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VILLAGE OF CONVERSE, LOUISIANA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

VILLAGE OF CONVERSE, LOUISIANA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

Marsha O. Millican
Certified Public Accountant
Shreveport, Louisiana

VILLAGE OF CONVERSE, LOUISIANA
DECEMBER 31, 2005
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Marsha O. Millican
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

The Honorable Troy Terrell, Mayor
and Board of Aldermen
Village of Converse, Louisiana

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Converse as of and for the year ended December 31, 2005 which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Converse's, management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and Government Auditing Standards. 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.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the governmental activities, business-type activities, major funds, and remaining fund information of Village of Converse, Louisiana as of December 31, 2005 and the changes in financial position and cash flows where applicable, of those activities and funds the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis presented on pages 3 through 7 and the budgetary information on pages 24 is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

810 WILKINSON
SHREVEPORT, LA 71104-3036
(318) 221-3881
FAX: (318) 221-4641

In accordance with Government Auditing Standards, I have also issued a report dated June 16, 2006 on my consideration of Village of Converse's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Village of Converse's basic financial statements. The accompanying supplemental schedule listed in the table of contents as other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Marsha D. Millican

Certified Public Accountant
June 16, 2006

VILLAGE OF CONVERSE
P.O. BOX 40
CONVERSE, LA 71419
318-567-3312

Mayor
Troy H. Terrell
Chief of Police
John W. Brock

Council Members
Rita Anderson
David Gentry
Cade Brumley

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2005

The Management's Discussion and Analysis of Village of Converse's financial performance presents a narrative overview and analysis of the Village of Converse's financial activities for the year ended December 31, 2004. The document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the Village's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Governmental Activities

1) Village of Converse had cash of $20,850 at December 31, 2005 which represents a decrease of $13,057 from prior year end.

2) Village of Converse had taxes receivable of $11,110 at December 31, 2005 which represents an increase of $2,565 from prior year end.

3) Village of Converse had accounts payable and accruals of $2,862 at December 31, 2005 which represents a decrease of $413 from the prior year end.

4) Village of Converse had total revenues of $83,808 for the year ended December 31, 2005 which represents an increase of $3,594 from the prior year.

5) Village of Converse had total expenses of $82,733 for the year ended December 31, 2005 which represents an increase of $268 from prior year.

Business-Type Activities

1) Village of Converse had cash of $71,184 for the year ended December 31, 2005 which represents an increase of $2,123 from prior year.

2) Village of Converse had accounts receivable of $4,683 for the year ended December 31, 2005 which represents a decrease of $229 from prior year.

3) Village of Converse had accounts payable and accruals of $2,464 for the year ended December 31, 2005 which represents a decrease of $115 from the prior year.

4) Village of Converse had total revenues of $69,510 for the year ended December 31, 2005 which represents an increase of $4,919 from prior year.

5) Village of Converse had total expenses of $102,339 for the year ended December 31, 2005 which represents an increase of $14,571 from prior year.

6) Village of Converse had capital asset improvements of $647,902.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Village of Converse as established by Governmental Accounting Standards Board Statement 34. Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments.

Management Discussion and Analysis

Basic Financial Statements

Required Supplementary Information
(Other than MD&A)

These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 8 and 9) provide information about the activities of Village of Converse as a whole and present a longer-term view of the Village's finances. Fund financial statements start on page 10. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

Reporting the Village as a Whole

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the Village's finances is, "Is the Village 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 its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting 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.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

These two statements report the Village's Net assets and changes in them. You can think of the Village's net assets, the difference between assets and liabilities, as one way to measure the Village's financial health, or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Assets and the 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 and general administration. Taxes, license and permits, fines, interest income and state and federal grants finance most of these activities.

Business-Type Activities
The Village charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Village's water and sewer system are reported here.

Reporting the Village's Most Significant Funds

Fund Financial Statements
The fund financial statements provide detailed information about the most significant funds, not the Village as a whole. Some funds are required to be established by State law and by bond covenants. However, the Board of Aldermen may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Village's two kind of funds, governmental and proprietary, use different accounting approaches.

Governmental Funds
Most of the Village's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left a year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short term view of the Village's general governmental 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 Village's activities as well as what remains for future spending.

Proprietary Funds
When the Village charges customers for the services it provides, 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 Statement of Activities. In fact, the Village's enterprise funds are the same as the business-type activities we reported in the government-wide statements but provide more detail and additional information, such as cash flows.

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Assets

	Governmental Activities 2005	Business Activities 2005	Governmental Activities 2004	Business Activities 2004
Current and other assets	$ 69,559	$ 76,890	$ 310,469	$ 75,172
Capital assets, net	628,782	1,182,376	43,057	557,939
Total Assets	$ 698,341	$ 1,259,266	$ 353,526	$ 633,111
Accounts Payable and Accruals	$ 2,862	$ 2,464	$ 244,847	$ 2,579
Other Liabilities	-	34,821	-	23,441
Deferred Revenue	-	-	-	-
Customer deposits	-	8,875	-	7,925
Total Liabilities	2,862	46,160	244,847	33,945
Net assets				
Investment in capital assets, Net of related debt	628,782	1,182,376	43,057	557,931
Restricted Net Assets	-	-	-	-
Unrestricted	66,697	30,730	65,622	41,235
Total Net Assets	695,479	1,213,106	108,679	599,166
Total Liabilities & Net Assets	$ 698,341	$1,259,266	$ 353,526	$ 633,111

Net assets of Village of Converse increased by $586,800 and $613,940, from the previous fiscal year in Governmental Activities and Business-Type Activities respectively. These changes are the result of operating and other expenses being less than/exceeding operating and nonoperating revenues during the fiscal year ended 2005 (See table below) and capital assets contributed from Federal and State grants.

Statement of Activities
As of Year End

	Government 2005	Business 2005	Government 2004	Business 2004
General Government Expenses	$ (93,574)	$(102,339)	$(1,203,264)	$ (87,893)
Program revenues				
Charges for services	-	65,377	-	60,083
Operating and capital grants and Contributions	596,566	646,769	1,113,686	-
Subtotal	502,992	609,807	(89,578)	(27,810)
General revenues and transfers	$ 83,808	4,133	$ 80,214	$ 4,508
Change in net assets	$ 586,800	$ 613,940	$ (9,364)	$ (23,302)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2005 Village of Converse had $628,782, and $1,182,376 net of depreciation in Governmental Activities and Business-Type Activities, respectively, invested in a broad range of capital assets (See table below).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets (Continued)

Capital Assets (Net) at Year End

	Governmental Activities	Business-Type Activities
	2005	2005
Land	1,600	54,787
Buildings and other improvements	613,781	-
Distribution system	-	1,112,847
Equipment, furniture and fixtures	13,401	14,742
Total	$ 628,782	$ 1,182,376

Additions for the year ended December 31, 2005 are as follows:

This year's major additions included:

	Governmental Activities	Business-Type Activities
Distribution system	$ -	$ 647,902
Buildings and other improvements	506,566	-
Equipment, furniture and fixtures	-	-
Total	$ 506,566	$ 647,902

Debt
Village of Converse had no long-term debt at December 31, 2005.

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS

Actual revenues were $15,108 more than budgeted amounts.

Actual expenditures were $2,052 less than budgeted amounts due to general government and public safety being less than expected.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Village of Converse's elected officials considered the following factors and indicators when setting next year's budget, rates, and fees. These factors and indicators include:

1) Taxes
2) Intergovernmental revenues (state and local grants)
3) License and permits
4) Fines

Village of Converse does not expect any significant changes in next year's results as compared to the current year.

CONTACTING VILLAGE OF CONVERSE'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Village of Converse's finances and to show the Village of Converse's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Troy Terrell, Mayor of the Village of Converse, Post Office Box 40, Converse, Louisiana 71419, (318) 567-3312.

VILLAGE OF CONVERSE, LOUISIANA
STATEMENT OF NET ASSETS
DECEMBER 31, 2005

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash	$ 20,850	$ 90	$ 20,940
Accounts receivable	11,100	4,683	15,783
Due from other funds	34,821	-	34,821
Prepaid expenses	2,788	1,023	3,811
Total Current Assets	69,559	5,796	75,355
Noncurrent Assets			
Restricted Cash	-	71,094	71,094
Capital assets, net	628,782	1,182,376	1,811,158
Total Noncurrent Assets	628,782	1,253,470	1,882,252
Total Assets	$ 698,341	$ 1,259,266	$ 1,957,607
LIABILITIES AND NET ASSETS			
LIABILITIES			
Current Liabilities			
Current portion of long-term debt	$ -	$ -	$ -
Accounts payable and accruals	2,862	2,464	5,326
Due to other funds	-	34,821	34,821
Total Current Liabilities	2,862	37,285	40,147
Noncurrent Liabilities			
Long-term debt, net of current Portion	-	-	-
Customer deposits	-	8,875	8,875
Total Noncurrent Liabilities	-	8,875	8,875
Total Liabilities	2,862	46,160	49,022
NET ASSETS			
Investment in capital assets, Net of related debt	628,782	1,182,376	1,811,158
Unrestricted	66,697	30,730	97,427
Total Net Assets	695,479	1,213,106	1,908,585
Total Liabilities And Net Assets	$ 698,341	$ 1,259,266	$ 1,957,607

See accompanying notes to financial statements.

VILLAGE OF CONVERSE, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities							
General Government	$ 36,978	$ -	$ -	$ 596,566	$ 559,588	$ -	$ 559,588
Public safety	28,091	-	-	-	(28,091)	-	(28,091)
Highways and streets	17,664	-	-	-	(17,664)	-	(17,664)
Interest	-	-	-	-	-	-	-
Depreciation	10,841	-	-	-	(10,841)	-	(10,841)
Total Governmental Activities	93,574	-	-	596,566	502,992	-	502,992
Business-Type Activities							
Utility fund	102,339	65,377	-	646,769	-	609,807	609,807
Total Business-type Activities	102,339	65,377	-	-	-	609,807	609,807
Total Primary Government	$ 195,913	$ 65,377	$ -	$ 1,243,335	502,992	609,807	1,112,799
General Revenues							
Taxes							
Ad Valorem					16,885	-	16,885
Franchise					33,339	-	33,339
Sales					26,977	-	26,977
Intergovernmental					-	-	-
Fines					3,228	-	3,228
Miscellaneous					3,379	4,133	7,512
Transfers					-	-	-
Total General Revenues and Transfers					83,808	4,133	87,941
Change in Net Assets					586,800	613,940	1,200,740
Net Assets, Beginning of Year					108,679	599,166	707,845
Net Assets, End of year					$ 695,479	$1,213,106	$ 1,908,585

See accompanying notes to financial statements.

VILLAGE OF CONVERSE, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	General Fund	Capital Projects Fund	Total
ASSETS			
Cash	$ 20,760	$ 90	$ 20,850
Taxes and accounts receivable	11,100	-	11,100
Due from other funds	34,911	-	34,911
Prepaid expenses	2,788	-	2,788
Total Assets	$ 69,559	$ 90	$ 69,649
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accruals	$ 2,862	$ -	$ 2,862
Due to other funds	-	90	90
Total Liabilities	2,862	90	2,952
Fund Balances			
Unreserved	66,697	-	66,697
Total Net Assets	66,697	-	66,697
Total Liabilities and Fund Balances	$ 69,559	$ 90	$ 69,649

See accompanying notes to financial statements.

VILLAGE OF CONVERSE, LOUISIANA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2005

Total Fund Balances for Governmental Funds	$ 66,697
Total Net Assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	628,782
Total Net Assets of Governmental Activities	$ 695,479

The accompanying notes are an integral part of this statement.

VILLAGE OF CONVERSE, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	General Fund	Capital Projects	Total
Revenues			
Taxes			
Ad Valorem	$ 16,885	$ -	$ 16,885
Licenses and Permits	33,339	-	33,339
Sales	26,977	-	26,977
Intergovernmental	-	124,120	124,120
Fines	3,228	-	3,228
Miscellaneous	3,379	-	3,379
Total Revenues	83,808	124,120	207,928
Expenditures			
General Government	36,978	-	36,978
Public Safety	28,091	-	28,091
Highways and Streets	17,664	-	17,664
Capital Projects	-	124,120	129,649
Total Expenditures	82,733	124,120	206,853
Net Change in Fund Balances	1,075	-	1,075
Fund Balances, Beginning of year,	65,622	-	65,622
Fund Balances, End of Year	$ 66,697	$ -	$ 66,697

See accompanying notes to financial statements.

VILLAGE OF CONVERSE, 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, 2005

Net Changes in Fund Balances - Total Governmental Funds	$ 1,075
The change in Net Assets reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays ($596,566) exceeds depreciation ($10,841) in the current period.	585,725
Change in Net Assets of Governmental Activities	$586,800

See accompanying notes to the financial statements.

VILLAGE OF CONVERSE, LOUISIANA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
DECEMBER 31, 2005

Assets	
Current Assets	
Cash	$ 90
Accounts receivable	4,683
Prepaid insurance	1,023
Total Current Assets	5,796
Noncurrent Assets	
Restricted cash	71,094
Capital assets, net	1,182,376
Total Noncurrent Assets	1,253,470
Total Assets	$ 1,259,266
Liabilities and Fund Balances	
Liabilities	
Accounts payable and accruals	$ 2,464
Due to other funds	34,821
Total Current Liabilities	37,285
Noncurrent Liabilities	
Customer deposits	8,875
Total Noncurrent Liabilities	8,875
Total Liabilities	46,160
Net Assets	
Investments in capital assets, Net of related debt	1,182,376
Unrestricted	30,730
Total Net Assets	1,213,106
Total Liabilities & Net Assets	$ 1,259,266

See accompanying notes to financial statements.

VILLAGE OF CONVERSE, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Total
OPERATING REVENUES	
Charges for Services	$ 65,377
Miscellaneous	4,133
Total Operating Revenues	69,510
OPERATING EXPENSES	
Personal services	31,124
Utilities	8,046
Repair and maintenance	12,355
Other supplies and expenses	24,878
Insurance	2,470
Depreciation	23,466
Total Operating Expenses	102,339
Changes in Net Assets before contributions	(32,829)
CAPITAL CONTRIBUTIONS	646,769
Changes in Net Assets	613,940
Net Assets, Beginning of Year	599,166
Net Assets, End of Year	$ 1,213,106

VILLAGE OF CONVERSE, LOUISIANA

Statement of Cash Flows - Proprietary Fund Type
Year Ended December 31, 2005

Cash flows from operating activities:	
Cash received from customers	$ 65,606
Cash payments to suppliers and employees	(66,482)
Other operating income	4,133
Net cash provided by operating activities	3,257
Cash flows from capital and related financing activities:	
System improvements	(647,903)
Contributions from Federal and State grants	646,769
Net cash used by capital and related financing activities	(1,134)
Cash flows from investing activities:	
Interest received on investments	-
Net cash provided by investing activities	-
Net increase in cash	2,123
Cash, January 1, 2005 (including $68,971 in restricted accounts)	69,061
Cash, December 31, 2005 (including $71,094 in restricted accounts)	$ 71,184
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	$(32,829)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	23,466
Changes in assets and liabilities:	
Decrease in accounts receivable	229
Decrease in prepaid expenses	176
Decrease in accounts payable	(115)
Increase in due to other funds	11,380
Increase in customer deposits	950
Net cash provided by operating activities	$ 3,257

See accompanying notes to financial statements.

Village of Converse was incorporated under the provisions of the Lawrason Act. The Village operates under a Mayor-Board of Aldermen form of government. The Village's major operations include public safety, streets, recreation and parks, utilities, and general administrative services.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The accompanying financial statements of the Village of Converse have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, issued in June 1999.

B. Reporting Entity

GASB Statement 14 establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, Village of Converse 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 or local governments. As used in GASB Statement No. 14, fiscally independent means that Village of Converse 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.

C. Government - Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Ad valorem taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Sales and use tax revenues are recorded in the month collected by the tax collector. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Purchases of various operating supplies are regarded as expenditures at the time purchased.

Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of capital assets, debt extinguishment, long-term proceeds, et cetera) are accounted for as other financing sources/(uses). These other financing sources/(uses) are recognized at the time the underlying events occur.

Village of Converse reports the following governmental and proprietary funds:

Governmental Funds
Governmental funds account for all or most of Village of Converse's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets, and the servicing of general long-term obligations.

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. General tax revenues and other sources of revenue used to finance the fundamental operations of the Village are included in this fund. The fund is charged with all cost of operating the government for which a separate fund has not been established.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Proprietary Funds
Proprietary funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. Village of Converse applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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

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

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

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

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

E. Budgetary Accounting

Formal budgetary accounting is employed as a management control. Village of Converse prepares and adopts a budget each year for its general and utility funds in accordance with Louisiana Revised Statutes. The operating budget is prepared based on prior year's revenues and expenditures and the estimated increase therein for the current year, using the full accrual basis of accounting. The Town amends its budget when projected revenues are expected to be less than budgeted revenues by five percent or more and/or projected expenditures are expected to be more than budgeted amounts by give percent of more. All budget appropriations lapse at year end.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows and consistent with GASB Statement 9, the Village defines cash and cash equivalents as follows:

Cash - includes not only currency on hand but also demand deposits with banks or other financial institutions and other kinds of accounts that have the general characteristics of demand deposits in that the customer may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty.

Cash equivalents - includes all short term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of interest rates. Generally, only investments which, at the day of purchase, have a maturity date no longer than three months qualify under this definition.

G. Receivables

All receivables are reported at their gross value and, where applicable, are reduced by the estimated portion that is expected to be uncollectible.

H. Bad Debts

All accounts receivable are considered to be fully collectible.

I. Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets that have been purchased that have a useful life of greater than one year. When purchased or acquired, these assets are recorded as capital assets in the Government-Wide Statement of Net Assets. In contrast, in the Fund Financial Statements, capital assets are recorded as expenditures of the fund that provided the resources to acquire the asset. If the asset was purchased, it is recorded in the books at its cost. If the asset was donated, then it is recorded at its estimated fair market value at the date of donation.

Depreciation is computed using the straight line method over the estimated useful life of the assets, generally 10 to 40 years for buildings and other improvements, and 5 to 10 years for moveable property. Expenditures for maintenance, repairs and minor renewals are charged to earnings as incurred. Major expenditures for renewals and betterments are capitalized.

J. Sales Taxes

The Village collection sales and use tax with the net proceeds, after deducting costs of collection and administration, dedicated to construction, acquiring, extending, improving and/or maintaining drainage facilities, streets, street lighting facilities, bridges, sidewalks, waterworks, sewers and sewer disposal works, recreational facilities, public parks, public buildings and equipment, payment of salaries of municipal employees, maintaining and operating the municipal police department including the purchase of equipment thereof, or for any one or more of said purposes, title to which improvements shall be in the public.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Compensated Absences

Leave cannot be accumulated or carried over from one year to the next. Therefore, no liability for compensated absences has been recorded in the accompanying financial statements.

L. 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 LEVIED TAXES

Village of Converse levies taxes on real and business personal property located with its boundaries. The Parish Tax Assessor assesses the property values and prepares the Village's property tax roll. The Village bills and collects its own property taxes. Ad valorem taxes are levied and billed to the taxpayer in December, and are payable upon receipt of notice. Ad valorem taxes attach as an enforceable lien on property as of December 31, of each year. Taxes of 15.20 mills were levied on property with assess valuations totaling 1,107,330 and were dedicated as follows: general corporate purposes - 6.38 mills, street fund - 8.82 mills. Total taxes levied after adjustments were $16,832. Taxes receivable at December 31, 2005 totaled $2,855.

NOTE 3 DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

A. Deposits with Financial Institutions

For reporting purposes, deposits with financial institutions includes savings, demand deposits, time deposits, and certificates of deposit. Under state law the Village may deposit funds within a fiscal agent bank selected and designated by the Board of Aldermen. Further the fund may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the state of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

Deposits in bank accounts are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The carrying amount of the Village's deposits at December 31, 2005 was $92,034 and the bank's balance was $96,512. The difference is due to outstanding checks and deposits at year end. All bank balances were fully insurance by FDIC insurance.
Secured by FDIC Insurance.

VILLAGE OF CONVERSE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 4 ACCOUNTS RECEIVABLE

The following is a summary of accounts receivable at December 31, 2005:

	Governmental Activities	Business-Type Activities	Total
Taxes			
Ad valorem	$ 2,855	$ -	$ 2,855
Franchise	3,953	-	3,953
Sales	2,910	-	2,910
Other receivables	1,382	-	1,382
Grants receivable	-	-	-
Charges for services	-	4,683	4,683
Total	$ 11,100	$ 4,683	$ 15,783

NOTE 5 CAPITAL ASSETS

A summary of Village of Converse's capital assets at December 31, 2005 follows:

	Balance 1/1/05	Additions	Retirements	Balance 12/31/05
Government Activities				
Capital Assets, not being depreciated				
Land	$ 1,600	$ -	$ -	$ 1,600
Total Capital Assets, not being depreciated	1,600	-	-	1,600
Capital Assets, being depreciated				
Buildings and other improvements	49,278	596,566	-	645,844
Less accumulated depreciation	(27,103)	(4,960)	-	(32,063)
Total Buildings & Building Improvements	22,175	591,606	-	613,781
Equipment, furniture & fixtures	29,403	-	-	29,403
Less accumulated depreciation	(10,121)	(5,881)	-	(16,002)
Total Equipment, Furniture & Fixtures	19,282	(5,881)	-	13,401
Total Capital Assets, being depreciated	41,457	585,725	-	628,782
Governmental Activities Total Capital Assets, net	$ 43,057	$ 585,725	$ -	$ 628,782
Business-Type Activities				
Capital Assets, not being depreciated				
Construction in progress	$ 44,787	$ -	$ -	$ 44,787
Land	10,000	-	-	10,000
Total Capital Assets, not being depreciated	54,787	-	-	54,787
Capital Assets, being depreciated				
Distribution system	860,000	647,902	-	1,507,902
Less accumulated depreciation	(374,500)	(20,555)	-	(395,055)
Total Distribution System	485,500	627,347	-	1,112,847
Equipment, furniture & fixtures	50,717	-	-	50,717
Less accumulated depreciation	(33,065)	(2,910)	-	(35,975)
Total Equipment, furniture & fixtures	17,652	(2,910)	-	14,742
Total Capital Assets, being Depreciated	503,152	624,437	-	1,127,589
Business-Type Activities Total Capital Assets, net	$ 557,939	$ 624,437	$ -	$ 1,182,376
Primary Government Total Capital Assets, net	$ 600,996	1,210,162	$ -	$ 1,811,158

NOTE 6 RISK MANAGEMENT

Village of Converse is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village maintains commercial insurance coverage covering each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Village.

NOTE 7 COMMUNITY DEVELOPMENT BLOCK GRANT

The Village was awarded a Community Development Block Grant on December 11, 2002 for $596,626 for fire protection. Revenue and expenditures on this grant for the year ended December 31, 2005 were $13,743. The grant was complete at December 31, 2005.

The Village was awarded grant from the Louisiana Department of Transportation and Development for Utility Relocation Assistance Funding on August 20, 2003. Revenue and expenditures under this grant for the year ended December 31, 2005 totaled $64,496. The grant was complete at December 31, 2005.

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF CONVERSE, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS - BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Original Budget	Amended Budget	Actual	Variance Fav./(Unfav.)
Revenues				
Taxes				
Ad valorem	$ 15,700	$ 15,700	$ 16,885	$ 1,185
Franchise	25,000	25,000	33,339	8,339
Sales	20,000	20,000	26,977	6,977
Fines	8,000	4,000	3,228	(772)
Intergovernmental	-	-	-	-
Miscellaneous	4,000	4,000	3,379	(621)
Total Revenues	72,700	68,700	83,808	15,108
Expenditures				
General government	38,200	38,200	36,978	1,222
Public safety	28,135	28,135	28,091	44
Highways and streets	16,250	18,450	17,664	786
Debt service	-	-	-	-
Total Expenditures	82,585	85,785	82,733	3,052
Net Change in Fund Balances	(9,885)	(17,085)	1,075	18,160
Fund Balances, Beginning of Year	65,622	65,622	65,622	-
Fund Balances, End of Year	$ 55,737	$ 48,537	$ 66,697	$ 18,160

VILLAGE OF CONVERSE, LOUISIANA
SCHEDULE OF COMPENSATION PAID TO MAYOR AND
BOARD OF ALDERMEN

YEAR ENDED DECEMBER 31, 2005

Troy Terrell, Mayor	$ 3,600
Preston Brumley	900
Rita Anderson	900
David Gentry	900
Total	$ 6,300

Marsha O. Millican
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT OF COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Dale Troy Terrell, Mayor
and Members of the Board of Aldermen
Village of Converse, Louisiana

I have audited the financial statements of Village of Converse, Louisiana as of and for the year ended December 31, 2005, and have issued my report thereon dated June 16, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of American and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance
As part of obtaining reasonable assurance about whether Village of Converse, Louisiana's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting
In planning and performing my audit, I considered Village of Converse, Louisiana's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management, the Board of Aldermen and applicable federal and state cognizant agencies and is not intended to be, and should not be, used by anyone other than the specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Marsha O. Millican

Certified Public Accountant
June 16, 2006

810 Wilkinson
Shreveport, La 71104-3036
(318) 221-3881
Fax: (318) 221-4641

VILLAGE OF CONVERSE, LOUISIANA

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2005

FINDING/NONCOMPLIANCE

There were no findings or questioned costs for the year ended December 31, 2005.

VILLAGE OF CONVERSE, LOUISIANA

Corrective Action Taken on Prior Year Findings

For the Year Ended December 31, 2005

There were no findings for the year ended December 31, 2004.