1988**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 **FEB 26 1991**

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VILLAGE OF DOWNSVILLE, LOUISIANA
1995-1996 WATERWORKS IMPROVEMENT PROJECT
FINANCIAL STATEMENTS
JUNE 30, 1996

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INDEPENDENT AUDITOR'S REPORT

The Honorable Reggie Skains, Mayor
and Council Members
Village of Downsville
Downsville, Louisiana 71034

I have audited the accompanying financial statements of the 1995-1996 Waterworks Improvement Project, Village of Downsville, Louisiana, as of and for the eighteen months ended June 30, 1996. These financial statements are the responsibility of the Village of Downsville, management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the 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. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1, the financial statements of the Waterworks Improvement Project, Village of Downsville, Louisiana, are intended to present the financial position and results of operations and cash flows of proprietary fund types of only that portion of the financial reporting entity of the Village of Downsville that is attributable to the transactions of the 1995-1996 Waterworks Improvement Project.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 1995-1996 Waterworks Improvement Project of the Village of Downsville, Louisiana, as of June 30, 1996, and the results of its operations and cash flows for the eighteen months then ended in conformity with generally accepted accounting principles.



Don M. McGehee
Certified Public Accountant
September 27, 1996

FINANCIAL STATEMENTS

VILLAGE OF DOWNSVILLE, LOUISIANA
1995 - 1996 WATERWORKS IMPROVEMENT PROJECT
BALANCE SHEET -- PROPRIETARY FUND TYPE
ENTERPRISE FUND
JUNE 30, 1996

ASSETS	
Restricted Cash	\$ 1,700
Land	1,000
Water Distribution System	<u>300,709</u>
TOTAL ASSETS	\$ <u>303,414</u>
LIABILITIES AND FUND EQUITY	
LIABILITIES:	
Revenue Bonds Payable	\$ 140,000
EQUITY:	
Contributed Capital --	
Capital Grant	144,000
Retained Earnings --	
Unreserved	<u>13,414</u>
TOTAL EQUITY	<u>157,414</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>303,414</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF DOWNSVILLE, LOUISIANA
 1995 - 1996 WATERWORKS IMPROVEMENT PROJECT
 STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN RETAINED EARNINGS-- PROPRIETARY FUND TYPE
 ENTERPRISE FUND
 FOR THE EIGHTEEN MONTHS ENDED JUNE 30, 1996

NONOPERATING REVENUES:	
Interest Revenue	\$ 427
Transfers from Operations	<u>12,987</u>
Total Nonoperating Revenues	<u>13,414</u>
NET INCOME	13,414
RETAINED EARNINGS - BEGINNING	<u>0</u>
RETAINED EARNINGS - ENDING	\$ <u>13,414</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF DOWNSVILLE, LOUISIANA
 1995-1996 WATERWORKS IMPROVEMENT PROJECT
 STATEMENT OF CASH FLOWS-- PROPRIETY FUND TYPE
 ENTERPRISE FUND
 FOR THE EIGHTEEN MONTHS ENDED JUNE 30, 1996

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from Revenue Bonds	\$ 144,000
Proceeds from Grant	144,000
Transfers from Operating Account	52,957
Purchase of Land	(1,000)
Construction (including capitalized interest costs)	(300,708)
Net Cash Used by Capital and Related Financing Activities	<u>1,250</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest Received (net of proceeds applied to capitalized interest costs)	427
Net Cash Provided by Investing Activities	<u>427</u>
NET INCREASE IN CASH	1,706
CASH AT BEGINNING OF YEAR	<u>0</u>
CASH AT END OF YEAR	\$ <u>1,706</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF DOWNSVILLE, LOUISIANA
1995-1996 WATERWORKS IMPROVEMENT PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Downsville, Louisiana, was incorporated pursuant to Section II of Act 156 of the Sessions Act as approved July 13, 1895. The Village operates under a Mayor-Council form of government. The accounting and reporting policies of the Village conform to generally accepted accounting principles as applied to governmental units.

In 1994, the Village determined to undertake a water improvement project at an estimated cost of \$290,000. This project was financed with a grant from Farmers Home Administration of \$144,000 and a bond to Farmers Home Administration of \$146,000. This project was referred to as the 1995-1996 Waterworks Improvement Project.

A. Reporting Entity

These financial statements are intended to present the financial position and results of operations and cash flows of proprietary fund types of only that portion of the financial reporting entity of the Village of Downsville that is attributable to the transactions of the 1995-1996 Waterworks Improvement Project.

B. Fund Accounting

The accounts of the Village of Downsville are organized on the basis of funds and account 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, fund equity, revenues, and expenditures, or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The 1995-1996 Waterworks Improvement Project was included in the following fund type:

**Proprietary Funds --
Enterprise Funds**

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises -- where the intent of the governing body is that the costs (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

VILLAGE OF DOWNSVILLE, LOUISIANA
1995 - 1996 WATERWORKS IMPROVEMENT PROJECT
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 1996

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., expenses) in net total assets.

D. Basis of Accounting

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded as the time liabilities are incurred. Proprietary fund types follow generally accepted accounting principles prescribed by the Governmental Accounting Standards Board and all applicable Financial Accounting Standards Board's standards.

E. Restricted Assets

The revenue bond agreement requires all bond proceeds to be deposited into a restricted account and used solely for the purpose of paying the cost of constructing and acquiring improvements, extensions and replacements to the water system. This cash is considered restricted until released by the bond owner (i.e., United States of America Farmers Home Administration).

F. Fixed Assets

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the investment proceeds over the same period. Depreciation expense is considered an expense of operations and is therefore not included in these financial statements for the project.

G. Statement of Cash Flows

For the purposes of the Statement of Cash Flows, all cash is considered cash regardless of whether there are restrictions on its use.

NOTE 2 - CASH

The Village maintains its cash account in First United Bank, which is insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 1996 the bank balance and the carrying amount for this account was \$1,703 and was covered by FDIC insurance.

VILLAGE OF DOWNSVILLE, LOUISIANA
1995 - 1996 WATERWORKS IMPROVEMENT PROJECT
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 1996

NOTE 3 - LONG-TERM DEBT

The Village of DownsVille issued a revenue bond to provide funds for construction of the waterworks improvement project. The income derived from the acquired or constructed assets will be used to pay debt service. Considering only transactions from the Waterworks Improvement Project the revenue bond outstanding, at June 30, 1996, was as follows:

Revenue Bond -- \$146,000 Water Revenue Bonds dated December 29, 1994 due in monthly installments of \$734 beginning January 29, 1995 through December 29, 2004; interest at a rate of 5.25%.	\$ <u>146,000</u>
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The actual outstanding balance on the revenue bond at June 30, 1996 was less than the amount shown above, due to monthly payments made from operations beginning January 29, 1995.

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

NOTE 4 - CONTRIBUTED CAPITAL

The Village received a \$144,000 capital grant from the United States Department of Agriculture -- Farmers Home Administration to help finance the Waterworks Improvement Project. This grant is recorded as contributed capital as follows:

Beginning Balance, Contributed Capital	\$ 0
Add: Farmers Home Administration Capital Grant	<u>144,000</u>
Ending Balance, Contributed Capital	\$ <u>144,000</u>

NOTE 5 - TRANSFERS FROM OPERATIONS

The Enterprise Fund provided \$12,987 in funds from operations to finance the 1995-1996 Waterworks Improvement Project. These funds are shown as a transfer from operations on the financial statements for the Project. If the enterprise fund were presented in its entirety, this transfer would be offset by a transfer to the project from operations.

OTHER REPORTS

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Feggie Skains, Mayor
and Council Members
Village of Downsville
Downsville, Louisiana 71234

I have audited the financial statements of the 1995 - 1996 Waterworks Improvement Project, Village of Downsville, Louisiana, as of and for the eighteen months ended June 30, 1996, and have issued my report thereon dated September 27, 1996.

I have conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Village of Downsville is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing my audit of the financial statements of the Village of Downsville's 1995 - 1996 Waterworks Improvement Project for the eighteen months ended June 30, 1996, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

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**INDEPENDENT AUDITORS REPORT ON COMPLIANCE
BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Ruggie Skains, Mayor
and Council Members
Village of Downsville
Downsville, Louisiana 71224

I have audited the financial statements of the 1995 - 1996 Waterworks Improvement Project, Village of Downsville, Louisiana, as of and for the eighteen months ended June 30, 1996, and have issued my report thereon dated September 27, 1996.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Village of Downsville's 1995 - 1996 Waterworks Improvement Project is the responsibility of the Village of Downsville's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of the Village of Downsville's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of management of the Village of Downsville, the Office of Farmers Home Administration, and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.



Don M. McGehee
Certified Public Accountant
September 27, 1996