

2429

**VILLAGE OF POWHATAN
ANNUAL FINANCIAL REPORT**

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 Powhatan
Financial Report
June 30, 2004

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Required Supplementary Information		
Management's Discussion and Analysis		1-4
Accountant's Compilation Report	-	5
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Assets	A	8
Statement of Activities	B	9
Fund Financial Statements		
Governmental Funds		
Balance Sheet-Governmental Fund	C	11
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets	D	12
Statement of Revenues, Expenditures, and Changes in Fund Balance	E	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	F	14
Proprietary Funds		
Statement of Net Assets	G	15
Statement of Revenues, Expenses, and Changes in Net Assets	H	16
Statement of Cash Flows	I	17
Notes to Financial Statements	-	19-29

Village of Powhatan
Financial Report
June 30, 2004

TABLE OF CONTENTS (cont'd)

	<u>Exhibit</u>	<u>Page</u>
Other Required Supplementary Information		
Budgetary Comparison Schedule-General Fund	J	31
Supplementary Information		
Independent Accountants' Report on Applying Agreed-Upon Procedures	K	33-35
Louisiana Attestation Questionnaire	L	36-38
Management Letter	M	39
Management's Response	N	40

Village of Powhatan

P. O. Box 126
Powhatan, LA 71066

MANAGEMENT'S DISCUSSION AND ANALYSIS for the Year Ended June 30, 2004

The Management's Discussion and Analysis is an element of the new reporting model adopted by the *Governmental Accounting Standards Board (GASB)* in their Statement No. 34. As this is the first year the Village will be reporting under this new model, certain comparative information with the previous year, which is by design included in this model, will not be presented in the analysis, as permitted by GASB No. 34 with respect to first year reporting.

Financial Highlights

This annual report consists of a series of new financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. These statements tell how these services were financed in the short-term as well as what remains for future spending.

A summary of the basic government-wide financial statements is as follows:

Summary of Statement of Net Assets

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
Current Assets-			
Cash	\$ 40	\$ 20,586	\$ 20,626
Receivables	1,377	7,564	8,941
Capital Assets, Net of Accumulated Depreciation	<u>24,736</u>	<u>1,532,763</u>	<u>1,557,499</u>
Total Assets	<u>\$26,153</u>	<u>\$1,560,913</u>	<u>\$1,587,066</u>
LIABILITIES:			
Overdraft	\$ 0	\$ 68	\$ 68
Accounts Payable	1,020	719	1,739
Customer Deposits Payable	0	16,806	16,806
Long Term Debt	<u>0</u>	<u>15,000</u>	<u>15,000</u>
Total Liabilities	<u>\$ 1,020</u>	<u>\$ 32,593</u>	<u>\$ 33,613</u>
NET ASSETS	<u>\$25,133</u>	<u>\$1,528,320</u>	<u>\$1,553,453</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	\$24,736	\$1,517,763	\$1,542,499
Restricted for Debt Service	0	10,557	10,557
Unreserved Net Assets	<u>397</u>	<u>0</u>	<u>397</u>
NET ASSETS	<u>\$25,133</u>	<u>\$1,528,320</u>	<u>\$1,553,453</u>

Summary of Statement of Activities

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
REVENUES:			
General Revenues:			
Ad Valorem Taxes	\$ 2,758	\$ 0	\$ 2,758
Charge for Services	6,570	70,809	77,379
Fines	7,427	0	7,427
Other	<u>978</u>	<u>0</u>	<u>978</u>
Total Revenues	<u>\$17,733</u>	<u>\$ 70,809</u>	<u>\$ 88,542</u>
EXPENSES:			
Public Works	\$ 207	\$ 0	\$ 207
Public Safety	9,065	0	9,065
General Government	14,174	0	14,174
Operating Expense	0	109,943	109,943
Interest Expense	<u>0</u>	<u>855</u>	<u>855</u>
Total Expenses	<u>\$23,446</u>	<u>\$110,798</u>	<u>\$134,244</u>
Change in Net Assets	<u>\$ (5,713)</u>	<u>\$ (39,989)</u>	<u>\$ (45,702)</u>

Governmental Activities

- The Village's assets exceeded its liabilities by \$25,133 (net assets) for the year.

Business Type Activities

The Proprietary Fund, the water system, experienced an operating loss of \$38,156 for the year. Revenues and expenses remained fairly consistent with the prior year.

General Fund Budgetary Highlights

The Village did not amend its General Fund budget during the year. At year end, actual revenues were \$1,846 less than budgeted and actual expenditures were \$1,325 less than budgeted expenditures.

Economic Factors and Next Year's Budget

The Village has prepared its FY 2004/2005 budget for the General Fund on the assumption that revenues and expenditures will remain fairly constant next year. Both revenues and expenditures for the Utility Enterprise Fund should also remain constant during the next year.

Contacting the Village

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to the Village at P. O. Box 126, Powhatan, LA 71066.

Johnson, Thomas & Cunningham
Certified Public Accountants

Eddie G. Johnson, CPA – A Professional Corporation (1962-1996)

Mark D. Thomas, CPA – A Professional Corporation
Roger M. Cunningham, CPA – A Professional Corporation

321 Bienville Street
Natchitoches, Louisiana 71457
(318) 352-3652
Fax (318) 352-4447

ACCOUNTANT'S COMPILATION REPORT ON THE FINANCIAL STATEMENTS

The Honorable Mayor of Powhatan
and Village Aldermen
Village of Powhatan, Louisiana

We have compiled the accompanying financial statements of the governmental activities, the business-type activities, and major fund information of the Village of Powhatan 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, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting, in the form of financial statements, information that is the representation of management. We have not audited or reviewed the accompanying financial statements, and accordingly, do not express an opinion or any other form of assurance on them.

The Management's Discussion and Analysis and budgetary comparison information on pages 1 through 4 and 31, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have not audited or reviewed this information, and accordingly, we do not express an opinion or any other form of assurance on it.

In accordance with the *Louisiana Governmental Audit Guide* and the provisions of state law, we have issued a report dated November 29, 2004, on the results of our agreed-upon procedures.

Johnson, Thomas & Cunningham

Johnson, Thomas & Cunningham, CPA's

November 29, 2004
Natchitoches, LA 71457

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

Village of Powhatan
Statement of Net Assets
June 30, 2004

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 40	\$ 0	\$ 40
Receivables (Net)	<u>1,377</u>	<u>7,564</u>	<u>8,941</u>
Total Current Assets	<u>\$ 1,417</u>	<u>\$ 7,564</u>	<u>\$ 8,981</u>
Noncurrent Assets:			
Restricted Assets-			
Customers Deposit	\$ 0	\$ 12,790	\$ 12,790
Bond Covenant Accounts	0	7,796	7,796
Capital Assets (Net)	<u>24,736</u>	<u>1,532,763</u>	<u>1,557,499</u>
Total Noncurrent Assets	<u>\$24,736</u>	<u>\$1,553,349</u>	<u>\$1,578,085</u>
Total Assets	<u>\$26,153</u>	<u>\$1,560,913</u>	<u>\$1,587,066</u>
LIABILITIES:			
Current Liabilities:			
Overdraft	\$ 0	\$ 68	\$ 68
Accounts Payable	1,020	719	1,739
Current Portion - Long Term Debt	<u>0</u>	<u>3,000</u>	<u>3,000</u>
Total Current Liabilities	<u>\$ 1,020</u>	<u>\$ 3,787</u>	<u>\$ 4,807</u>
Noncurrent Liabilities:			
Customers Deposits Payable	\$ 0	\$ 16,806	\$ 16,806
Long-Term Debt	<u>0</u>	<u>12,000</u>	<u>12,000</u>
Total Noncurrent Liabilities	<u>\$ 0</u>	<u>\$ 28,806</u>	<u>\$ 28,806</u>
Total Liabilities	<u>\$ 1,020</u>	<u>\$ 32,593</u>	<u>\$ 33,613</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	\$24,736	\$1,517,763	\$1,542,499
Restricted for Debt Service	0	10,557	10,557
Unrestricted	<u>397</u>	<u>0</u>	<u>397</u>
Total Net Assets	<u>\$25,133</u>	<u>\$1,528,320</u>	<u>\$1,553,453</u>

See accountant's compilation report and notes to financial statements.

Village of Powhatan
Statement of Activities
June 30, 2004

<u>Activities</u>	<u>Expenses</u>	<u>Program Revenues</u> Fines, Fees and <u>Charges for Services</u>	<u>Net (Expense) Revenue</u> <u>and Changes in Net Assets</u>		<u>Total</u>
			<u>Government</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	
Governmental Activities:					
General Government	\$ 13,683	\$ 6,570	\$ (7,113)	\$ 0	\$ (7,113)
Public Works	207	0	(207)	0	(207)
Public Safety	<u>9,556</u>	<u>7,427</u>	<u>(2,129)</u>	<u>0</u>	<u>(2,129)</u>
Total Governmental Activities	\$ <u>23,446</u>	\$ <u>13,997</u>	\$ <u>(9,449)</u>	\$ <u>0</u>	\$ <u>(9,449)</u>
Business-Type Activities:					
Water/Sewer	\$ <u>109,820</u>	\$ <u>70,809</u>	\$ <u>0</u>	\$ <u>(39,011)</u>	\$ <u>(39,011)</u>
Total Government	\$ <u>133,266</u>	\$ <u>84,806</u>	\$ <u>(9,449)</u>	\$ <u>(39,011)</u>	\$ <u>(48,460)</u>
		General Revenues:			
		Property Tax	\$ 2,758	\$ 0	\$ 2,758
		Transfers	<u>978</u>	<u>(978)</u>	<u>0</u>
		Total General Revenues & Transfers	\$ <u>3,736</u>	\$ <u>(978)</u>	\$ <u>2,758</u>
		Change in Net Assets	\$ (5,713)	\$ (39,989)	\$ (45,702)
		Net Assets July 1, 2003 (Restated for Governmental Activities - See Note 2)	30,846	1,568,309	1,599,155
		Net Assets June 30, 2004	\$ <u>25,133</u>	\$ <u>1,528,320</u>	\$ <u>1,553,453</u>

See accountant's compilation report and notes to financial statements.

FUND FINANCIAL STATEMENTS

Village of Powhatan
Balance Sheet-Governmental Fund
June 30, 2004

	General Fund
ASSETS:	
Cash and Cash Equivalents	\$ 40
Accounts Receivable	<u>1,377</u>
Total Assets	<u>\$1,417</u>
LIABILITIES:	
Accounts Payable	\$1,020
FUND BALANCES:	
Unreserved	<u>397</u>
Total Liabilities and Fund Balances	<u>\$1,417</u>

See accountant's compilation report and notes to financial statements.

Village of Powhatan
Reconciliation of the Governmental Fund
Balance Sheet to the Statement of Net Assets
June 30, 2004

Total Fund Balance for the Governmental Fund at June 30, 2004	\$ 397
Total Net Assets reported 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 fund. Those assets consist of:	
Land, Equipment, Buildings, and Vehicles, Net of Accumulated Depreciation	<u>24,736</u>
Total Net Assets of Governmental Activities at June 30, 2004	<u>\$25,133</u>

See accountant's compilation report and notes to financial statements.

Village of Powhatan
Statement of Revenues, Expenditures and Changes in Fund Balance-
General Fund
Year Ended June 30, 2004

	<u>Actual</u>
REVENUES:	
Taxes	\$ 2,758
Licenses, Permits & Fees	6,360
Intergovernmental	209
Fines & Forfeits	<u>7,427</u>
Total Revenues	<u>\$16,754</u>
EXPENDITURES:	
Current-	
General Government	\$ 9,654
Public Safety	7,414
Public Works	<u>207</u>
Total Expenditures	<u>\$17,275</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (521)
OTHER FINANCING SOURCES:	
Transfer In	<u>978</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources	\$ 457
Fund Balance-Beginning of Year	<u>(60)</u>
Fund Balance-End of Year	<u>\$ 397</u>

See accountant's compilation report and notes to financial statements.

Village of Powhatan
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of the Governmental Fund
to the Statement of Activities
for the Year Ended June 30, 2004

Total Net Change in Fund Balance at June 30, 2004	\$ 457
The Change in Net Assets reported for Governmental Activities in the Statement of Activities is different because:	
Governmental funds report capital outlays as expenditures while the Statement of Activities reports depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense for the year ended June 30, 2004.	(6,170)
Total changes in Net Assets at June 30, 2004	<u>\$(5,713)</u>

See accountant's compilation report and notes to financial statements.

Village of Powhatan
Statement of Net Assets
Proprietary Fund
Year Ended June 30, 2004

	Proprietary <u>Fund</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 0
Receivables	<u>7,564</u>
Total Current Assets	<u>\$ 7,564</u>
Noncurrent Assets:	
Restricted Assets-	
Customers Deposits	\$ 12,790
Bond Covenant Accounts	7,796
Capital Assets-	
Capital Assets, net of depreciation	<u>1,532,763</u>
Total Noncurrent Assets	<u>\$1,553,349</u>
Total Assets	<u>\$1,560,913</u>
LIABILITIES:	
Current Liabilities:	
Overdraft	\$ 68
Accounts Payable	719
Current Portion of Long-Term Debt	<u>3,000</u>
Total Current Liabilities	<u>\$ 3,787</u>
Noncurrent Liabilities:	
Long-Term Debt	\$ 12,000
Payable from Restricted Assets-	
Customers Deposits	<u>16,806</u>
Total Noncurrent Liabilities	<u>\$ 28,806</u>
Total Liabilities	<u>\$ 32,593</u>
NET ASSETS:	
Invested in Capital Assets, net of related debt	\$1,517,763
Restricted for Debt Service	<u>10,557</u>
Total Net Assets	<u>\$1,528,320</u>

See accountant's compilation report and notes to financial statements.

Village of Powhatan
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2004

OPERATING REVENUES:	
Water Sales	\$ <u>70,809</u>
OPERATING EXPENSES:	
Depreciation	\$ 38,773
General & Administrative	35,412
Utilities	8,013
Repairs & Maintenance	<u>26,767</u>
Total Operating Expenses	\$ <u>108,965</u>
Operating Income (Loss)	\$ <u>(38,156)</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest Expense	\$ (855)
Transfer Out	<u>(978)</u>
Total Non-operating Revenues (Expenses)	\$ <u>(1,833)</u>
Change in Net Assets	\$ (39,989)
Net Assets-Beginning of Year	<u>1,568,309</u>
Net Assets-End of Year	<u>\$1,528,320</u>

See accountant's compilation report and notes to financial statements.

Village of Powhatan
Statement of Cash Flows
Proprietary Fund
June 30, 2004

	<u>Business Type Activities</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 71,646
Cash paid to suppliers	(48,846)
Cash paid to employees	<u>(21,713)</u>
Net Cash Provided by Operating Activities	\$ <u>1,087</u>
Cash Flows from Non-Capital Financing Activities:	
Transfers to other Funds	\$ <u>(978)</u>
Cash Flows from Capital and Related Financing Activities:	
Principal Paid on Capital Debt	\$ (3,000)
Interest Paid on Capital Debt	<u>(855)</u>
Net Cash Received (Used) by Capital and Related Financing Activities	\$ <u>(3,855)</u>
Net Decrease in Cash and Cash Equivalents	\$ (3,746)
Cash and Cash Equivalents at Beginning of Year	<u>24,265</u>
Cash and Cash Equivalents at End of Year	\$ <u>20,519</u>
Reconciliation of Operating Income (Loss) to Net cash Provided (Used) by Operating Activities:	
Operating income (Loss)	\$(38,156)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation expense	38,773
Changes in Assets and Liabilities:	
Increase in Receivables	(1,138)
Increase in Payables	<u>1,608</u>
Net Cash Provided by Operating Activities	\$ <u>1,087</u>

See accountant's compilation report and notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Village of Powhatan
Notes to Financial Statements
June 30, 2004

Introduction:

The Village of Powhatan, Louisiana, is incorporated under the Lawrason Act with a Mayor-Board of Aldermen form of government. The executive branch of government is headed by the Mayor and a Legislative branch consisting of three Aldermen.

This report includes all funds which are controlled or dependent on the Village of Powhatan's executive and legislative branches (the Mayor and Aldermen). Control by or dependence on the Village of Powhatan was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of government body, and other general oversight responsibility.

The Village's operations include police, streets and drainage, and general and administrative services. In addition, the Village operates a Utility System which provides water and sewer services.

1. Summary of Significant Accounting Policies:

A. REPORTING ENTITY-

The Village is the basic level of government which has financial accountability and control over all activities related to the Village operations and services provided. The Village is not included in any other governmental "reporting entity" as defined by GASB pronouncements, since the Village Mayor and Board of Aldermen are elected by the public and have decision making authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined in Governmental Accounting Standards Board Statement 14, which are included in the Village's reporting entity.

The financial statements of the Village of Powhatan, Louisiana are prepared in accordance with generally accepted accounting principles (GAAP). The Village of Powhatan's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless the pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

B. BASIS OF PRESENTATION-

Government-Wide Financial Statements (GWFS)

The Statement of Net Assets and Statement of Activities report information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

Village of Powhatan
Notes to Financial Statements
June 30, 2004

The *Statement of Activities* presents a comparison between direct expenses and program revenues for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with a program or function. Program revenues include (a) fees and charges paid by the recipient for goods or services offered by the program, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

C. FUND ACCOUNTING-

The accounts of the Village are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The Village maintains two funds. They are categorized as a governmental fund and a proprietary fund. The emphasis on fund financial statements is on major governmental and enterprise funds; each displayed in a separate column. A fund is considered major if it is the primary operating fund of the entity or meets the following criteria:

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

The major funds of the Village are described below:

Governmental Fund-

General Fund

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

Village of Powhatan
Notes to Financial Statements
June 30, 2004

Proprietary Fund-

Enterprise Fund

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing 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 that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING-

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus-

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement is used as appropriate.

- a. The governmental fund utilizes a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on the balance sheet. The operating statement presents sources and uses of available spendable financial resources during a given period. This fund uses fund balance as its measure of available spendable financial resources at the end of the period.
- b. The government-wide financial statement utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost of recovery) and financial position. All assets and liabilities (whether current or noncurrent) associated with its activities are reported. Government-wide fund equity is classified as net assets.

Village of Powhatan
Notes to Financial Statements
June 30, 2004

Basis of Accounting-

In the government-wide Statement of Net Assets and Statement of Activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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 collected 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 (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

E. CASH AND INTEREST-BEARING DEPOSITS-

For purposes of the Statement of Net Assets, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposit of the Village.

F. CAPITAL ASSETS-

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is 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 \$500 or more for capitalizing capital assets.

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

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of useful lives by type of asset is as follows:

Buildings and improvements	40 years
Equipment and vehicles	3-10 years
Utility system and improvements	10-50 years

Village of Powhatan
Notes to Financial Statements
June 30, 2004

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

G. RESTRICTED ASSETS-

Restricted assets include cash, interest-bearing deposits, and investments of the proprietary fund that are legally restricted as to their use. The restricted assets are related to utility bond covenant accounts.

H. COMPENSATED ABSENCES-

There is no formal leave policy for the Village, therefore no entry is made to record compensated absences.

I. EQUITY CLASSIFICATIONS-

In the government-wide statements, equity is classified as net assets and displayed in three components:

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

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

J. 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 and disclosure of contingent

Village of Powhatan
Notes to Financial Statements
June 30, 2004

assets and liabilities at the date of the financial statement and the reported amounts of revenue, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

K. OPERATING REVENUES AND EXPENSES-

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing noncapital financing, or investing activities.

L. EXPENDITURES/EXPENSES-

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character
Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. *Proprietary funds report expenses relating to use of economic resources.*

M. BUDGET-

Prior to the beginning of each fiscal year, the Village adopts a budget for the next fiscal year. The budget is open for public inspection. All budgetary appropriations lapse at the end of the fiscal year. The budget is prepared on the modified accrual basis of accounting.

2. Changes in Accounting Principles:

For the year ended June 30, 2004, the Village has implemented GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. GASB No. 34 creates new basic financial statements for reporting on the Village's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting, and fund financial statements which present information for individual major funds rather than by fund type which has been the mode of presentation in previously issued financial statements.

Village of Powhatan
Notes to Financial Statements
June 30, 2004

The implementation of GASB No. 34 caused the opening fund balance at June 30, 2003, to be restated in terms of "net assets" as follows:

Total fund balance-Governmental Fund at June 30, 2003		\$ (60)
Add: Cost of capital assets at June 30, 2003	\$ 82,424	
Less: Accumulated Depreciation at June 30, 2003	(51,518)	<u>30,906</u>
Net Assets at June 30, 2003		<u>\$30,846</u>

3. Cash and Cash Equivalents:

For reporting purposes, cash and cash equivalents include demand deposits, time deposits, and certificates of deposit. At June 30, 2004, the Village had cash and cash equivalents (collected bank balances) totaling \$21,477. Cash and cash equivalents are stated at cost, which approximates market. Under Louisiana law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. These pledged securities are held in the name of the pledging bank in a holding or custodial bank in the form of safekeeping receipts held by the Village. The deposits at June 30, 2004, were secured as follows:

Demand Deposits	\$21,477
FDIC Insurance	<u>21,477</u>
Uninsured	<u>\$ 0</u>

4. Restricted Assets - Proprietary Fund Type:

The following is a schedule of changes in assets restricted for revenue for revenue bond debt service for the year ended June 30, 2004:

	<u>Amortization</u>	<u>Depreciation and Contingency</u>	<u>Reserve</u>	<u>Total</u>
Cash, 7-1-03	\$ 1,917	\$ 4,838	\$ 5,062	\$11,817
Transfers from Operating Accounts	3,803	2,900	1,600	8,303
Transfers to Operating Accounts	0	(3,800)	(4,650)	(8,450)
Disbursements-				
Bond Interest	(855)	0	0	(855)
Bond Principal	(3,000)	0	0	(3,000)
Other	<u>(19)</u>	<u>0</u>	<u>0</u>	<u>(19)</u>
Cash, 6-30-04	<u>\$ 1,846</u>	<u>\$ 3,938</u>	<u>\$ 2,012</u>	<u>\$ 7,796</u>

Village of Powhatan
Notes to Financial Statements
June 30, 2004

5. Changes in Long-Term Debt:

Revenue Bonds

The following is a summary of revenue bond transactions for the Village for the year ended June 30, 2004.

Revenue Bonds Payable 7-1-03	\$18,000
Less, Bonds retired for fiscal year	
Ended 6-30-04	<u>3,000</u>
Bonds Payable 6-30-04	<u>\$15,000</u>

Bonds payable at June 30, 2004, are comprised of the following individual issue:

	<u>Issue Date</u>	<u>Maturity</u>	<u>Rate</u>	<u>Total</u>
1969 FHA Water Revenue Bonds	6-69	2009	4.75%	<u>\$15,000</u>

The annual requirements to amortize these bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 3,000	\$ 713	\$ 3,713
2006	3,000	570	3,570
2007	3,000	427	3,427
2008	3,000	285	3,285
2009	<u>3,000</u>	<u>143</u>	<u>3,143</u>
Total	<u>\$15,000</u>	<u>\$2,138</u>	<u>\$17,138</u>

6. Flow of Funds, Restriction on Use – Utilities Revenues:

Under the terms of the bond indenture on outstanding Waterworks Revenue Bonds dated June 1, 1969, all income and revenues of every nature, earned or derived from operation of the Waterworks system are pledged and dedicated to the retirement of said bonds, and are to be set aside into the following special funds.

- a. From "Waterworks System Fund", there must be paid all reasonable and necessary expenses of administration, operation, and maintenance of the said waterworks utility system.
- b. Each month there will be set aside into a fund called the "Amortization Fund", on or before the 20th day of the month, an amount of principal and interest falling due in the ensuing year, together with such additional proportionate sum as may be required to pay said principal and interest as the same respectively become due.

Village of Powhatan
Notes to Financial Statements
June 30, 2004

- c. *There shall also be set aside into a "Reserve Fund" on or before the 20th of each month at the rate of \$50 each month commencing with the calendar year 1971. Money in this fund must be used to care for depreciation, extensions, additions, improvements, and replacements necessary to operate properly the said waterworks utility system.*
- d. *Funds will also be set aside into a "Depreciation and Contingencies Fund" on or before the 20th day of each month at the rate of \$50 each month commencing with the calendar year 1971. Money in this fund must be used to care for depreciation, extensions, improvements, and replacements necessary to operate properly the said waterworks utility system.*

Subject to the foregoing, which are cumulative, any surplus remaining in the said System Fund may be used by the Borrower for the purpose of calling/and or purchase of the bonds herein authorized or for such other purposes as the governing authority of the Borrower may determine; provided, however, that such surplus may not be used for such other purposes as the governing authority may determine until there shall be on deposit in the reserve fund not less than the sum of \$5,040.

7. Litigation:

At June 30, 2004, there were no pending civil suits against the Village.

Village of Powhatan
Notes to Financial Statements
June 30, 2004

8. Capital Assets:

Capital asset activity for the year ended June 30, 2004, is as follows:

<u>Governmental Activities</u>	<u>Balance 07-01-03</u>	<u>Additions</u>	<u>Balance 06-30-04</u>
Capital Assets-			
Building	\$34,529	\$ 0	\$34,529
Office Furniture, Fixtures & Equipment	30,895	0	30,895
Vehicles	<u>17,000</u>	<u>0</u>	<u>17,000</u>
Total Costs	<u>\$82,424</u>	<u>\$ 0</u>	<u>\$82,424</u>
Less, Accumulated Depreciation			
Building	\$15,336	\$ 1,270	\$16,606
Office Furniture, Fixtures & Equipment	20,882	3,201	24,083
Vehicles	<u>15,300</u>	<u>1,700</u>	<u>17,000</u>
Total Accumulated Depreciation	<u>\$51,518</u>	<u>\$ 6,171</u>	<u>\$57,689</u>
Net Capital Assets	<u>\$30,906</u>	<u>\$(6,171)</u>	<u>\$24,735</u>
<u>Business-Type Activities</u>	<u>07-01-03</u>	<u>Balance Additions</u>	<u>06-30-04</u>
Capital Assets			
Water System	\$2,052,313	\$ 0	\$2,052,313
Less, Accumulated Depreciation-			
Water System	<u>480,777</u>	<u>38,773</u>	<u>519,550</u>
Net Capital Assets	<u>\$1,571,536</u>	<u>\$(38,773)</u>	<u>\$1,532,763</u>

Depreciation expense of \$2,142 was charged to the public safety function and \$4,029 to the general government function for governmental activities.

9. Related Parties:

The Village had no identified related party transactions for the year ended June 30, 2004.

Village of Powhatan
Notes to Financial Statements
June 30, 2004

10. Village Officials:

The following is a summary of payments to Village officials during the year.

<u>Name</u>	<u>Position</u>	<u>Payments</u>
Margie Davenport	Mayor	\$3,465
O. V. Hall	Alderman	800
Alida Blake	Alderman	1,000
Roberta Green	Alderman	<u>1,300</u>
Total		<u>\$6,565</u>

11. Receivables:

The following is a summary of receivables at June 30, 2004:

<u>Class of Receivable</u>	<u>Amount</u>	<u>Fund</u>
Franchise Fees	\$ 574	General Fund
Fines	803	General Fund
Water & Sewer Sales	<u>7,564</u>	Proprietary Fund
Total	<u>\$8,941</u>	

OTHER REQUIRED
SUPPLEMENTARY INFORMATION

Village of Powhatan
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2004

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Taxes	\$ 1,900	\$ 1,900	\$ 2,758	\$ 858
Licenses, Permits, & Fees	7,750	7,750	6,360	(1,390)
Intergovernmental	450	450	209	(241)
Miscellaneous	500	500	0	(500)
Charges for Services	500	500	0	(500)
Fines & Forfeits	<u>7,500</u>	<u>7,500</u>	<u>7,427</u>	<u>(73)</u>
Total Revenues	<u>\$18,600</u>	<u>\$18,600</u>	<u>\$16,754</u>	<u>\$(1,846)</u>
EXPENDITURES:				
Current-				
General Government	\$12,880	\$12,880	\$ 9,654	\$3,226
Public Safety	5,420	5,420	7,414	(1,994)
Public Works	<u>300</u>	<u>300</u>	<u>207</u>	<u>93</u>
Total Expenditures	<u>\$18,600</u>	<u>\$18,600</u>	<u>\$17,275</u>	<u>\$1,325</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ 0	\$ (521)	\$ (521)
OTHER FINANCING SOURCES:				
Transfer In	0	0	1,198	1,198
Transfer Out	<u>0</u>	<u>0</u>	<u>(220)</u>	<u>(220)</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources	\$ 0	\$ 0	\$ 457	\$ 457
Fund Balance-Beginning of Year	<u>0</u>	<u>0</u>	<u>(60)</u>	<u>(60)</u>
Fund Balance-End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 397</u>	<u>\$ 397</u>

See accountant's compilation report and notes to financial statements.\

SUPPLEMENTARY INFORMATION

Johnson, Thomas & Cunningham
Certified Public Accountants

Eddie G. Johnson, CPA – A Professional Corporation (1962-1996)

Mark D. Thomas, CPA – A Professional Corporation
Roger M. Cunningham, CPA – A Professional Corporation

321 Bienville Street
Natchitoches, Louisiana 71457
(318) 352-3652
Fax (318) 352-4447

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

The Honorable Mayor of Powhatan
and Village Aldermen
Village of Powhatan, Louisiana

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of the Village of Powhatan and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluation management's assertions about the Village of Powhatan's compliance with certain laws and regulations during the year ended June 30, 2004, included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

PUBLIC BID LAW

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

No expenditures found to be in violation.

CODE OF ETHICS FOR PUBLIC OFFICIALS AND PUBLIC EMPLOYEES

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

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

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

Management provided us with the required list.

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

No violations found.

BUDGETING

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

Management provided us with a copy of the original budget. There was one amendment to the budget during the year.

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

We traced the adoption of the original and amended budget to the minutes of the Village. They were adopted by unanimous decision.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues or expenditures exceed budgeted amounts by more than 5%.

We compared the revenues and expenditures of the final budget to actual revenues and expenditures. Actual revenues for the year exceed the 5% variance allowed.

8. Randomly select 6 disbursements made during the period under examination and:

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

We examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount and made to the correct payee.

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

Each disbursement appeared to be coded correctly.

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

Inspection of supporting documentation showed written approval. In addition, non-recurring entries were discussed and approved in the minutes.

MEETINGS

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

The Village is only required to post a notice of each meeting and the accompanying agenda on the door of the Village's office building. Management has asserted that such documents were properly posted.

DEBT

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds or any other indebtedness which have not been approved by the State Bond Commission.

We inspected copies of all bank deposits for the period under examination and noted no deposits which appeared to be proceeds of bank loans, bonds or other indebtedness which had not been approved by the State Bond Commission.

ADVANCES AND BONUSES

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

No violations found.

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

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

Johnson, Thomas & Cunningham

Johnson, Thomas & Cunningham, CPA's

November 29, 2004
Natchitoches, Louisiana

VILLAGE OF POWHATAN

LOUISIANA ATTESTATION QUESTIONNAIRE

Johnson, Thomas & Cunningham, CPA's
321 Bienville Street
Natchitoches, LA 71457

In connection with your compilation of our financial statements as of June 30, 2004, and for the period then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of the date of this questionnaire.

Public Bid Law

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

Yes X No ___

Code of Ethics for Public Officials and Public Employees

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

Yes X No ___

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

Yes X No ___

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-14 or the budget requirements of LSA-RS 39:43.

Yes X No ___

Accounting and Reporting

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

Yes X No ___

We have filed our annual financial statements in accordance with LSA-RS 24:514, 33:453, and/or 39:92, as applicable.

Yes X No ___

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

Yes X No ___

Meetings

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

Yes X No ___

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 47:1410.60.

Yes X No ___

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 72-729.

Yes X No ___

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

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

Secretary **Margie Davenport**

Date **12-28-04**

Johnson, Thomas & Cunningham
Certified Public Accountants

Eddie G. Johnson, CPA – A Professional Corporation (1962-1996)

Mark D. Thomas, CPA – A Professional Corporation
Roger M. Cunningham, CPA – A Professional Corporation

321 Bienville Street
Natchitoches, Louisiana 71457
(318) 352-3652
Fax (318) 352-4447

November 29, 2004

Margie Davenport, Mayor
Village of Powhatan
P. O. Box 216
Powhatan, LA 71031

Dear Mayor Davenport,

We have compiled the financial statements of the Village of Powhatan, and have applied certain agreed upon procedures. As part of those procedures, we have the following information to report to you.

Louisiana State Law requires that the budget be amended if either actual revenue fails to meet budgeted amounts by 5% or more; actual expenditures exceed budgeted amounts by 5% or more. For the year ended June 30, 2004, the revenues exceed the 5% variance. We recommend the Village monitor actual versus budgeted in the future and make the necessary budget amendments.

Sincerely,

Johnson, Thomas & Cunningham

Johnson, Thomas & Cunningham, CPA's

Village of Powhatan

P. O. Box 126
Powhatan, LA 71066

November 29, 2004

Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804

The following is our response to the management letter issued to us by the firm, Johnson, Thomas & Cunningham, CPA's for the year ended June 30, 2004.

Management's Corrective Action Plan

We will monitor the actual revenues to budgeted revenues and make the necessary budget adjustments.

Thank You,

Margie Davenport

Margie Davenport, Mayor