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**Ouachita Council of Governments
Monroe, Louisiana**

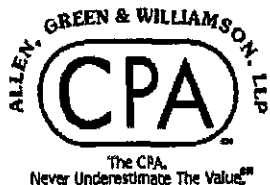
**Annual Financial Report
As of and For the Year Ended June 30, 2004**

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

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INDEPENDENT AUDITORS' REPORT

Board Members
Ouachita Council of Governments
Monroe, Louisiana

We have audited the accompanying financial statements of the governmental activities and each major fund of Ouachita Council of Governments, Monroe, Louisiana, as of and for the year ended June 30, 2004, which collectively comprise the Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Council's management. Our responsibility is to express opinions 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 and each major fund of Ouachita Council of Governments as of June 30, 2004, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Ouachita Council of Governments has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated December 30, 2004, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The accompanying budgetary comparison schedules are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Also, the accompanying other information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements of the Council. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Allen, Green + Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
December 30, 2004

**BASIC FINANCIAL STATEMENTS:
GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

OUACHITA COUNCIL OF GOVERNMENTS

STATEMENT OF NET ASSETS
June 30, 2004

Statement A

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash and cash equivalents	\$ 19,279
Receivables (net)	<u>89,503</u>
TOTAL ASSETS	<u>108,782</u>
LIABILITIES	
Accounts, salaries and other payables	<u>108,947</u>
NET ASSETS	
Unrestricted	<u>(165)</u>
TOTAL NET ASSETS	<u>\$ (165)</u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

OUACHITA COUNCIL OF GOVERNMENTS

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004**

Statement B

	<u>PROGRAM REVENUES</u>			<u>TOTAL</u>
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	
FUNCTIONS/PROGRAMS				
Governmental Activities:				
General and administrative	\$ 4,185	\$ 0	\$ 0	(4,185)
Intergovernmental	<u>297,782</u>		<u>149,432</u>	<u>(148,350)</u>
 Total Governmental Activities	<u>301,967</u>	<u>0</u>	<u>149,432</u>	<u>(152,535)</u>

General revenues:

Taxes:

 Local sources

134,113

 Earnings on investments

544

Total general revenues and transfers

134,657

Changes in net assets

(17,878)

Net assets - beginning

17,713

Net assets - ending

\$ (185)

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**BASIC FINANCIAL STATEMENTS:
FUND FINANCIAL STATEMENTS (FFS)**

OUACHITA COUNCIL OF GOVERNMENTS

**GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2004**

Statement C

	<u>GENERAL</u>	<u>FEDERAL TRANSIT AUTHORITY 80X012</u>	<u>FEDERAL HIGHWAY ADMINISTRATION 736-37-0033</u>	<u>TOTAL</u>
ASSETS				
Cash and cash equivalents	\$ 19,279	\$ 0	\$ 0	\$ 19,279
Receivables	69,290	2,417	17,796	89,503
Interfund receivables	<u>0</u>	<u>10,289</u>	<u>53,696</u>	<u>63,985</u>
TOTAL ASSETS	<u>88,569</u>	<u>12,706</u>	<u>71,492</u>	<u>172,767</u>
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts, salaries and other payables	24,749	12,706	71,492	108,947
Interfund payables	<u>63,985</u>	<u>0</u>	<u>0</u>	<u>63,985</u>
TOTAL LIABILITIES	88,734	12,706	71,492	172,932
 FUND BALANCES:				
Unreserved and undesignated	<u>(165)</u>	<u>0</u>	<u>0</u>	<u>(165)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 88,569</u>	<u>\$ 12,706</u>	<u>\$ 71,492</u>	<u>\$ 172,767</u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

OUACHITA COUNCIL OF GOVERNMENTS
GOVERNMENTAL FUNDS
Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 2004

Statement D

	GENERAL	FEDERAL TRANSIT AUTHORITY 80X012	FEDERAL HIGHWAY ADMINISTRATION 736-37-0033	TOTAL
REVENUES				
Intergovernmental revenues:				
Federal sources	\$ 0	\$ 26,106	\$ 123,326	\$ 149,432
Local sources	96,755	6,527	30,831	134,113
Interest earnings	544	0	0	544
Total revenues	97,299	32,633	154,157	284,089
EXPENDITURES				
Current:				
General and administrative	4,185	0	0	4,185
Intergovernmental	110,992	32,633	154,157	297,782
Capital outlay	0	0	0	0
Total expenditures	115,177	32,633	154,157	301,967
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(17,878)	0	0	(17,878)
FUND BALANCES - BEGINNING	17,713	0	0	17,713
FUND BALANCES - ENDING	\$ (165)	\$ 0	\$ 0	(165)

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Ouachita Council of Governments

Notes to the Financial Statements

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Ouachita Council of Governments

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *The accompanying general-purpose financial statements of the Ouachita Council of Governments have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.*

A. REPORTING ENTITY The Ouachita Council of Governments was created by the Commission Council of the City of Monroe, the Mayor and Board of Aldermen of the City of West Monroe, the Ouachita Parish Police Jury, the Monroe City School Board, and the Ouachita Parish School Board on September 23, 1968, under the authority of Louisiana Revised Statutes 33:1321-1332. On February 26, 1973, the articles of the agreement were amended to provide for two classes of membership on the Council - regular members and associate members. The regular membership consists of: (1) two members from the City of Monroe Commission Council (one of whom may be the Mayor) appointed by the Commission Council; (2) two members from the membership of the Mayor and Board of Aldermen of the City of West Monroe (one of whom may be the Mayor) appointed by the Mayor and Board of Aldermen; and (3) two members from the Ouachita Parish Police Jury (one of whom may be the President) appointed by the Ouachita Parish Police Jury. Any other unit of government situated within Ouachita Parish, or having an operating office in Ouachita Parish, is eligible for associate membership. Regular and associate members serve without benefit of compensation.

In creating the Ouachita Council of Governments, the members included in the articles of the agreement the following functions and purposes of the Council:

1. To carry on a continuing comprehensive planning program that supplements and coordinates but does not duplicate the programs of the member units.
2. To study such area governmental problems common to two or more members of the Council as it deems appropriate, including but not limited to matters affecting health, safety, welfare, education, economic conditions and regional development.
3. To promote cooperative arrangements and coordinate action among its members.
4. To make recommendations for review and action to the members and other public agencies that perform functions within the region.
5. To serve as a clearinghouse, for the benefit of the member governments, of information concerning their common problems and concerning state and federal services available to assist in the solution of these problems.

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Because the Council members are solely accountable for fiscal matters, which include (1) budget authority, (2) responsibility for funding deficits and operating deficiencies, and (3) fiscal management for controlling the collection and disbursement of funds, and because of the scope of public service provided by the Council, the Council is a separate governmental reporting entity. The Council includes all funds, account groups, activities, et cetera, that are within the oversight responsibility of the Council. The Council has no *component* units, defined by GASB Statement 14 as other legally separate organizations for which the elected Council members are financially accountable. There are no other primary governments with which the Council has a significant relationship.

Ouachita Council of Governments

Notes to the Financial Statements

B. FUNDS The accounts of the Council are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of 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. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The funds of the Council are classified into the governmental category. In turn, this category is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

Governmental Funds Governmental funds are used to account for the Council's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. Governmental funds include:

General fund — the primary operating fund of the Council. It accounts for all financial resources of the Council, except those required to be accounted for in another fund.

Federal Transit Authority — account for revenue sources that are legally restricted to expenditures for specified purposes (not including expendable trusts or major capital projects).

Federal Highway Administration — account for revenue sources that are legally restricted to expenditures for specified purposes (not including expendable trusts or major capital projects).

C. MEASUREMENT AND BASIS OF ACCOUNTING

Government-Wide Financial Statements (GWFS) The Statement of Net Assets and the Statement of Activities displays information about the reporting government as a whole.

The Statement of Net Assets and the Statement of Activities was prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

Program revenues Program revenues include operating grants and contributions. Program revenues also reduce the cost of the cost of the function to be financed from the Council's general revenues.

Fund Financial Statements (FFS)

Governmental Funds The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available.") "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and

Ouachita Council of Governments

Notes to the Financial Statements

judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Intergovernmental revenues are recognized in the amounts earned, to the extent that they are both measurable and available.

Interest income is recorded when the time deposits have matured and the income is available.

Expenditures

Expenditures are generally recognized under the modified accrual basis when the related fund liability is incurred.

D. BUDGETS The Council follows these procedures in establishing the budgetary data reflected in the combined financial statements: State statute requires budgets be adopted for the general fund and all special revenue funds. Each year, prior to the beginning of the fiscal year, the executive director submits to the Council proposed annual budgets for the general fund and special revenue funds budgets. Public hearings are conducted, prior to the Council's approval, to obtain taxpayer comments. Grant funds are included in special revenue funds and their budgets are adopted after the grant applications are approved by the grantor. The operating budgets include proposed expenditures and the means of financing them.

The Council adopted budgets for the general fund and all special revenue funds.

All appropriations (unexpended budget balances) lapse at year end.

Encumbrances are not recognized within the accounting records for budgetary control purposes.

All governmental funds budgets are prepared on the modified accrual basis of accounting, a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Budgeted amounts are as originally adopted or as amended by the Council. Legally, the Council must adopt a balanced budget, that is, total budgeted revenues and other financing sources including fund balance must equal or exceed total budgeted expenditures and other financing uses. State statutes require the Council to amend its budgets when revenues plus projected revenues within a fund are expected to be less than budgeted revenues by five percent or more and/or expenditures plus projected expenditures within a fund are expected to exceed budgeted expenditures by five percent or more. The Council approves budgets at the function level and management can transfer amounts between line items within a function.

Formal budget integration (within the accounting records) is employed as a management control device. The budget is established and controlled by the Council at the functional level of expenditure and budget amendments are adopted by the Council as necessary.

Ouachita Council of Governments

Notes to the Financial Statements

E. CASH AND CASH EQUIVALENTS Cash includes amounts in demand deposits and interest-bearing demand deposits, and time deposit accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Council 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.

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

G. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

H. ELIMINATION AND RECLASSIFICATIONS In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

NOTE 2 – CASH At June 30, 2004, the Council's bank balance was \$21,588. Of the bank balance, \$21,588 was covered by federal depository insurance (GASB Category 1).

NOTE 3 - RECEIVABLES The receivables at June 30, 2004, are as follows:

<u>Class of Receivable</u>	<u>General</u>	<u>Federal Transit Authority 80X012</u>	<u>Federal Highway Administration 736-37-0033</u>	<u>Total</u>
Local sources				
Ouachita Parish Police Jury	\$36,100	\$ 0	\$ 0	\$36,100
City of Monroe	33,190		0	33,190
Other	0		0	0
Federal sources	<u>0</u>	<u>2,417</u>	<u>17,796</u>	<u>20,213</u>
Total	<u>\$69,290</u>	<u>\$2,417</u>	<u>\$17,796</u>	<u>\$89,503</u>

The Council expects to collect these balances in full; therefore, an allowance for doubtful accounts was not established.

NOTE 4 - INTERGOVERNMENTAL EXPENDITURES The Ouachita Council of Governments receives contributions from its member agencies to pass through to other agencies in the region. Additionally, federal program funds are received from the Louisiana Department of Transportation and Development and transferred to other agencies. For the year ended June 30, 2004, the Council received and distributed the following:

Ouachita Council of Governments

Notes to the Financial Statements

	<u>General</u>	Federal Transit Authority <u>80X012</u>	Federal Highways Administration <u>736-37-0033</u>	<u>Total</u>
North Delta Regional Planning & Development District	\$ 52,890	\$32,633	\$154,157	\$239,680
Ouachita Multi-Purpose CAP	4,108	0	0	4,108
Opportunities Industrialization Center	2,367	0	0	2,367
Senior Adult Academic Program	2,066	0	0	2,066
LA Department of Veterans Affairs	11,856	0	0	11,856
RSVP of Ouachita Parish	1,437	0	0	1,437
Northeast LA Health Education and Planning	4,312	0	0	4,312
Ouachita Council on Aging	9,655	0	0	9,655
Association for Retarded Citizens/Ouachita	9,094	0	0	9,094
Monroe Sheltered Workshop	6,319	0	0	6,319
Triad	1,988	0	0	1,988
Go CARE	<u>4,900</u>	<u>0</u>	<u>0</u>	<u>4,900</u>
Total	<u>\$110,992</u>	<u>\$32,633</u>	<u>\$154,157</u>	<u>\$297,782</u>

NOTE 5 - DUAL ROLES OF STAFF The Executive Secretary of the Council also serves as Executive Director of North Delta Regional Planning and Development District. The Council has contracted with North Delta to provide technical assistance in carrying out federal and local program activities. For the year ended June 30, 2004, the Council made payments to North Delta totaling \$239,680 which represents 80.49 percent of the Council's total intergovernmental expenditures for the year.

NOTE 6 - LITIGATION AND CLAIMS

Litigation The Ouachita Council of Governments is not involved in any litigation at June 30, 2004, nor is it aware of any unasserted claims.

Grant Disallowance The Council participates in a number of federal awards programs. The programs are not subject to compliance audits under the single audit approach. These programs are still subject to financial and compliance audits and resolution of previously identified questioned costs. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Council expects such amounts, if any, to be immaterial.

NOTE 7 - ECONOMIC DEPENDENCY The three regular members of the Council, the City of Monroe, the City of West Monroe and the Ouachita Parish Police Jury, fund the local activities of the Council and also fund the 20 percent match for federal grants. Each governmental unit's percentage is based on the federal census. For the year ended June 30, 2004, the three governmental units contributed forty-seven percent of the Council's total revenues.

NOTE 8 - RISK MANAGEMENT The Council is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Council is self-insured for all losses regarding liability. The Council currently reports all of its risk management activities in the general fund.

OUACHITA COUNCIL OF GOVERNMENTS

**GENERAL FUND
Budgetary Comparison Schedule
For the Year Ended June 30, 2004**

Exhibit 1-1

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	VARIANCE WITH
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	FINAL BUDGET
			(Budgetary Basis)	POSITIVE (NEGATIVE)
BUDGETARY FUND BALANCES, BEGINNING	\$ 0	\$ 17,713	\$ 17,713	\$ 0
<i>Resources (inflows)</i>				
Intergovernmental revenues:				
Local sources	122,792	97,755	96,755	(1,000)
Interest earnings	0	0	544	544
	<u>122,792</u>	<u>115,468</u>	<u>115,012</u>	<u>(456)</u>
Amounts available for appropriations				
Charges to appropriations (outflows)				
Current:				
General and administrative	4,911	3,910	4,185	(275)
Intergovernmental	117,881	93,845	110,992	(17,147)
	<u>122,792</u>	<u>97,755</u>	<u>115,177</u>	<u>(17,422)</u>
Total charges to appropriations				
BUDGETARY FUND BALANCES, ENDING	\$ 0	\$ 17,713	\$ (165)	\$ (17,878)

OUACHITA COUNCIL OF GOVERNMENTS

FEDERAL TRANSIT AUTHORITY 80X012
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2004

Exhibit 1-2

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
			(Budgetary Basis)	POSITIVE (NEGATIVE)
BUDGETARY FUND BALANCES, BEGINNING	\$ 0	\$ 0	\$ 0	0
Resources (inflows)				
Intergovernmental revenues:				
Federal sources	26,106	26,106	26,106	0
Local sources	6,527	6,527	6,527	0
Amounts available for appropriations	32,633	32,633	32,633	0
Charges to appropriations (outflows)				
Current:				
Intergovernmental	32,633	32,633	32,633	0
Total charges to appropriations	32,633	32,633	32,633	0
BUDGETARY FUND BALANCES, ENDING	\$ 0	\$ 0	\$ 0	0

OUACHITA COUNCIL OF GOVERNMENTS

**FEDERAL HIGHWAY ADMINISTRATION 736-37-0033
Budgetary Comparison Schedule
For the Year Ended June 30, 2004**

Exhibit 1-3

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
			(Budgetary Basis)	POSITIVE (NEGATIVE)
BUDGETARY FUND BALANCES, BEGINNING	\$ 0	\$ 0	\$ 0	0
Resources (inflows)				
<i>Intergovernmental revenues:</i>				
Federal sources	26,106	123,326	123,326	0
Local sources	<u>6,527</u>	<u>30,831</u>	<u>30,831</u>	<u>0</u>
Amounts available for appropriations	<u>32,633</u>	<u>154,157</u>	<u>154,157</u>	<u>0</u>
Charges to appropriations (outflows)				
Current:				
Intergovernmental	<u>32,633</u>	<u>154,157</u>	<u>154,157</u>	<u>0</u>
Total charges to appropriations	<u>32,633</u>	<u>154,157</u>	<u>154,157</u>	<u>0</u>
BUDGETARY FUND BALANCES, ENDING	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	<u>0</u>

**Ouachita Council of Governments
Notes to the Budgetary Comparison Schedule
For the Year Ended June 30, 2004**

A. BUDGETS

The Council follows these procedures in establishing the budgetary data reflected in the combined financial statements: State statute requires budgets be adopted for the general fund and all special revenue funds. Each year, prior to the beginning of the fiscal year, the executive director submits to the Council proposed annual budgets for the general fund and special revenue funds budgets. Public hearings are conducted, prior to the Council's approval, to obtain taxpayer comments. Grant funds are included in special revenue funds and their budgets are adopted after the grant applications are approved by the grantor. The operating budgets include proposed expenditures and the means of financing them.

The Council adopted budgets for the general fund and all special revenue funds.

All appropriations (unexpended budget balances) lapse at year end.

Encumbrances are not recognized within the accounting records for budgetary control purposes.

All governmental funds budgets are prepared on the modified accrual basis of accounting, a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Budgeted amounts are as originally adopted or as amended by the Council. Legally, the Council must adopt a balanced budget, that is, total budgeted revenues and other financing sources including fund balance must equal or exceed total budgeted expenditures and other financing uses. State statutes require the Council to amend its budgets when revenues plus projected revenues within a fund are expected to be less than budgeted revenues by five percent or more and/or expenditures plus projected expenditures within a fund are expected to exceed budgeted expenditures by five percent or more. The Council approves budgets at the function level and management can transfer amounts between line items within a function.

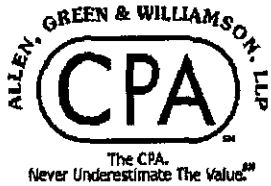
Formal budget integration (within the accounting records) is employed as a management control device. The budget is established and controlled by the Council at the functional level of expenditure and budget amendments are adopted by the Council as necessary.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL FUNDS

The following major fund had actual expenditures over budgeted expenditures for the year ended June 30, 2004:

	<u>Budget</u>	<u>Actual Amount</u>	<u>Unfavorable Variance</u>
General fund	\$97,755	\$115,177	\$17,422

Actual expenditures exceeded appropriations as a result of unanticipated accruals occurring after the last budget revision.



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Report on Internal Control Over Financial Reporting and on Compliances and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Board Members
Ouachita Council of Governments
Monroe, Louisiana

We have audited the financial statements of the governmental activities and each major fund of Ouachita Council of Governments as of and for the year ended June 30, 2004, which collectively comprise the Council's basic financial statements and have issued our report thereon dated December 30, 2004. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council'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 an opinion on the internal control over financial reporting. However, we noted a certain matter involving internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Council's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 04-F1.

A material weakness is a reportable 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 caused by error or fraud 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weakness. However, we believe that none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of 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.

This report is intended solely for the information of the audit committee, management, the Louisiana Department of Transportation and Development, the U. S. Department of Transportation and Development, and other applicable federal agencies, and is not intended to be and should not be used by anyone other than the specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513 this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

Allen, Green + Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
December 30, 2004

**Ouachita Council of Governments
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004**

PART II - Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:

Reference # and title: 04-F1 Inadequate Segregation of Duties

Criteria or specific requirement: Separation of duties is needed to provide a strong system of internal control which should reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited would be detected within a timely period by employees in the normal course of performing their assigned functions.

Condition found: All accounting functions for the Council, with the exception of signing checks, is performed by one individual. This individual makes deposits, post receipts, prepares, posts and mails disbursements, and also reconciles the bank statements.

Possible asserted effect (cause and effect):

Cause: The Council has no employees. The accounting functions are performed by an employee of the City of Monroe.

Effect: Inadequate segregation of duties.

Recommendations to prevent future occurrences: Due to the size of the Council and its limited revenues, it is not economically feasible to correct this deficiency.

Ouachita Council of Governments
Status of Prior Year Findings and Questioned Costs
As of and for the Year Ended June 30, 2004

Finding reference # and title: **03-F1** **Inadequate Segregation of Duties**

Initially occurred: June 30, 2004

Condition: Separation of duties is needed to provide a strong system of internal control which should reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited would be detected within a timely period by employees in the normal course of performing their assigned functions.

All accounting functions for the Council, with the exception of signing checks, are performed by one individual. This individual makes deposits, post receipts, prepares, posts and mails disbursements, and also reconciles the bank statements.

Corrective action taken: See current-year finding 04-F1.

Ouachita Council of Governments
Corrective Action Plan for Current Year Findings and Questioned Costs
As of and for the Year Ended June 30, 2004

Reference # and title: **04-F1** **Inadequate Segregation of Duties**

Condition: Separation of duties is needed to provide a strong system of internal control which should reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited would be detected within a timely period by employees in the normal course of performing their assigned functions.

All accounting functions for the Council, with the exception of signing checks, are performed by one individual. This individual makes deposits, post receipts, prepares, posts and mails disbursements, and also reconciles the bank statements.

Corrective action planned: The Council concurs with the auditors that it is not feasible to correct this deficiency.

Person responsible for corrective action:

David Creed, Executive Director
Ouachita Council of Governments
1913 Stubbs Avenue
Monroe, LA 71201

Telephone: (318) 387-2572
Fax: (318) 387-9054

Anticipated completion date: Not applicable.