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VILLAGE OF FOLSOM, LOUISIANA

JUNE 30, 2004

AUDIT OF FINANCIAL STATEMENTS

JUNE 30, 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 1-26-05

**VILLAGE OF FOLSOM, LOUISIANA
FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004
WITH SUPPLEMENTAL INFORMATION SCHEDULES**

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FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004
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LAPORTE SEHRT
ROMIG HAND
CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Marshall Brumfield
and Members of the Board of Aldermen
Village of Folsom, Louisiana

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of **VILLAGE OF FOLSOM, LOUISIANA**, as of and for the year ended June 30, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **VILLAGE OF FOLSOM, LOUISIANA**'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the **VILLAGE OF FOLSOM, LOUISIANA**, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2004 on our consideration of **VILLAGE OF FOLSOM, LOUISIANA**'s internal control over financial reporting and our 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 *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on page 4 through 10 and 44 through 47, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **VILLAGE OF FOLSOM, LOUISIANA's** basic financial statements. The accompanying supplemental information listed in the table of contents under Other Supplemental Information and identified as Schedule 1 through Schedule 3 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all materials respects, in relation to the financial statements taken as a whole.



A Professional Accounting Corporation

September 3, 2004

REQUIRED SUPPLEMENTAL INFORMATION (PART I)
MANAGEMENT'S DISCUSSION AND ANALYSIS

VILLAGE OF FOLSOM, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004

As management of the **VILLAGE OF FOLSOM, LOUISIANA** (Village), we offer readers of the *Village of Folsom, Louisiana's financial statements this narrative overview and analysis of the financial activities of the Village of Folsom, Louisiana, for the fiscal year ended June 30, 2004.* This management discussion and analysis ("MD&A") is designed to provide an objective and easy to read analysis of the *Village's financial activities based on currently known facts, decisions, or conditions.* It is intended to provide readers with a broad overview of Village finances. It is also intended to provide readers with an analysis of the Village's short-term and long-term activities of the Village based on information presented in the financial report and fiscal policies that have been adopted by the Village. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the Village's financial activity, identify changes in the Village's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

This is the first year that the Village has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement Number 34. Because this new reporting model changes significantly, not only the presentation of financial data, but also the manner in which the information is recorded, prior year comparative information for this reporting period's MD&A has not been included. The omission of this comparative information is unavoidable and unfortunately puts the reader in a less than desirable position. In preparing the information summarized below, we have tried to keep in mind this disadvantage by expanding on the narrative with our opinion of the changes from one year to the next.

As with other sections of this financial report, the information contained within this MD&A should be considered only a part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and the other Required Supplemental Information ("RSI") that is provided in addition to this MD&A.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's financial statements. The Village's basic financial statements consist of the following components:

1. Government-Wide Financial Statements,
2. Fund Financial Statements,
3. Notes To Financial Statements, and
4. Required Supplemental Information
5. Other Supplemental Information

**VILLAGE OF FOLSOM, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

1. GOVERNMENT-WIDE FINANCIAL STATEMENTS

Government-wide financial statements are designed by GASB Statement 34 to change the way in which governmental financial statements are presented. It now provides readers for the first time a concise "entity-wide" Statement of Net Assets and Statement of Activities, seeking to give the user of the financial statements a broad overview of the Village's financial position and results of operations in a manner similar to a private-sector business.

- A. The *statement of net assets* presents information on all of the Village's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between the assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or weakening.
- B. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements further assist the reader in their evaluation by distinguishing functions of the Village into:

Governmental Activities that are principally supported by taxes and intergovernmental revenues, and

Business-Type Activities from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Village assets exceeded its liabilities at the close of the most recent fiscal year by \$2,033,627 (*net assets*). The Village's net assets are comprised of \$658,178 from Governmental Activities and \$1,375,449 from Business-Type Activities as shown on page 11.

By far the largest portion of the Village's net assets reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, vehicles, Village infrastructure, etc.), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**VILLAGE OF FOLSOM, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

An additional portion of the Village's net assets represents resources that are subject to external restrictions on how they may be used and are classified as such. The remaining deficit balance of unrestricted net assets of \$76,957 results mainly from sewer plant issues discussed later in this MD&A.

At the end of the current fiscal year, the Village is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities for all funds except the Sewer Fund as mentioned above.

Governmental Activities

The Governmental Activities of the Village include General Government, Public Safety and Public Works. Sales taxes, franchise taxes, occupational licenses and permits, tower lease, fines and other revenues fund most of these governmental activities.

The following shows the Village's expenses related to those functions typically associated with governments. Below, we show the General Government expenses, which include salaries, building cost, alderman fees, depreciation, and other general administration cost. Public Safety expenses encompass the Police department. Public Works expenses include salaries and maintenance.

Governmental Activity Expenses

	<u>Amount</u>	<u>Percentage</u>
General Government	\$ 246,078	44%
Public Safety	222,633	39
Public Works	92,657	16
Interest on Debt	<u>3,873</u>	<u>1</u>
Total Governmental Activities	<u>\$ 565,241</u>	<u>100%</u>

General revenues are those available for the Village to use to pay for the governmental activities described above. The following shows the Village's general revenues:

General Revenues

	<u>Amount</u>	<u>Percentage</u>
Taxes	\$ 437,347	87%
Insurance Licenses	74,999	15
Tower Lease	21,352	4
Licenses and Permits	25,594	5
Fines and Forfeitures	44,052	9
Investment Earnings	3,224	1
Other General Revenues	26,658	5
Transfers	<u>(129,642)</u>	<u>(26)</u>
Total General Revenues and Transfers	<u>\$ 503,584</u>	<u>100%</u>

VILLAGE OF FOLSOM, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004

Sales taxes are the largest revenue source for the Village comprising 87% of total governmental general revenue. Insurance Licenses are the second largest revenue source for the Village comprising 15% of governmental general revenue.

Business-Type Activities

The Business-Type Activities of the Village are those that 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 departments are reported here.

Business-Type Activities

	Water	Sewer	Garbage
Operating Revenues	\$ 90,025	\$ 64,758	\$ 20,577
Operating Expenses	114,183	138,506	22,806
Net Operating Income (Loss)	\$ (24,158)	\$ (73,748)	\$ (2,229)

2. FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental funds and proprietary funds.

- A. Governmental funds are used to account for most of the Village's basic services as reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using 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 government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciling statements are located on pages 16 and 18.

**VILLAGE OF FOLSOM, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

The Village maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Special Revenue Fund, which are considered to be major funds. Data from the other governmental funds, which include the Sewer Treatment Debt Service Fund and the Street Improvement Debt Service Fund, are combined into a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 15 and 17 of this report.

Financial Analysis of the Governmental Funds

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$557,034. In the General Fund, the unreserved fund balance is \$385,622. The Village has an unreserved fund balance of \$136,438 in the Special Revenue Fund, which handles the sales tax collections.

The reserved fund balance in governmental funds in the amount of \$34,974 indicates that these funds are not available for new spending because they have already been committed for debt service. The net increase in fund balance during the current year in the debt service fund was \$854. The debt service fund's total fund balance is reserved for the payment of debt.

Changes in Fund Balance of the Village's Major Funds follow:

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Fund Balance at June 30, 2003	\$ 445,651	\$ 180,699
Fund Balance at June 30, 2004	<u>385,622</u>	<u>136,438</u>
Decrease in Fund Balance	<u>\$ (60,029)</u>	<u>\$ (44,261)</u>

Individual fund data for each of the non-major governmental funds is provided in the form of combining statements in the Other Supplemental Information portion of this report, beginning on page 49.

- B. Proprietary funds - Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its Water, Sewer and Garbage departments. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer and Garbage departments, which are considered to be major funds of the Village. The basic proprietary fund financial statements can be found on pages 19 through 22 of this report.

VILLAGE OF FOLSOM, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004

3. NOTES TO FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 thru 42 of this report.

4. REQUIRED SUPPLEMENTAL INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found beginning on page 44 of this report.

- A. Budgetary Comparison Schedule - The Village adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for each fund to demonstrate compliance with these budgets, beginning on page 44.
- B. Analysis of Significant Budget Variances:
1. Revenues:
 - a. Insurance Licenses Revenue in the General Fund was more than budgeted due to an increase in population and businesses and the opening of an insurance agent, which later closed.
 - b. The Village dropped its D.A.R.E. program, so no grant monies were received for the year.
 - c. Police Fines and Forfeitures Revenue was more than budgeted due to more population and more tickets being written.
 - d. The Centennial Celebration brought additional book and T-shirt sales and sponsorships, which are reflected in Miscellaneous Revenues.
 - e. Interest Income fell below budget due to low interest rates caused by the economy.
 - f. Sales and Use Tax Revenue in the Special Revenue Fund was more than budgeted due to an increase in population, visitors for the Centennial Celebration and more businesses.
 2. Expenditures:
 - a. Spending for the Centennial Celebration supplies were greater than expected due to books and T-shirts mentioned above and other cost.
 - b. Utility expenditures increased due to economic conditions.
 - c. The variance between General Fund Salaries and Aldermen's Expense offset each other.
 - d. Police Retirement Expenditures went over budget due to an increase in the employer contribution rate from 9.5% to 15.25%. Effective for July 2004 the employer contribution rate goes to 21.5%.
 - e. The Public Works Salary overage includes overtime increases, which increase Payroll Taxes also.

**VILLAGE OF FOLSOM, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

- f. *Public Works Insurances was over budget due to a significant increase in insurance rates.*
- g. *Several repair and maintenance projects did not get done due to the uncertainty of the penalty assessed by DEQ and the related lawsuit, which is fully disclosed in Note N to the financial statements.*

5. OTHER SUPPLEMENTAL INFORMATION

- A. Combining statements of the Non-major Governmental Funds for the Sewer Treatment Debt Service Fund and the Street Improvement Project Debt Service Fund have been provided on pages 49 and 50.
- B. The Schedule of Governing Board is on page 51.

Requests for Information

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Joyce Core; Village Administrator; 82341 Railroad Avenue, Folsom, Louisiana 70437.

BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS

VILLAGE OF FOLSOM
STATEMENT OF NET ASSETS
June 30, 2004

ASSETS	Governmental Activities	Business-Type Activities	Total
Cash and Cash Equivalents	\$ 238,638	\$ 186	\$ 238,824
Investments	269,266	3,698	272,964
Receivables:			
Water, Sewer and Garbage (Net)	-	20,869	20,869
Sales taxes	32,078	-	32,078
Other	16,210	-	16,210
Internal Balances	19,929	(19,929)	-
Restricted Cash and Cash Equivalents	-	81,604	81,604
Capital Assets, Net	<u>166,402</u>	<u>2,686,484</u>	<u>2,852,886</u>
 Total Assets	 <u>\$ 742,523</u>	 <u>\$ 2,772,912</u>	 <u>\$ 3,515,435</u>
 LIABILITIES			
Accounts Payable	\$ 9,811	\$ 7,355	\$ 17,166
Accrued Liabilities	9,276	-	9,276
Overdraft Payable	-	3,054	3,054
Compensated Absences	25,941	1,041	26,982
DEQ Penalty	-	466,450	466,450
Accrued Loss Contingency	-	100,000	100,000
Payable from Restricted Assets:			
Customer Deposits	-	31,088	31,088
Revenue Bonds - Due Within One Year	-	16,668	16,668
Revenue Bonds Payable - Due in more than One Year	-	771,807	771,807
General Obligations Bonds Payable			
Due Within One Year	12,484	-	12,484
Due in More than One Year	<u>26,833</u>	<u>-</u>	<u>26,833</u>
 Total Liabilities	 <u>84,345</u>	 <u>1,397,463</u>	 <u>1,481,808</u>
 NET ASSETS			
Invested in Capital Assets, Net of Related Debt	127,085	1,898,009	2,025,094
Restricted for:			
Debt Service	34,974	-	34,974
Revenue Bond	-	18,621	18,621
Contingency	-	28,354	28,354
Construction	-	3,012	3,012
Meter Deposits	-	529	529
Unrestricted	<u>496,119</u>	<u>(573,076)</u>	<u>(76,957)</u>
 Total Net Assets	 <u>\$ 658,178</u>	 <u>\$ 1,375,449</u>	 <u>\$ 2,033,627</u>

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

VILLAGE OF FOLSOM, LOUISIANA
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2004

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
GOVERNMENTAL ACTIVITIES						
General Government	\$ 246,078	\$ -	\$ -	\$ (246,078)	\$ -	\$ (246,078)
Public Safety	222,633	-	-	(222,633)	-	(222,633)
Public Works	94,507	1,850	-	(92,657)	-	(92,657)
Interest on Debt	3,873	-	-	(3,873)	-	(3,873)
Total Governmental Activities	<u>567,091</u>	<u>1,850</u>	<u>-</u>	<u>(565,241)</u>	<u>-</u>	<u>(565,241)</u>
BUSINESS-TYPE ACTIVITIES						
Water	114,183	90,025	(13,162)	-	(37,320)	(37,320)
Sewer	138,506	64,758	329,174	-	255,426	255,426
Garbage	22,806	20,577	-	-	(2,229)	(2,229)
Interest Expense	15,883	-	-	-	(15,883)	(15,883)
Total Business-Type Activities	<u>291,378</u>	<u>175,360</u>	<u>316,012</u>	<u>-</u>	<u>199,994</u>	<u>199,994</u>
Total	<u>\$ 858,469</u>	<u>\$ 177,210</u>	<u>\$ 316,012</u>	<u>(565,241)</u>	<u>199,994</u>	<u>(365,247)</u>
General Revenues						
Taxes				437,347	-	437,347
Insurance Licenses				74,999	-	74,999
Tower Lease				21,352	-	21,352
Licenses and Permits				25,594	-	25,594
Fines and Forfeitures				44,052	-	44,052
Investment Earnings				3,224	296	3,520
Other General Revenues				26,658	6,610	33,268
Transfers				(129,642)	129,642	-
Total General Revenues and Transfers				<u>503,584</u>	<u>136,548</u>	<u>640,132</u>
CHANGE IN NET ASSETS				(61,657)	336,542	274,885
NET ASSETS - BEGINNING OF YEAR				<u>719,835</u>	<u>1,038,907</u>	<u>1,758,742</u>
NET ASSETS - END OF YEAR				<u>\$ 658,178</u>	<u>\$ 1,375,449</u>	<u>\$ 2,033,627</u>

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

BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS

**VILLAGE OF FOLSOM
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004**

ASSETS	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 169,249	\$ 34,416	\$ 34,974	\$ 238,639
Investments	192,185	77,081	-	269,266
Receivables, Net				
Sales Taxes	-	32,078	-	32,078
Other Receivables	16,209	-	-	16,209
Due from Other Funds	<u>44,508</u>	<u>-</u>	<u>-</u>	<u>44,508</u>
 Total Assets	 <u>\$ 422,151</u>	 <u>\$ 143,575</u>	 <u>\$ 34,974</u>	 <u>\$ 600,700</u>
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 9,811	\$ -	\$ -	\$ 9,811
Accrued Liabilities	9,276	-	-	9,276
Due to Other Funds	<u>17,442</u>	<u>7,137</u>	<u>-</u>	<u>24,579</u>
 Total Liabilities	 <u>36,529</u>	 <u>7,137</u>	 <u>-</u>	 <u>43,666</u>
 FUND BALANCE				
Reserved for Debt Service	-	-	34,974	34,974
Unreserved, Reported in:				
General Fund	385,622	-	-	385,622
Special Revenue Fund	<u>-</u>	<u>136,438</u>	<u>-</u>	<u>136,438</u>
 Total Fund Balances	 <u>385,622</u>	 <u>136,438</u>	 <u>34,974</u>	 <u>557,034</u>
 Total Liabilities and Fund Balances	 <u>\$ 422,151</u>	 <u>\$ 143,575</u>	 <u>\$ 34,974</u>	 <u>\$ 600,700</u>

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

VILLAGE OF FOLSOM
RECONCILIATION OF THE GOVERNMENT FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE FINANCIAL STATEMENT OF NET ASSETS
For The Year Ended June 30, 2004

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Fund Balances - Total Governmental Funds	\$ 557,034
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
Governmental Capital Assets	376,005
Less: Accumulated Depreciation	(209,603)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds payable	(39,317)
Compensated Absences	<u>(25,941)</u>
Net Assets of Governmental Activities	<u>\$ 658,178</u>

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

VILLAGE OF FOLSOM
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2004

	General Fund	Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes				
Sales Taxes	\$ -	\$ 395,871	\$ -	\$ 395,871
Other	41,476	-	-	41,476
Licenses and Permits	25,594	-	-	25,594
Insurance Licenses	74,999	-	-	74,999
Tower Lease	21,352	-	-	21,352
Fines and Forfeitures	44,052	-	-	44,052
Interest Income	1,881	993	350	3,224
Other Revenues	<u>26,658</u>	<u>1,850</u>	<u>-</u>	<u>28,508</u>
Total Revenues	<u>236,012</u>	<u>398,714</u>	<u>350</u>	<u>635,076</u>
EXPENDITURES				
Current:				
General Government	235,070	-	-	235,070
Public Safety	214,854	-	-	214,854
Public Works	-	80,322	-	80,322
Capital Outlay	35,195	-	-	35,195
Debt Service				
Principal	6,616	-	32,940	39,556
Interest and Fiscal Charges	<u>-</u>	<u>-</u>	<u>3,873</u>	<u>3,873</u>
Total Expenditures	<u>491,735</u>	<u>80,322</u>	<u>36,813</u>	<u>608,870</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(255,723)</u>	<u>318,392</u>	<u>(36,463)</u>	<u>26,206</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	195,694	-	37,317	233,011
Transfers Out	<u>-</u>	<u>(362,653)</u>	<u>-</u>	<u>(362,653)</u>
Net Transfers	<u>195,694</u>	<u>(362,653)</u>	<u>37,317</u>	<u>(129,642)</u>
NET CHANGE IN FUND BALANCE	(60,029)	(44,261)	854	(103,436)
FUND BALANCE - BEGINNING OF YEAR	<u>445,651</u>	<u>180,699</u>	<u>34,120</u>	<u>660,470</u>
FUND BALANCE - END OF YEAR	<u>\$ 385,622</u>	<u>\$ 136,438</u>	<u>\$ 34,974</u>	<u>\$ 557,034</u>

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

VILLAGE OF FOLSOM
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2004

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$ (103,436)
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 through depreciation expense. This is the amount by which capital outlay exceeded depreciation charged in the current period.	5,170
Change in Governmental Fund Compensated Absences	(3,277)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	<u>39,886</u>
Change in Net Assets of Governmental Activities	<u>\$ (61,657)</u>

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

VILLAGE OF FOLSOM, LOUISIANA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2004

ASSETS	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
CURRENT ASSETS				
Cash and Cash Equivalents	\$ -	\$ -	\$ 186	\$ 186
Investments	3,698	-	-	3,698
Due from Other Funds	2,270	-	-	2,270
Receivables:				
Water, Sewer and Garbage (Net)	<u>10,495</u>	<u>8,050</u>	<u>2,324</u>	<u>20,869</u>
Total Current Assets	<u>16,463</u>	<u>8,050</u>	<u>2,510</u>	<u>27,023</u>
NON-CURRENT ASSETS				
Restricted Cash and Cash Equivalents	61,785	19,819	-	81,604
Capital Assets (Net of Accumulated Depreciation)	<u>1,524,425</u>	<u>1,162,059</u>	<u>-</u>	<u>2,686,484</u>
Total Non-Current Assets	<u>1,586,210</u>	<u>1,181,878</u>	<u>-</u>	<u>2,768,088</u>
Total Assets	<u>\$ 1,602,673</u>	<u>\$ 1,189,928</u>	<u>\$ 2,510</u>	<u>\$ 2,795,111</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	\$ 2,619	\$ 4,736	\$ -	\$ 7,355
Overdraft Payable	3,018	36	-	3,054
Due to Other Funds	5,591	14,724	1,884	22,199
Compensated Absences	519	522	-	1,041
DEQ Penalty	-	466,450	-	466,450
Accrued Loss Contingency	-	100,000	-	100,000
Payable from Restricted Assets:				
Revenue Bonds	14,170	2,498	-	16,668
Customer Deposits	<u>16,013</u>	<u>15,075</u>	<u>-</u>	<u>31,088</u>
Total Current Liabilities	41,930	604,041	1,884	647,855
NON-CURRENT LIABILITIES				
Revenue Bonds Payable	<u>526,012</u>	<u>245,795</u>	<u>-</u>	<u>771,807</u>
Total Liabilities	<u>567,942</u>	<u>849,836</u>	<u>1,884</u>	<u>1,419,662</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	984,243	941,455	-	1,925,698
Restricted for:				
Revenue Bond	17,844	777	-	18,621
Contingency	27,562	792	-	28,354
Construction	34	2,978	-	3,012
Customer Deposits	332	197	-	529
Unrestricted Net Assets	<u>4,716</u>	<u>(606,107)</u>	<u>626</u>	<u>(600,765)</u>
Total Net Assets	<u>1,034,731</u>	<u>340,092</u>	<u>626</u>	<u>1,375,449</u>
Total Liabilities and Net Assets	<u>\$ 1,602,673</u>	<u>\$ 1,189,928</u>	<u>\$ 2,510</u>	<u>\$ 2,795,111</u>

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

VILLAGE OF FOLSOM, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For The Year Ended June 30, 2004

	Water	Sewer	Garbage	Total
OPERATING REVENUES				
Service Fees	\$ 86,525	\$ 64,508	\$ 20,577	\$ 171,610
Installation Fees	3,500	250	-	3,750
Other	6,167	443	-	6,610
Total Operating Revenues	<u>96,192</u>	<u>65,201</u>	<u>20,577</u>	<u>181,970</u>
OPERATING EXPENSES				
Salaries and Fringe Benefits	31,686	42,087	-	73,773
Garbage Collection	-	-	22,409	22,409
Utilities	10,262	14,312	-	24,574
Repairs and Maintenance	6,193	10,066	-	16,259
Depreciation	49,776	20,202	-	69,978
General and Administrative	16,266	51,839	397	68,502
Total Expenditures	<u>114,183</u>	<u>138,506</u>	<u>22,806</u>	<u>275,495</u>
Operating Loss	<u>(17,991)</u>	<u>(73,305)</u>	<u>(2,229)</u>	<u>(93,525)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest Income	296	-	-	296
Interest and Fiscal Charges	(12,896)	(2,987)	-	(15,883)
Total Non-Operating Expenses	<u>(12,600)</u>	<u>(2,987)</u>	<u>-</u>	<u>(15,587)</u>
LOSS BEFORE CONTRIBUTIONS AND TRANSFERS	(30,591)	(76,292)	(2,229)	(109,112)
Capital Contributions (Return)	(13,162)	329,174	-	316,012
Operating Transfers	1,423	125,219	3,000	129,642
CHANGE IN NET ASSETS	(42,330)	378,101	771	336,542
NET ASSETS - BEGINNING OF YEAR	<u>1,077,061</u>	<u>(38,009)</u>	<u>(145)</u>	<u>1,038,907</u>
NET ASSETS - END OF YEAR	<u>\$ 1,034,731</u>	<u>\$ 340,092</u>	<u>\$ 626</u>	<u>\$ 1,375,449</u>

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

VILLAGE OF FOLSOM, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For The Year Ended June 30, 2004

Statement I

	Water	Sewer	Garbage	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 100,156	\$ 62,235	\$ 21,056	\$ 183,447
Payments to Suppliers	(37,747)	(81,193)	(23,668)	(142,608)
Payments to Employees	(33,165)	(45,964)	-	(79,129)
Net Cash (Used in) Provided by Operating Activities	29,244	(64,922)	(2,612)	(38,290)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Transfers In	1,423	125,219	3,000	129,642
Proceeds (Repayment) of Interfund Borrowings to Other Funds	22,138	(16,138)	(202)	5,798
Net Cash Provided by Noncapital Financing Activities	23,561	109,081	2,798	135,440
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of Capital Assets	(6,622)	(608,284)	-	(614,906)
Capital Grant	(13,162)	569,174	-	556,012
Principal Paid on Capital Debt	(33,322)	(1,707)	-	(35,029)
Interest Paid on Capital Debt	(12,896)	(12,570)	-	(25,466)
Net Cash Used in Capital and Related Financing Activities	(66,002)	(53,387)	-	(119,389)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	296	-	-	296
Proceeds from Sales and Maturities of Investments	21,310	-	-	21,310
Net Cash Provided by Investing Activities	21,606	-	-	21,606
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,409	(9,228)	186	(633)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	53,376	29,047	-	82,423
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 61,785	\$ 19,819	\$ 186	\$ 81,790
CASH AND CASH EQUIVALENTS RECONCILIATION				
Cash and Cash Equivalents (Unrestricted)	\$ -	\$ -	\$ 186	\$ 186
Restricted Cash and Cash Equivalents	61,785	19,819	-	81,604
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 61,785	\$ 19,819	\$ 186	\$ 81,790

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

VILLAGE OF FOLSOM, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For The Year Ended June 30, 2004

Statement I

	Water	Sewer	Garbage	Total
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating Loss	\$ (17,991)	\$ (73,305)	\$ (2,229)	\$ (93,525)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used in) Operating Activities				
Depreciation	49,776	20,202	-	69,978
Changes in Assets and Liabilities				
Decrease (Increase) in Accounts Receivable	2,700	(2,866)	480	314
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(195)	1,257	(275)	787
Decrease in Bank Overdraft	(5,254)	(7,106)	(588)	(12,948)
Decrease in Compensated Absences	(1,016)	(3,004)	-	(4,020)
Increase (Decrease) in Customer Deposits	1,224	(100)	-	1,124
Net Cash Provided by (Used in) Operating Activities	\$ 29,244	\$ (64,922)	\$ (2,612)	\$ (38,290)

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

NOTES TO FINANCIAL STATEMENTS

VILLAGE OF FOLSOM, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

INTRODUCTION

The **VILLAGE OF FOLSOM, LOUISIANA** (Village), was incorporated in 1915 under the provisions of the Lawrason Act, LRS 33:321. The Village operates under a Mayor-Board of Aldermen form of government. The Village provides police protection, maintenance of streets, water, sewer, and garbage services.

The accounting and reporting policies of the Village conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the *Louisiana Municipal Audit and Accounting Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*. For the fiscal year ended June 30, 2004, the Village implemented the new financial reporting requirements of GASB Statements No. 33 and 34. As a result, an entirely new financial presentation format has been implemented.

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) established criteria for determining the governmental reporting entity and component units that should be included with the reporting entity. For financial reporting purposes, in conformance with GASB Codification Section 2100, the Village includes all funds which are controlled by or dependent on the Village which was determined on the basis of oversight responsibility, including accountability for fiscal and budget matters, designation and management or governing authority, and authority to issue debt. Based on these criteria, the Village has determined that there are no component units that are part of the reporting entity.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the Village. 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.

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 (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting 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.

VILLAGE OF FOLSOM, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Separate financial statements are provided for governmental funds and the Village's proprietary funds. Most individual governmental funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported 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. 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 Village 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.

Sales 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. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Village. This fund is used to account for all financial transactions and resources except those that are required to be accounted for in another fund. Revenues are derived primarily of transfers from the special revenue fund, licenses and permits, local taxes, fines and forfeitures, charges for service, and interest income. Expenditures of the General Fund include both general government and public safety.

VILLAGE OF FOLSOM, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

Special Revenue Fund – The Special revenue fund is used to account for the proceeds of specific revenue sources (other than capital projects) that are legally restricted to expenditures for specific purposes. The Village's special revenue fund accounts for the collection of three sales tax issues described as follows:

1982 1% sales tax - All proceeds of tax are pledged and dedicated to the retirement of 1982 General obligation bonds for the sewer treatment plant. Uses of funds are as follows:

- a. Payment of all reasonable and necessary expenses of collection and administering tax.
- b. Payment of all debt service reserve accounts.
- c. Payment of all reasonable and necessary expenses of operating the system.
- d. All remaining monies will be regarded as surplus and can be used for any lawful purpose.

1986 1% sales tax - Proceeds are undesignated as to use.

1995 ½ % sales tax - Dedicated to providing police protection to the Village.

Additionally, the Village reports two Debt Service Funds - Sewer Treatment and Street Improvement Project. Debt Service Funds are used to account for the accumulation of resources for, and payment of long-term debt principal and interest.

The Village has three proprietary funds to account for the water, sewer, and garbage services it provides to the residents and businesses of the Village.

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 Village 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 government's enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**VILLAGE OF FOLSOM, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) 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. Principal operating revenues for the Village's proprietary funds consist of charges to customers and users of its water and sewer services. Operating expenses for the Village's proprietary 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.

BUDGETS AND BUDGETARY ACCOUNTING

All proposed budgets must be completed and submitted to the Village Council no later than fifteen days prior to the beginning of each fiscal year. The operating budget includes proposed expenditures and the means of financing them. The final budget must be adopted before the ensuing fiscal year begins.

The Village adopted a budget on a basis consistent with generally accepted accounting principles for the following funds: General Fund and Special Revenue Fund. At the end of the year fiscal year, unexpended appropriations of these funds automatically lapse. The Village follows these procedures in establishing the budgetary data reflected in this statement:

- (1) The Mayor, Board of Aldermen, Village Clerk, and other advisory personnel assemble the necessary financial information. The Mayor submits the information for review to the Board of Aldermen at least 45 days prior to July 1 of the following year.
- (2) A public hearing is conducted to obtain taxpayer comments.
- (3) Prior to the beginning of the new fiscal year, the budget is legally enacted through passage of a resolution by the Board of Aldermen.
- (4) The Mayor is authorized to transfer budgeted amounts among programs within a department, office or agency; however, any revisions that alter the total revenues and/or expenditures budgeted for any department, office, agency or fund must be approved by the Board of Aldermen.

VILLAGE OF FOLSOM, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

DEPOSITS AND INVESTMENTS

Cash includes amounts in demand deposits.

State Statutes authorize the Village to invest in the following types of securities:

- (1) Direct U.S. Treasury obligations, the principal and interest of which are fully guaranteed by the U.S. Government.
- (2) Fully-collateralized certificates of deposit issued by qualified commercial banks and savings and loan institutions located within the State of Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a non-profit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.
- (3) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies, or by U.S. government instrumentalities which are federally sponsored, and provided such obligations are backed by the full faith and credit of the U.S. government.
- (4) Direct repurchase agreements of any federal bank entry only securities enumerated in paragraphs (1) and (3) above. "Direct security repurchase agreement" means an agreement under which the political subdivision buys, holds for a specified time, and then sells back those securities and obligations enumerated in paragraphs (1) and (3) above.
- (5) Mutual or trust fund institutions which are registered with the Securities and Exchange Commission under the Securities Act of 1933, and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the U.S. government or its agencies.

Short-term investments are stated at amortized cost, which approximates market. Investments, as required by Government Auditing Standards Board Statement No. 31 are reported at fair value, which is determined using selected bases.

Cash and Cash Equivalents consist of cash, as defined above, including restricted cash.

ACCUMULATED UNPAID VACATION LEAVE AND SICK PAY

The Village's employees earn vacation time at the rate of one week for up to two years of service and two weeks for years of service thereafter. Sick leave is earned at a rate of one day per month and can accumulate up to a limit of 480 hours. Sick leave is not paid upon termination or retirement. The Village has recorded a liability for unpaid compensated absences of \$25,941 for governmental activities, \$519 in the water and \$522 in the sewer enterprise funds.

VILLAGE OF FOLSOM, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ACCOUNTS RECEIVABLE

Outstanding balances between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/due from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "Internal Balances".

Uncollectible amounts due for customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectability of the particular receivable. The allowance is \$1,400 for the Water Fund, \$600 for the Sewer Fund, and \$600 for the Garbage Fund at June 30, 2004.

CAPITAL ASSETS

Capital assets, which include property, plant and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical costs are not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Village maintains a threshold level of \$2,500 or more for capitalizing capital assets.

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

Capital outlays are recorded as expenditures in the fund financial statements, and they are recorded as assets in the government-wide financial statements to the extent the Village's capitalization threshold is met. In accordance with GASB Statement No. 34, the Village is a Phase 3 government and as such, is not required to capitalize its infrastructure retroactively. The Village has decided to record its infrastructure on a prospective basis. The Village has capitalized its water and sewer infrastructure. The Village capitalizes interest on construction in its proprietary funds. Capital outlays of the Proprietary Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 Years
Buildings and Building Improvements	15 - 40 Years
Water and sewer system	40 Years
Furniture and Fixtures	7 Years
Vehicles	5 Years
Equipment	5 - 20 Years

VILLAGE OF FOLSOM, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

LONG-TERM OBLIGATIONS

In the government-wide financial statements, debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Assets. In the fund financial statements, however, debt principal payments of governmental funds are recognized as expenditures when paid.

FUND EQUITY

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

1. 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 borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets – Net assets with constraints placed on the use either by:
 - a. external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or
 - b. law through constitutional provisions or enabling legislation.
3. 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 Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved.

INTERFUND TRANSACTIONS

Permanent re-allocation of resources between funds of the reporting entity are classified as inter-fund transfers. For the purposes of the Statement of Activities, all inter-fund transfers between individual governmental funds have been eliminated.

USE OF ESTIMATES

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

VILLAGE OF FOLSOM, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the Debt Service Funds which were not budgeted. All annual appropriations lapse at fiscal year end.

The Village was in compliance with the Local Budget Act. See Note A for the procedures, the Village follows regarding budgets and budgetary accounting.

The Village does not utilize encumbrance accounting.

NOTE B

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

DEPOSITS AND INVESTMENT LAWS AND REGULATIONS

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. The Village was in compliance with the deposits and investments laws and regulations.

DEFICIT FUND EQUITY

As of June 30, 2004, the Village had a deficit in unrestricted net assets for the Sewer Fund of \$606,107. The Village intends to eliminate this deficit by transfers from other funds in future years.

COMPLIANCE WITH DEBT COVENANTS

1. Compliance with Sales Tax Bond Covenants

As of June 30, 2004, the Village was in compliance with all Sales Tax Bond Covenants.

2. Compliance with Sewer Revenue Bond Covenants

As of June 30, 2004, the Village was in compliance with all Sewer Revenue Bond Covenants.

NOTE C

CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits, interest bearing demand deposits, and money market accounts. Under state law, the Village may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

VILLAGE OF FOLSOM, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE C

CASH AND CASH EQUIVALENTS (Continued)

At year-end, the carrying amount of the Village's bank deposits was \$320,428 (including \$81,604 of restricted cash) and the bank balance was \$321,127. The difference was primarily due to outstanding checks. Of the bank balances, approximately \$100,000 was covered by federal depository insurance. In compliance with State laws, the remaining balance of \$221,127 was secured by bank-owned securities specifically pledged to the Village and held by an independent custodian bank jointly in the name of the Village and the bank. Louisiana Revised Statutes 39:1229 imposes a statutory requirement on the custodian bank to advertise and sell the pledged securities within 10 days of being notified by the Village that the fiscal agent has failed to pay deposited funds upon demand.

Demand Deposits	\$ <u>320,428</u>
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NOTE D

INVESTMENTS

Investments held at June 30, 2004, consist of \$272,964 in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB Codification Section 150.126, the investment in LAMP at June 30, 2004 is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds and, therefore, not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LRS 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

Effective June 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001, Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSR 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

VILLAGE OF FOLSOM, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE E

CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2004:

<u>Governmental Activities</u>	Restated Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004
Capital Assets Not Depreciated:				
Land	\$ 14,350	-	\$ -	\$ 14,350
Capital Assets Being Depreciated:				
Water System and Equipment	1,907,052	6,623	-	1,913,675
Sewer System and Equipment	34,313	1,162,366	-	1,196,679
Buildings and Improvements	114,692	-	-	114,692
Equipment, Furniture and Vehicles	226,118	35,195	-	261,313
Total Capital Assets Being Depreciated	<u>2,282,175</u>	<u>1,204,184</u>	<u>-</u>	<u>3,486,359</u>
Less Accumulated Depreciation for:				
Water System and Equipment	353,824	49,776	-	403,600
Sewer System and Equipment	14,418	20,202	-	34,620
Buildings and Improvements	41,810	7,126	-	48,936
Equipment, Furniture and Vehicles	137,768	22,899	-	160,667
Total Accumulated Depreciation	<u>547,820</u>	<u>100,003</u>	<u>-</u>	<u>647,823</u>
Total Capital Assets Being Depreciated, Net	<u>1,734,355</u>	<u>1,104,181</u>	<u>-</u>	<u>2,838,536</u>
Totals	<u>\$ 1,748,705</u>	<u>\$ 1,104,181</u>	<u>\$ -</u>	<u>\$ 2,852,886</u>

Depreciation was charged to governmental functions as follows:

Public Safety	\$ 8,108
Public Works	14,187
General Government	<u>7,730</u>
Total	<u>\$ 30,025</u>

**VILLAGE OF FOLSOM, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE E

CAPITAL ASSETS (Continued)

The gross cost and accumulated depreciation balances at June 30, 2003, were restated to remove assets under the Village's capitalization threshold and to record accumulated depreciation in accordance with the adoption of GASB Statement No. 34. Balance in governmental fixed assets of \$1,511,590 at June 30, 2004 was restated to \$161,223.

Capital outlays are reported as expenditures in the governmental funds; however, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. The adjustment from governmental funds to the government-wide statements are summarized as follows:

Primary Government	
Capital Outlay	\$ 35,195
Depreciation Expense	<u>(30,025)</u>
Total Adjustment	<u>\$ 5,170</u>

NOTE F

SIMPLIFIED EMPLOYEE PENSION PLAN

The Village instituted a Simplified Employee Pension Plan (SEP) for its employees not covered by the Municipal Police Employees Retirement System. During the year ended June 30, 2004, the Village contributed 5% of each eligible employees' salary to the plan. Qualifications for an employee to be a participant in this plan are as follows: (1) attain age 21, (2) performed services for the employer during at least three of the immediately preceding five years, and (3) have received at least the indexed dollar amount of compensation from the employer for the year (\$400 in 2004). Contributions made by the Village on behalf of its participating employees in the SEP plan for the year ended June 30, 2004 is \$7,169.

NOTE G

EMPLOYEE PENSION PLAN

MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM OF LOUISIANA (MPERS)

Plan Description and Provision:

A majority of the Village's full-time police officers participate in the MPERS, a multiple-employer, cost sharing pension plan.

Any member is eligible for normal retirement after he or she has been a member of the System for one year, if he or she has 25 years of creditable service at any age or has 20 years creditable service and is age 50, or has 12 years creditable service and is age 55.

**VILLAGE OF FOLSOM, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE G

EMPLOYEE PENSION PLAN (Continued)

**MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM OF LOUISIANA
(MPERS)**

Plan Description and Provision: (Continued)

Benefit rates are three and one-third percent of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years creditable service not to exceed 100% of final salary.

A member is eligible to receive disability benefits if he was an active contributing member of the Retirement System or, if he is no longer a member but has 20 years creditable service established in the System and suffers disability, which has been certified by examination by a member of the State-wide Medical Disability Board. A service related disability requires no certain number of years of creditable service, however, a non-service connected disability requires five years of creditable service.

The disability benefits are calculated at three percent of average final compensation multiplied by years of creditable service, but shall not be less than 40% nor more than 60% of average final compensation. Upon reaching the age required for regular retirement, the disability pensioner receives the greater of disability benefit or accrued benefit earned to date of disability.

Upon the death of an active contributing member, or disability retiree, the plan provides benefits for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from 40-60% of the member's average final compensation.

Description of Funding Policy:

Effective July 1, 1994, contributions for all member employees are established by statute at 7.5% of employee's earnable compensation excluding overtime, but including state supplemental pay and 15.25% employer contribution. The Village's contribution requirement for the years ended June 30, 2004, 2003 and 2002 was \$14,402, \$6,955, and \$7,250, respectively, equal to the required contributions for each year.

Trend Information:

Six-year historical trend information presenting the MPERS' progress in accumulating sufficient assets to pay benefits when due is presented in the MPERS June 30, 2003 annual financial statements. The MPERS June 30, 2004 annual financial report was not available as of the date of this audit report. That report may be obtained by writing to MPERS at 8550 United Plaza Blvd., Suite 501, Baton Rouge, LA 70809.

**VILLAGE OF FOLSOM, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004**

**NOTE H
INSURANCE COVERAGE**

<u>Type of Coverage</u>	<u>Period of Coverage</u>	<u>Coverage</u>
Auto Property Damage	8-19-03 to 8-19-04	Toyota Pickup \$3,500 Crown Victoria \$15,275 Crown Victoria \$15,275 Crown Victoria \$21,000 Impala \$18,000
Commercial Property	11-13-03 to 11-13-04	Town Hall \$231,202 Water and Sewer \$65,303
Fidelity Bond	12-30-03 to 12-30-04	Mayor and Aldermen \$40,000 Clerk \$65,000 Police Clerk \$5,000
Workers Compensation	1-1-04 to 1-1-05	Each accident \$100,000 Policy limit \$500,000 Each Employee \$100,000
Automotive Liability	2-1-04 to 2-1-07	Total \$500,000
Commercial General Liability	2-1-04 to 2-1-04	Aggregate and each \$500,000 Medical - per person \$1,000 Per accident \$10,000 Fire \$50,000
Law Enforcement Liability	2-1-04 to 2-1-07	\$500,000
Errors and Omissions	2-1-04 to 2-1-07	\$500,000

**NOTE I
UTILITY RATES**

Water		
Up to 2,000 gallons		\$9
2,001 to 5,000		Additional \$2.1 per thousand
5,001 to 10,000		Additional \$1.1 per thousand
Over 10,001		Additional \$1.0 per thousand
Sewer, Residential		
Up to 2,000		\$12.50
Over 2,000		\$2.00 per thousand
Sewer, Commercial		
Up to 2,000		\$30.00
Over 2,000		\$2.00 per thousand
Garbage		Fixed Rate of \$12.25

VILLAGE OF FOLSOM, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE I
UTILITY RATES (Continued)

At June 30, 2004, the Village served the following customers:

	<u>Residential</u>	<u>Commercial</u>	<u>Total</u>
Water	305	86	391
Sewer	123	54	177
Garbage	177	-	177

NOTE J
ENTERPRISE FUND RECEIVABLES

At June 30, 2004, the Village's accounts receivable from utility customers is aged as follows:

Current	\$ 17,092
31 to 60 days	3,211
61 to 90 days	810
91 and over	<u>2,356</u>
	23,469
Less Allowance for Doubtful Accounts	<u>(2,600)</u>
	<u>\$ 20,869</u>

NOTE K
LONG-TERM LIABILITIES

The following is a summary of long-term liabilities transactions and total long-term liabilities of the Village for the year ended June 30, 2004:

	<u>Sales Tax General Obligation</u>	<u>Water Revenue</u>	<u>Sewer Revenue</u>	<u>Note</u>	<u>Total</u>
Bonds and Notes at July 1, 2003	\$ 72,257	\$ 573,504	\$ 250,000	\$ 6,946	\$ 895,761
Bonds Issued	-	-	-	-	-
Bonds Retired	<u>(32,940)</u>	<u>(33,322)</u>	<u>(1,707)</u>	<u>(6,946)</u>	<u>(67,969)</u>
Bonds and Notes at June 30, 2004	<u>\$ 39,317</u>	<u>\$ 540,182</u>	<u>\$ 248,293</u>	<u>\$ -</u>	<u>\$ 827,792</u>

**VILLAGE OF FOLSOM, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004**

**NOTE K
LONG-TERM LIABILITIES**

General Obligation		
Bonds		
	\$200,000 Public improvement sales tax bonds dated 5/6/82, due in annual installments of \$14,496 including interest at 5% annually through May 7, 2007	<u>\$ 39,317</u>
Revenue – Water		
	\$145,000 Utility Bonds dated 11/1/72; purchased by USDA - Rural Utilities Service, due in monthly installments of \$717, with interest of 5% per annum through January 1, 2012, secured by the revenues of the Water Fund	\$ 37,259
	\$550,000 Utility Bonds dated 3/15/99; purchased by USDA - Rural Utilities Service, due in monthly installments of \$2,585, with interest at 4.75% per annum through February 29, 2039, secured by the revenues of the Water Fund	<u>502,923</u>
		<u>\$ 540,182</u>
Revenue - Sewer		
	\$250,000 Utility Bonds dated 9/09/02; purchased by USDA - Rural Utilities Service, due in monthly installments of \$1,135, with interest at 4.5% per annum beginning in February 2004 through February 2044, secured by the revenues of the Sewer Fund	<u>\$ 248,293</u>

The future debt service requirements of the general obligation bonds are as follows:

	<u>Principal</u>	<u>Interest</u>
2005	\$ 12,484	\$ 2,012
2006	13,123	1,373
2007	<u>13,710</u>	<u>786</u>
	<u>\$ 39,317</u>	<u>\$ 4,171</u>

**VILLAGE OF FOLSOM, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004**

**NOTE K
LONG-TERM LIABILITIES (Continued)**

The future debt service requirements of the revenue bonds are as follows:

	Water Revenue				Sewer Revenue		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 6,890	\$ 1,706	\$ 7,280	\$ 23,732	\$ 2,498	\$ 11,122	\$ 16,668	\$ 36,560
2006	7,258	1,353	7,634	23,378	2,614	11,007	17,506	35,738
2007	7,622	982	8,004	23,008	2,733	10,887	18,359	34,877
2008	8,012	593	8,393	22,619	2,858	10,762	19,263	33,974
2009	7,477	182	8,800	22,212	2,990	10,630	19,267	33,024
2010 - 2014	-	-	50,841	104,219	17,139	50,961	67,980	155,180
2015 - 2019	-	-	64,439	90,619	21,454	46,646	85,893	137,265
2020 - 2024	-	-	81,677	73,383	26,846	41,244	108,523	114,627
2025 - 2029	-	-	103,524	51,536	33,618	34,482	137,142	86,018
2030 - 2034	-	-	131,215	23,846	42,083	26,016	173,298	49,862
2035 - 2039	-	-	31,116	826	52,680	15,420	83,796	16,246
2040 - 2044	-	-	-	-	40,780	3,104	40,780	3,104
	<u>\$ 37,259</u>	<u>\$ 4,816</u>	<u>\$ 502,923</u>	<u>\$ 459,378</u>	<u>\$ 248,293</u>	<u>\$ 272,281</u>	<u>\$ 788,475</u>	<u>\$ 736,475</u>

**NOTE L
INTERFUND RECEIVABLES/PAYABLES**

The primary purpose of interfund receivables/payables are to loan monies from the General Fund to individual funds to cover current expenditures. Individual fund balances due from/to other funds at June 30, 2004 are as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 44,508	\$ 17,442
Special Revenue Fund	-	7,137
Enterprise		
Water Fund	2,270	5,591
Sewer Fund	-	14,724
Garbage Fund	-	1,884
	<u>\$ 46,778</u>	<u>\$ 46,778</u>

VILLAGE OF FOLSOM, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE M

INTERFUND TRANSFERS

Operating transfers between funds consists primarily of sales tax revenues transferred out of the Sales Tax Fund and Special Sales Tax Fund to the particular funds for which the sales tax revenue is to be used.

	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
General Fund		
Special Revenue Fund	<u>\$ 195,694</u>	<u>\$ -</u>
Special Revenue Fund		
General Fund	-	195,694
Debt Service		
Sewer Treatment Fund	-	15,025
Street Improvement Project Fund	-	22,292
Enterprise		
Water	-	15,923
Sewer	-	110,719
Garbage	-	3,000
	<u>-</u>	<u>362,653</u>
Debt Service		
Sewer Treatment Fund		
Special Revenue Fund	15,025	-
Street Improvement Project		
Special Revenue Fund	<u>22,292</u>	<u>-</u>
Total Debt Service Funds	<u>37,317</u>	<u>-</u>
Enterprise		
Water Fund		
Special Revenue Fund	15,923	-
Sewer Fund	<u>-</u>	<u>14,500</u>
	<u>15,923</u>	<u>14,500</u>
Sewer Fund		
Special Revenue Fund	110,719	-
Water Fund	<u>14,500</u>	<u>-</u>
	<u>125,219</u>	<u>-</u>
Garbage Fund		
Special Revenue Fund	<u>3,000</u>	<u>-</u>
Total Enterprise Funds	<u>144,142</u>	<u>14,500</u>
Total Transfers	<u>\$ 377,153</u>	<u>\$ 377,153</u>

**VILLAGE OF FOLSOM, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE N

CONTINGENT LIABILITIES

During the year ended June 30, 2001, the Village was assessed a penalty of \$466,450 by the Louisiana Department of Environmental Quality relating to deficiencies in the Village's operation of its sewer plant over the past five years. This penalty has been recorded as a liability as of June 30, 2004. The Village's legal counsel has reported that there is a possibility that the penalty may be reduced in settlement negotiations with the State.

In the year ended June 30, 2000, a local resident sued the Village for damages as a result of discharge of sewer effluent across their property without specific written consent from the residents. The Village's legal counsel estimates a chance of an unfavorable outcome to be probable and would be in a range of \$100,000 to \$150,000. Accordingly, the Village has recorded a liability in the amount of \$100,000 as of June 30, 2004.

Also, the Village is being sued by a resident who claims the Village interfered with a lease agreement between the resident and a telephone company to place a tower on his property. The Village's legal counsel estimates chances of an unfavorable outcome to be reasonably possible with damages between \$25,000 and \$108,000. As of June 30, 2004, the Village has not accrued any liability related to this suit.

The Village is being sued by a resident who claims to have been harmed during a police action. The Village's legal counsel estimates chances of an unfavorable outcome to be remote with damages to between \$50,000 and \$100,000. As of June 30, 2004, the Village has not accrued any liability related to this suit.

NOTE O

ACCOUNTING CHANGES AND RESTATEMENTS

During fiscal year 2004, the Village adopted GASB Statement 34, *Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

The gross cost and accumulated depreciation balances at June 30, 2004, were restated to capitalize infrastructure assets and record accumulated depreciation in accordance with the adoption of GASB Statement No. 34.

NOTE P

GOING CONCERN

The presentation of financial statements in accordance with accounting principals generally accepted in the United States of America assumes that the entity will continue to operate as a going concern for a period of one year after the date of the financial statements. The contingencies discussed in the above note raise questions about whether the entity will continue to operate as a going concern. It is management's assertion that even assuming the highest of the ranges for the identified contingencies, the Village would, at June 30, 2004, have sufficient unreserved cash and investments in its General, Special Revenue, and Enterprise Funds to retire the above mentioned contingencies. As a result, these financial statements have been presented based on the assumption that the Village will continue to operate as a going concern.

VILLAGE OF FOLSOM, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE Q

RESTRICTED ASSETS

On September 9, 2002, the Village issued \$500,000 of Utility Revenue bonds and on March 15, 2000, the Village issued \$550,000 of Utility Revenue bonds, the proceeds to fund, along with a grant from U.S. Department of Agriculture, the Village's water system improvements. The bond resolution of these issues and also the resolution of Series 1972 Water Revenue Bonds require the Village to restrict and maintain the following funds:

Revenue Bond Sinking Fund - The requirement calls for the establishment and maintenance of a Sewer Utility Revenue Bond and Sinking Fund sufficient to pay promptly and in full the principal of and the interest on bonds authorized as they become due and payable. As the Village makes monthly bond payments on both issues, the U. S. Department of Agriculture has waived this requirement.

Revenue Bond Reserve Fund - The Village is required to deposit monthly \$130 until the reserve requirement equal to the highest annual debt service (principal and interest) is obtained. This fund is restricted to be used to pay bonds in case of default. This requirement has been met as of June 30, 2004.

Depreciation and Contingency Fund - The resolution called for the establishment and maintenance of a Depreciation and Contingency Fund to care for depreciation, extensions, additions, improvements and replacements necessary to properly operate the system. Regular deposits of \$185 per month are to be deposited with the regularly designated fiscal agent of the Village. This requirement has been met at June 30, 2004.

NOTE R

CASH FLOWS DISCLOSURE

During the year ended June 30, 2004, the Village's Enterprise Fund paid interest of \$25,466. Interest of \$3,665 was capitalized as part of sewer plant construction in progress.

NOTE S

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year ended June 30, 2004, the Special Revenue Fund had expenditures of \$80,322, which exceeded appropriations of \$77,600 resulting in an unfavorable variance of \$2,722.

REQUIRED SUPPLEMENTAL INFORMATION (PART II)
BUDGETARY COMPARISON SCHEDULES

VILLAGE OF FOLSOM, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For The Year Ended June 30, 2004

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
REVENUES				
Taxes	\$ 37,500	\$ 37,500	\$ 41,476	\$ 3,976
Licenses and Permits	25,100	25,100	25,594	494
Insurance Licenses	55,100	55,900	74,999	19,099
Grants	5,000	5,000	-	(5,000)
Tower Lease	22,000	22,000	21,352	(648)
Fines and Forfeitures	29,000	29,000	44,052	15,052
Interest Income	7,525	7,525	1,881	(5,644)
Miscellaneous	6,475	18,475	26,658	8,183
Total Revenues	<u>187,700</u>	<u>200,500</u>	<u>236,012</u>	<u>35,512</u>
EXPENDITURES				
Current:				
General Government	175,850	232,000	235,070	(3,070)
Public Safety - Police	201,200	214,900	214,854	46
Capital Outlay	15,500	47,200	35,195	12,005
Debt Service	7,900	7,900	6,616	1,284
Total Expenditures	<u>400,450</u>	<u>502,000</u>	<u>491,735</u>	<u>10,265</u>
Deficiency of Revenues Under Expenditures	(212,750)	(301,500)	(255,723)	45,777
OTHER FINANCING SOURCES				
Operating Transfers In	212,750	212,750	195,694	(17,056)
Total Other Financing Sources	<u>212,750</u>	<u>212,750</u>	<u>195,694</u>	<u>(17,056)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (88,750)</u>	(60,029)	<u>\$ 28,721</u>
FUND BALANCE - BEGINNING OF YEAR			445,651	
FUND BALANCE - END OF YEAR			<u>\$ 385,622</u>	

VILLAGE OF FOLSOM, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For The Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable/ (Unfavorable)</u>
GENERAL GOVERNMENT				
Salaries	\$ 42,300	\$ 65,000	\$ 57,386	\$ 7,614
Aldermen's and Mayor's Expense	14,550	19,800	27,375	(7,575)
Payroll Taxes	2,100	7,100	6,596	504
Employee Pension Plan	2,100	11,000	7,165	3,835
Employee Health Insurance	21,600	17,500	15,181	2,319
Building Inspection Fees	2,200	3,700	6,950	(3,250)
Dues and Subscriptions	1,000	1,000	1,475	(475)
Vehicle Expense	2,000	4,000	4,585	(585)
Insurance	16,600	21,500	17,585	3,915
Legal and Professional	31,000	25,000	23,526	1,474
Office Supplies	5,000	5,000	3,771	1,229
Publications	6,000	6,000	2,399	3,601
Recreation	1,000	-	-	-
Repairs and Maintenance	3,000	3,000	4,493	(1,493)
Supplies	5,500	5,500	7,127	(1,627)
Animal Control	1,400	1,400	700	700
Utilities	12,000	12,000	13,241	(1,241)
STMA/Centennial	1,000	5,000	20,185	(15,185)
Other	5,500	18,500	15,330	3,170
Total General Government	<u>\$ 175,850</u>	<u>\$ 232,000</u>	<u>\$ 235,070</u>	<u>\$ (3,070)</u>

VILLAGE OF FOLSOM, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For The Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable/ (Unfavorable)</u>
PUBLIC SAFETY				
Salaries	\$ 121,000	\$ 121,000	\$ 116,879	\$ 4,121
Retirement	8,300	9,000	14,402	(5,402)
Payroll Taxes	7,300	7,300	4,397	2,903
Employee Health Insurance	19,500	19,500	19,026	474
Fuel	6,500	6,500	8,489	(1,989)
Law Enforcement Fees	1,300	2,700	3,136	(436)
Insurance	20,000	22,000	23,049	(1,049)
Telephone	7,000	6,000	6,066	(66)
Repairs and Maintenance	5,000	6,700	7,186	(486)
Legal and Professional	2,100	3,100	2,504	596
Supplies and Uniforms	3,000	7,000	6,844	156
Training	100	3,400	2,510	890
Other	100	700	366	334
Total Public Safety	<u>\$ 201,200</u>	<u>\$ 214,900</u>	<u>\$ 214,854</u>	<u>\$ 46</u>

VILLAGE OF FOLSOM, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
For The Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable/ (Unfavorable)</u>
REVENUES				
Taxes:				
Sales and Use	\$ 385,000	\$ 385,000	\$ 395,871	\$ 10,871
Charges for Services	3,650	3,650	1,850	(1,800)
Other	1,200	1,200	-	(1,200)
Interest Income	<u>9,150</u>	<u>9,150</u>	<u>993</u>	<u>(8,157)</u>
Total Revenues	<u>399,000</u>	<u>399,000</u>	<u>398,714</u>	<u>(286)</u>
EXPENDITURES				
Public Works				
Salaries	34,000	34,000	46,799	(12,799)
Payroll Taxes	1,600	1,600	2,188	(588)
Health Insurance	-	-	8,123	(8,123)
Insurance	-	-	8,496	(8,496)
Legal and Professional	12,000	12,000	-	12,000
Dumpster	1,000	1,000	1,269	(269)
Repairs and Maintenance	18,400	18,400	4,042	14,358
Supplies	1,500	1,500	3,053	(1,553)
Street Lighting	3,600	3,600	5,933	(2,333)
Other	<u>5,500</u>	<u>5,500</u>	<u>419</u>	<u>5,081</u>
Total Expenditures	<u>77,600</u>	<u>77,600</u>	<u>80,322</u>	<u>(2,722)</u>
EXCESS OF REVENUES OVER EXPENDITURES	321,400	321,400	318,392	(3,008)
OTHER FINANCING SOURCES (USES)				
Operating Transfers	<u>(719,500)</u>	<u>(719,500)</u>	<u>(362,653)</u>	<u>356,847</u>
Total Other Financing Sources (Uses)	<u>(719,500)</u>	<u>(719,500)</u>	<u>(362,653)</u>	<u>356,847</u>
NET CHANGE IN FUND BALANCE	<u>\$ (398,100)</u>	<u>\$ (398,100)</u>	(44,261)	<u>\$ 353,839</u>
FUND BALANCE - BEGINNING OF YEAR			<u>180,699</u>	
FUND BALANCE END OF YEAR			<u>\$ 136,438</u>	

OTHER SUPPLEMENTAL INFORMATION

Other Supplemental Information
Schedule 1

**VILLAGE OF FOLSOM, LOUISIANA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2004**

		Debt Service		
		Sewer Treatment	Street Improvement Project	Total Non-Major Governmental Funds
ASSETS				
Cash		\$ 31,079	\$ 3,895	\$ 34,974
	Total Assets	\$ 31,079	\$ 3,895	\$ 34,974
FUND BALANCE				
	Fund Balance			
	Reserved for Debt Service	\$ 31,079	\$ 3,895	\$ 34,974
	Total Fund Balance	\$ 31,079	\$ 3,895	\$ 34,974

Other Supplemental Information
Schedule 2

VILLAGE OF FOLSOM, LOUISIANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2004

	Debt Service		Total Non-Major Governmental Funds
	Sewer Treatment	Street Improvement Project	
REVENUES			
Interest Income	\$ 237	\$ 113	\$ 350
Total Revenues	<u>237</u>	<u>113</u>	<u>350</u>
EXPENDITURES			
Debt Service			
Principal	11,940	21,000	32,940
Interest and Fiscal	<u>2,556</u>	<u>1,317</u>	<u>3,873</u>
Total Expenditures	<u>14,496</u>	<u>22,317</u>	<u>36,813</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(14,259)</u>	<u>(22,204)</u>	<u>(36,463)</u>
OTHER FINANCING SOURCES			
Operating Transfers In	<u>15,025</u>	<u>22,292</u>	<u>37,317</u>
Total Other Financing Sources	<u>15,025</u>	<u>22,292</u>	<u>37,317</u>
NET CHANGE IN FUND BALANCE	766	88	854
FUND BALANCE - BEGINNING OF YEAR	<u>30,313</u>	<u>3,807</u>	<u>34,120</u>
FUND BALANCE - END OF YEAR	<u>\$ 31,079</u>	<u>\$ 3,895</u>	<u>\$ 34,974</u>

Other Supplemental Information
Schedule 3

VILLAGE OF FOLSOM, LOUISIANA
SCHEDULE OF GOVERNING BOARD
June 30, 2004

<u>Board of Aldermen</u>	<u>Term of Office</u>	<u>Compensation</u>
George Garrett P.O. Box 44 Folsom, LA 70437 (985) 796-5745	December 31, 2006	\$ 6,525
Ronald Holliday P.O. Box 575 Folsom, LA 70437 (985) 796-5689	December 31, 2006	\$ 6,525
John T. Mathies 82337 Austin St. Folsom, LA 70437 (985) 796-0012	December 31, 2006	\$ 6,525

OTHER REPORTS



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

To the Honorable Marshall Brumfield
and Members of the Board of Aldermen
Village of Folsom, Louisiana

We have audited the financial statements of **VILLAGE OF FOLSOM, LOUISIANA** as of and for the year ended June 30, 2004, and have issued our report thereon dated September 3, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements 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 FOLSOM, LOUISIANA's** financial statements are free of material misstatement, we 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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit we considered **VILLAGE OF FOLSOM, LOUISIANA's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management of the **VILLAGE OF FOLSOM, LOUISIANA** and the *Legislative Auditor of the State of Louisiana* and is not intended to be, and should not be, used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

September 3, 2004

**VILLAGE OF FOLSOM, LOUISIANA
STATUS OF PRIOR YEAR AUDIT OF FINDINGS
For The Year Ended June 30, 2004**

2003 -1 Timely Adoption of Budget

This finding has been resolved.