

**VILLAGE OF BONITA, LOUISIANA
BONITA, LOUISIANA**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
WITH SUPPLEMENTAL INFORMATION
As of And for The Years 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.

BY

Release Date 2-9-2005

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FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
WITH SUPPLEMENTAL INFORMATION
As of And for The Years Ended June 30, 2004

VILLAGE OF BONITA, LOUISIANA
Bonita, Louisiana
Financial Statements
and Independent Auditor's Report
With Supplemental Information
As of and for the Years Ended June 30, 2004

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Village of Bonita, Louisiana

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MANAGEMENT'S DISCUSSION AND ANALYSIS

USING THIS ANNUAL REPORT:

The annual report consists of 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. Fund financial statements start on the next page. For governmental activities these statements tell how the services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Village's operation in more detail than the government-wide statements by providing information about the Village's most significant funds.

FINANCIAL HIGHLIGHTS:

- Net assets increased in governmental activities by \$12,917 and net assets decreased by \$7,946 in business-type activities, which include sewer and water funds. The decrease in net assets of the business-type activities was a result of depreciation taken on the fixed assets that were financed with grants.
- The Village had overall expenses from governmental activities of \$161,685 and expenses from business-type activities of \$105,214 for a total expense for the year of \$266,899.
- The general fund operated with an excess of revenues over expenditures of \$12,139 and ended the year with a net change in fund balance of \$3,482
- In the business-type activities-enterprise funds, the water and sewer fund had an operating loss of \$14,543. The water and sewer fund had a positive cash flow of \$17,898 from operating activities.
- The village's budget shows a favorable expenditure variance of \$10,358 or 6%. The general fund shows a favorable revenue budget variance of \$20,500 or 14%.
- The Village made one major capital purchase for a police automobile during the year, which was paid with grant funds from the United States Department of Agriculture Rural Development in the amount of \$18,300, and the State of Louisiana Governor's Office of Rural Development of in the amount of \$6,200. The total cost of the automobile was \$24,800, with \$300 of the cost being covered by the General Fund. The Village did not incur any new debt. Effective December of 2004, the final payment will be made on the note for the municipal building. As of June 30, 2004, the principal balance on the note payable was \$1,278.

**Village of Bonita
Management's Discussion And Analysis (Continued)**

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT:

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Village's finances and to show that the Village's accountability for the money it receives. If you have questions about this report or need additional information, contact Mayor Virgil Penn at the Village of Bonita, telephone number (318) 823-2128.



INDEPENDENT AUDITOR'S REPORT

The Honorable Virgil Penn, Mayor
And Members of the Board of Aldermen
Bonita, Louisiana

I have audited the accompanying financial statements of the governmental activities, the business-type activities and the aggregate remaining fund information of Village of Bonita, Louisiana, as of and for the year ended June 30, 2004 which collectively comprise the Village's financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Bonita, Louisiana's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my 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 the aggregate remaining fund information of Village of Bonita, 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*, I have also issued my report dated December 22, 2004, on my consideration of the Village of Bonita, Louisiana's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Independent Auditor's Report (Continued)

The management's discussion and analysis and budgetary comparison information 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. I 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, I did not audit the information and express no opinion on it.



Rosie D. Harper
Certified Public Accountant

December 22, 2004
Monroe, Louisiana



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

The Honorable Virgil Penn, Mayor
and Members of the Board of Aldermen
Bonita, Louisiana

I have audited the financial statements of the governmental activities, the business-type activities and the aggregate remaining fund information of the Village of Bonita, Louisiana, as of and for the year ended June 30, 2004 which collectively comprise the Village of Bonita, Louisiana's basic financial statements and have issued my report thereon dated December 22, 2004. I conducted my 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.

Compliance

As part of obtaining reasonable assurance about whether the Village of Bonita, Louisiana's, financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-2 and 2004-3. I also noted certain immaterial instances of noncompliance that I have reported to management of Village of Bonita, Louisiana, in a separate letter dated December 22, 2004.

Internal Control Over Financial Reporting

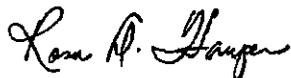
In planning and performing my audit, I considered the Village's internal control over financial reporting in order to determine my auditing procedures for the purpose of

**Report On Compliance And On Internal Control Over Financial Reporting Based
On An Audit Of Financial Statements Performed In Accordance With Government
Auditing Standards (Continued)**

expressing my opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, I noted a matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Village'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 as item 2004-1.

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. My 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 weaknesses. However, I consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this document is public record and its distribution is not limited.



Rosie D. Harper
Certified Public Accountant

Monroe, Louisiana
December 22, 2004

BASIC FINANCIAL STATEMENTS

VILLAGE OF BONITA, LOUISIANA
Statement of Net Assets
June 30, 2004

Statement A

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash	\$ 16,957	\$ 10,018	\$ 26,975
Receivables	1,095	9,939	11,034
Restricted Assets:			
Cash & Cash Equivalents	38,902	56,673	95,575
Investments	-	9,708	9,708
Interest Income Receivable	-	44	44
Intergovernmental Receivables	-	1,187	1,187
Capital Assets (Net of Accumulated Depreciation)	684,169	995,608	1,679,777
Total Assets	741,123	1,083,177	1,824,300
Liabilities			
Current Liabilities			
Accrued Liabilities	1,525	-	1,525
Current Portion of			
Long-Term Debt	6,375	17,334	23,709
Bond Interest Payable	1,633	3,008	4,641
Intergovernmental Payables	1,187	-	1,187
Total Current Liabilities	10,720	20,342	31,062
Non-Current Liabilities			
Meter Deposits	-	12,989	12,989
Bonds Payable	43,750	85,666	129,416
Total Non-Current Liabilities	43,750	98,655	142,405
Total Liabilities	54,470	118,997	173,467
Net Assets			
Invested in Capital Assets			
Net of Related Debt	690,998	892,608	1,583,606
Restricted for Debt Service	50,125	103,000	153,125
Unrestricted	(54,470)	(31,428)	(85,898)
Total Net Assets	\$ 686,653	\$ 964,180	1,650,833

See Accompanying Auditor's Report and Notes to Financial Statements.

VILLAGE OF BONITA, LOUISIANA
 Statement of Activities
 For the Year Ended June 30, 2004

Statement B

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Capital Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government						
Governmental Activities:						
General Government	\$ 83,761	\$ -	\$ 31,394	\$ (52,367)	\$ -	\$ (52,367)
Public Safety	73,552	-	-	(73,552)	-	(73,552)
Interest on Long-Term Debt	4,372	-	-	(4,372)	-	(4,372)
Total Governmental Activities	161,685	-	31,394	(130,291)	-	(130,291)
Business Type Activities:						
Sewer	37,141	29,742	-	-	(7,399)	(7,399)
Water	65,065	57,921	-	-	(7,144)	(7,144)
Interest on Long-Term Debt	3,908	-	-	-	(3,908)	(3,908)
Total Business Type Activities	105,214	87,663	-	-	(17,551)	(17,551)
Total Primary Government	\$ 266,899	\$ 87,663	\$ 31,394	\$ (130,291)	\$ (17,551)	\$ (147,842)
General Revenues:						
Taxes						
Property Taxes Levied for General Purposes				9,734		9,734
Property Taxes Levied for Debt Service				11,874		11,874
Sales Taxes				31,708		31,708
Fines				77,114		77,114
Licenses and Permits				16,214		16,214
Investment Earnings				-	948	948
Intergovernmental				2,650		2,650
Other Revenue				1,771		1,771
Special Item-Gain on Sale of Police Vehicle				800		800
Transfers				(8,657)	8,657	-
Total General Revenues				143,208	9,605	152,813
Other						
Increase (decrease) in Unrestricted Net assets				12,917	(7,946)	4,971
Net Assets-July 1, 2003				1,050,819	914,385	1,965,204
Prior Period Adjustment				(377,083)	57,741	(319,342)
Net Assets-June 30, 2004				\$ 686,653	\$ 964,180	\$ 1,650,833

See Accompanying Auditor's Report and Notes to Financial Statements.

VILLAGE OF BONITA, LOUISIANA
 Balance Sheet
 Governmental Funds
 June 30, 2004

Statement C

	General Fund
Assets	
Cash	\$ 55,859
Investments	-
Receivables (net)	1,095
Total Assets	56,954
 Liabilities and Fund Balances	
Liabilities:	
Accrued Liabilities	1,525
Total Liabilities	1,525
 Fund Balances:	
Unreserved, Reported in:	
General Fund	55,429
Debt Service Funds	-
Total Fund Balances	55,429
 Total Liabilities and Fund Balances	 \$ 56,954

See Accompanying Auditor's Report and Notes to Financial Statements.

VILLAGE OF BONITA, LOUISIANA
Reconciliation of The Government Funds Balance Sheet
to the Government-Wide Financial Statement of Net Assets
June 30, 2004

Statement D

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

Fund Balance, Total Governmental Funds (Statement C)	\$ 55,429
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	684,169
Long-term liabilities including bonds payable are not due payable in the current period and, therefore, are not reported in the governmental funds.	
Other	<u>(52,945)</u>
Net Assets of Governmental Activities (Statement A)	<u>\$ 686,653</u>

See Accompanying Auditor's Report and Notes to Financial Statements.

VILLAGE OF BONITA, LOUISIANA

Statement E

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended
 June 30, 2004

	<u>General Fund</u>
Revenues	
Property Taxes	\$ 21,608
Sales Taxes	31,708
Licenses and Permits	16,214
Fines	77,114
Intergovernmental	2,650
Grants and Contributions	31,394
Miscellaneous	2,571
Total Revenues	<u>183,259</u>
Expenditures	
Current:	
General Government	58,717
Public Safety	73,552
Debt Service:	
Principal	5,250
Interest	4,372
Capital Outlay:	<u>29,229</u>
Total Expenditures	<u>171,120</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>12,139</u>
Other Financing Sources	
(Uses)	
Interfund Transfers in (out)	<u>(8,657)</u>
Total Other Financing Sources (Uses)	<u>(8,657)</u>
Net Change in Fund Balances	3,482
Fund Balances-July 1, 2003	<u>53,472</u>
Fund Balances-June 30, 2004	<u>\$ 56,954</u>

See Accompanying Auditor's Report and Notes to Financial Statements.

VILLAGE OF BONITA, LOUISIANA
Reconciliation of The Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2004

Statement F

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

Net Change in Fund Balances, Total governmental Funds, Statement E	\$	3,482
Governmental funds report capital outlays as expenditure. However, in statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		29,229
The issuance of long-term debt (bonds, leases, etc.) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs premiums, discounts, similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		5,250
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>(25,044)</u>
Changes in Net Assets of Governmental Activities, Statement B	\$	<u>12,917</u>

See Accompanying Auditor's Report and Notes to Financial Statements.

VILLAGE OF BONITA, LOUISIANA
Statement of Net Assets
Proprietary Fund
June 30, 2004

Statement G

Assets

Current and Accrued Assets:

Cash	\$ 10,018	
Customer Accounts Receivable	9,939	
Due from General Fund	1,187	
Total Current and Accrued Assets	21,144	

Restricted Assets:

Cash	56,673	
Interest Income Receivable	44	
Investments	9,708	
Total Restricted Assets	66,425	

Utility Plant:

Capital Assets Net of Accumulated Depreciation	995,608	
Net Utility Plant		995,608
Total Assets		1,083,177

Liabilities

Current Liabilities:

Current Portion of Bonds Payable	17,334	
Intergovernmental Liabilities	-	
Bond Interest Payable	3,008	
Total Current Liabilities	20,342	

Liabilities Payable from Restricted Assets:

Customer Deposits	12,989	
Total Liabilities Payable from Restricted Assets	12,989	

Long-Term Liabilities:

Bonds Payable	85,666	
Total Long-Term Liabilities	85,666	
Total Liabilities	118,997	

Net Assets

Invested in Capital Assets, Net of Related Debt		892,608
Restricted for Payment of Debt Service		103,000
Unrestricted		(31,428)
Total Net Assets		\$ 964,180

See Accompanying Auditor's Report and Notes to Financial Statements.

VILLAGE OF BONITA, LOUISIANA
Statement of Revenues, Expenditures, and Changes in Net Assets
Proprietary Funds
For the Year Ended
June 30, 2004

Statement H

Utility Operating Revenue:		
Charges for Water and Sewer	\$	87,663
Operating Expenses:		
Contract Labor	\$	19,200
Depreciation Expense		36,754
Insurance		1,768
Office		2,257
Other Operating		1,207
Repairs and Maintenance		930
Salaries		26,078
Supplies		7,368
Utilities		6,065
Vehicle		579
		102,206
Total Operating Expenses		(14,543)
Utility Operating Income		
Other Income and Deductions:		
Interest and Dividend Revenue	948	
Interest on Long-Term Debt	(3,008)	
		(2,060)
Total Other Income and Deductions		(16,603)
Income Before Transfers In		
Operating Transfer In/(Out)		8,657
Change in Net Assets		(7,946)
Total Net Assets, July 1, 2003		914,385
Other Changes in Net Assets		
Prior Period Adjustment		57,741
Total Other Changes in Net Assets		57,741
Total Net Assets, June 30, 2004		\$ 964,180

See Accompanying Auditor's Report and Notes to Financial Statements.

VILLAGE OF BONITA, LOUISIANA
Statement of Cash Flows
Proprietary Funds
June 30, 2004

Statement I

Cash Flows from Operating Activities	
Cash Received from Customers	\$ 85,888
Cash Provided from Customer Deposits	570
Cash Paid to Employees for Services	(26,078)
Cash Paid to Suppliers	(42,482)
Net Cash Provided by Operating Activities	17,898
 Cash Flows from Non-Capital Financing Activities	
Transfers from Other Funds	8,657
Net Cash Used by Non-Capital Financing Activities	8,657
 Cash Flows from Capital and Related Financing Activities	
Principal Paid on Bond Debt	(11,000)
Decrease in Bond Interest Payable on Long-Term Bonds	(2,692)
Net Cash Used for Capital and Related Financing Activities	(13,692)
 Cash Flows from Investing Activities	
Cash Paid for Equipment	(767)
Interest and Dividend Income	948
Net Cash Provided by Investing Activities	181
Net Increase in Cash and Cash Equivalents	13,044
Cash and Cash Equivalents-July 1, 2003	53,647
Cash and Cash Equivalents-June 30, 2004	\$ 66,691

Reconciliation of Cash and Cash Equivalents to the Balance Sheet

	End of Year	Beginning of Year
Cash and Cash Equivalents in Current and Accrued Assets	10,018	5,570
Restricted Cash and Cash Equivalents	56,673	48,077
	\$ 66,691	\$ 53,647

Reconciliation of Utility Operating Income to Net Cash Provided by Operating Activities

Utility Operating Income		\$ (14,543)
Adjustments:		
Depreciation Expense	\$ 36,754	
Adjustment for Voided Checks Prior Period	1,242	
Decrease in Accounts Payable	(4,350)	
Increase in Customer Deposits	570	
Increase in Customer Accounts Receivables	(1,775)	
Total Adjustments		32,441
Net Cash Provided by Operating Activities		\$ 17,898

See Accompanying Auditor's Report and Notes to Financial Statements.

VILLAGE OF BONITA, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Village of Bonita, Louisiana, (the "Village") operates under a mayor-board of aldermen form of government in accordance with the provisions of the Lawrason Act. Citizens elect the mayor and three council members at large. The mayor and council members are paid a monthly salary. The Village is located in northeast Louisiana, its population is approximately 335, and it employs approximately 5 people other than the mayor and council members. As of June 30, 2004, the Village services approximately 210 utility customers and maintains approximately 5 miles of roads.

The following services are provided by the Village: general administrative services, public safety (police), public works (streets), sanitation (water and sewer), and public improvements.

The more significant of the Village's accounting policies are described below:

Basis of Presentation

The accounting and reporting policies of the Village of Bonita conform to generally accepted accounting principles as applicable to governments. 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 Government Units.

Financial Reporting Entity

As the municipal governing authority, for reporting purposes, the Village is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (Village), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

GASB Statement No. 14 established criteria for determining which component units should be considered part of the Village for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. the ability of the municipality to impose its will on that organization and/or

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- b. the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the Village has determined that Sewer District No. 1 of Village of Bonita, Louisiana, is a component unit of the reporting entity. As required by generally accepted accounting principles, these financial statements present Village of Bonita, Louisiana, (the primary government) and its component unit. The component unit is reported as part of the municipality and blended with the appropriate municipality funds.

Component units that are legally separate from the municipality, but are so intertwined with the municipality that they are, in substance, the same as the municipality, are blended component units. For a component unit to be blended, the organization's board and the municipality must be substantively the same, or the organization must provide services entirely or almost entirely to the municipality.

Considered in the determination of component units of the reporting entity were Tenth Ward Fire Protection District No. 1 of Morehouse Parish, Louisiana, and Tenth Ward Volunteer Fire Department. It was determined that this governmental and volunteer entity are not component units of the Village's reporting entity.

A. 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 primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 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

A. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

other items not properly included among program revenues are reported instead as general revenues.

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

B. 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property 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 government.

The municipality reports the following major governmental funds:

The General Fund is the municipality's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The municipality reports the following major proprietary funds:

- Water and Sewer Fund

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

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 proprietary funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

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. The principal operating revenues are charges for services and sales taxes. Operating expenses for 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.

C. FIXED ASSETS AND LONG-TERM LIABILITIES

For the year ended June 30, 2004, no interest costs were capitalized for construction of fixed assets.

Depreciation of all exhaustible fixed assets is charged as an expense against its operations. Accumulated depreciation is reported on the proprietary fund balance sheet and governmental fund statement of activities. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Water & Sewer System	40 Years
Buildings	50 Years
Equipment	5-10 Years
Vehicle	7 Years

D. BUDGETS AND BUDGETARY ACCOUNTING

The Village follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The mayor and clerk of the Village prepares a proposed budget based on departmental group budget requests, and submits the same to the Board of Aldermen for approval.
2. The Village does utilize the budget in comparison form in financial statement presentation during the year.
3. All budgetary appropriations lapse at the end of the fiscal year.
4. The Village does not utilize encumbrance accounting.

E. CASH AND INVESTMENTS

The following is a summary of cash and investments at June 30, 2004:

Non-interest Bearing Demand Deposits	\$ 83,148
Time Deposits	38,902
Investments	9,708
Petty Cash	500
	<u>\$ 132,258</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with fiscal agent.

At June 30, 2004, the carrying amount and bank balance of the Village's deposits (excluding petty cash of \$500) were \$131,758. At June 30, 2004, the total amount of cash covered by federal depository insurance was \$100,000.

The cash deposits held at financial institutions can be categorized according to three levels of risk.

These three levels of risk are as follows:

- Category 1 Deposits which are insured or collateralized with securities held by its agent in the Village's name.
- Category 2 Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Village's name.

E. CASH AND INVESTMENTS (Continued)

Category 3 Deposits which are not collateralized or insured.

Based on these three levels of risk, all of the Village's cash deposits are classified as Category 1.

There were no repurchase or reverse purchase agreements at June 30, 2004.

F. ACCOUNTS RECEIVABLE

At June 30, 2004, no reserve for bad debts in the general and proprietary funds were required, since the estimated uncollectable receivable outstanding were considered immaterial. Accounts receivable for the period ending June 30, 2004 were as follows:

	Enterprise Fund Water & Sewer Fund	Governmental Fund General Fund	Total
Tax & License	\$ -	\$ 1,095	\$ 1,095
Customer	9,939	-	9,939
Total	\$ 9,939	\$ 1,095	\$ 11,034

G. COMPENSATED ABSENCES

Full-time employees of the Village earn from two to four weeks of annual leave and three to five days of sick leave each anniversary year of employment, depending on length service. Nine paid holidays are earned each calendar year by full-time employees. The Mayor, subject to the approval of the Board of Aldermen, may grant additional sick leave if warranted by the circumstances and additional paid holidays. Upon resignation or retirement, employees are compensated for annual leave earned but not taken during the current anniversary year of employment at the employee's current rate of pay. Employees are not compensated for nonvesting accumulated sick leave or paid holidays upon termination of employment.

In governmental funds, the cost of annual leave, sick leave, and paid holidays is recognized as a current year expenditure within the various funds when either is actually taken or when employees are paid for accrued annual leave upon resignation or retirement. The cost of annual leave privileges not requiring current resources of the governmental funds is recorded in the General Long-Term Debt Account Group, if quantitatively material in relation to the financial statements taken as a whole.

H. RESERVES

The resolutions authorizing the waterworks and sewer revenue bonds require that the Village establish for each issuance a sinking, reserve, and depreciation and contingency account. Monthly amounts are to be deposited into the sinking accounts equal to one-twelfth of the total

H. RESERVES (Continued)

amount of principal and interest falling due in the ensuing year. A sum at least equal to 5% of the amounts deposited into the sinking accounts should be deposited into the reserve accounts until such time as there has been accumulated a total equal to the highest combined principal and interest payable in any future year. Amounts specifically designated by each of the bond resolutions are to be deposited into the depreciation and contingency accounts on a monthly basis.

At June 30, 2004, the deposit requirement of the sewer revenue bond's sinking and depreciation and contingency accounts had been met with a surplus funding of \$2,514 and \$10,810, respectively. The waterworks revenue bond's reserve, sinking, and depreciation and contingency accounts were not funded at June 30, 2004, by \$3,543, \$4,908 and \$12,642, respectively. The sewer revenue bond's reserve account was not funded by \$206, as of June 30, 2004.

I. PROPRIETARY FUND DEFICIT

At June 30, 2004, the retained earnings of the Proprietary Fund is in a deficit position of \$(31,428). The deficit arose largely due to the overall financial burden imposed by the spring flooding in 1991, which destroyed the Village's water wells. The Village entered into a contract with Jones-McGinty Water System, Inc., to obtain water for distribution through the Village's system. The cost of the purchased water exceeded the amount recoverable by the Village from its water customers. Also, contributing to the deficit were operating transfers made from the Proprietary Fund in an effort to relieve some of the General Fund's financial responsibilities. Reductions in personnel, increases in user charges, and other cost reductions have been implemented in previous years to eliminate the deficit but the deficit continues to increase.

II. AD VALOREM TAXES

For the year ended June 30, 2004, ad valorem taxes of 18.89 mills were levied on property with assessed valuations totaling \$1,130,680 as follows:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
General Corporate Purposes	8.51	8.51	Perpetual
Debt Service	10.38	10.38	2016

Village of Bonita, Louisiana
Notes to Financial Statements (Continued)

II. AD VALOREM TAXES (Continued)

The following is the principal ad valorem taxpayer for the Village:

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>	<u>Ad Valorem Tax Revenue</u>
Northeast Louisiana Telephone Company, Inc.	\$ 531,090	47.84%	\$ 10,032

Total ad valorem taxes levied were \$21,359. As of June 30, 2004, substantially all ad valorem taxes had been collected.

For the year ended June 30, 2004, sales and use taxes of 1% were levied for any lawful corporate purposes and 1% to support the Village's General Fund. These taxes will expire June 30, 2011.

III. RESTRICTED ASSETS-PROPRIETARY FUND TYPES

At June 30, 2004, restricted assets of the Proprietary Funds were invested in either interest bearing checking accounts or time deposits and were restricted for the following purposes:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Bond Sinking	\$ 5,998	\$ 7,465	\$ 13,463
Meter Deposit	12,592	-	12,592
Bond Reserve	5,592	7,844	13,436
Depreciation & Contingencies	5,808	21,082	26,890
Total	\$ 29,990	\$ 36,391	\$ 66,381

IV. FIXED ASSETS

A summary of the changes in the General Fixed Assets Account Group is as follows:

	<u>Cost</u>	<u>Additions</u>	<u>Adjustment</u>	<u>Retirements</u>	<u>Balance June 30, 2004</u>
Land	\$ 48,829	\$ -	\$ -	\$ -	\$ 48,829
Buildings	122,034	3,591	240	-	125,865
Streets & Drainage	816,556	-	-	-	816,556
Furniture and Equipment	8,107	1,538	-	-	9,645
Vehicles	63,759	24,800	-	-	88,559
Depreciation	-	(25,044)	(380,241)	-	(405,285)
	\$ 1,059,285	\$ 4,885	\$ (380,001)	\$ -	\$ 684,169

Village of Bonita, Louisiana
Notes to Financial Statements (Continued)

A summary of the Proprietary Fund fixed assets and depreciation at June 30, 2004, is as follows:

	Cost	Additions	Adjustment	Retirements	Balance June 30, 2004
Land	\$ 4,250	\$ -	\$ -	\$ -	\$ 4,250
Water & Sewer System	1,393,738	-	-	-	1,393,738
Equipment	24,451	767	(3)	-	25,215
Vehicles	4,400	-	-	-	4,400
Depreciation	(452,982)	(36,754)	57,741	-	(431,995)
	<u>\$ 973,857</u>	<u>\$ (35,987)</u>	<u>\$ 57,738</u>	<u>\$ -</u>	<u>\$ 995,608</u>

V. CHANGES IN LONG-TERM DEBT

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

	Promissory Note	General Obligation Bonds	Waterworks Revenue Bonds	Sewer Revenue Bonds	Totals
Long-term Debt Payable-July 1, 2003	\$ 3,385	\$ 52,000	\$ 58,000	\$ 56,000	\$ 169,385
Retirements	<u>(2,260)</u>	<u>(3,000)</u>	<u>(7,000)</u>	<u>(4,000)</u>	<u>(16,260)</u>
Long-term Debt Payable-June 30, 2004	<u>\$ 1,125</u>	<u>\$ 49,000</u>	<u>\$ 51,000</u>	<u>\$ 52,000</u>	<u>\$ 153,125</u>

Long-term debt is comprised of the following individual issues:

Promissory Note

Region Bank - dated December 19, 1994, due in monthly installments of \$200 through December 19, 2004, bears interest at 8% principal and interest payable 19th of each month. The note is secured by the building and lot upon which Village Hall is located.

General Obligation Bonds

\$46,000 Public Improvement Bonds - dated October 14, 1976, due in annual installments ranging from \$500 to \$2,000 through October 14, 2016, bear interest at 5%, principal and interest payable October 14th of each year.

V. CHANGES IN LONG-TERM DEBT (Continued)

\$46,000 Sewer District No. 1 Bonds - dated October 14, 1976, due in annual installments ranging from \$500 to \$2,000 through October 14, 2016, bear interest at 5%, principal and interest payable October 14th of each year.

Revenue Bonds

\$168,000 Waterworks Revenue Bonds - dated July 1, 1970, due in annual installments ranging from \$2,000 to \$10,000 through January 1, 2010, bear interest at 5%, principal and interest payable January 1st of each year.

\$121,000 Sewer Revenue Bond - dated October 14, 1976, due in annual installments ranging from \$2,000 to \$4,000 through October 14, 2016, bear interest at 5%, principal and interest payable October 14th of each year.

The annual requirements to amortize all long-term debt as of June 30, 2004, are as follows:

Year Ending June 30,	Promissory Note	General Obligation Bonds	Waterworks Revenue Bonds	Sewer Revenue Bonds	Totals
2005	\$ 1,125	\$ 3,000	\$ 7,000	\$ 4,000	\$ 15,125
2006	-	3,000	8,000	4,000	15,000
2007	-	3,000	8,000	4,000	15,000
2008	-	4,000	9,000	4,000	17,000
2009	-	4,000	9,000	4,000	17,000
2010-2014	-	20,000	10,000	20,000	50,000
2015-2017	-	12,000	-	12,000	24,000
Totals	\$ 1,125	\$ 49,000	\$ 51,000	\$ 52,000	\$153,125

At June 30, 2004, \$49,000 is available for debt service to the general obligation bonds.

The annual requirements to amortize all interest related to long-term debt as of June 30, 2004, are as follows:

Year Ending June 30,	Promissory Note	General Obligation Bonds	Waterworks Revenue Bonds	Sewer Revenue Bonds	Totals
2005	\$ 27	\$ 2,450	\$ 2,550	\$ 2,600	\$ 7,627
2006	-	2,300	2,200	2,400	6,900
2007	-	2,150	1,800	2,200	6,150
2008	-	2,000	1,400	2,000	5,400
2009	-	1,800	950	1,800	4,550
2010-2014	-	6,000	500	6,000	12,500
2015-2017	-	1,200	-	1,200	2,400
Totals	\$ 27	\$ 17,900	\$ 9,400	\$ 18,200	\$45,527

VI. FUND BALANCE-RESERVED

The general obligation bond ordinance requires that the excess assets over liabilities in the Debt Service Funds be restricted for such debt service requirements.

VII. USE OF ESTIMATES

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

VIII. ENCUMBRANCES

The Village does not utilize encumbrance accounting.

IX. ELECTED OFFICIALS SALARIES

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>	<u>Date of Service</u>
Virgil Penn	Mayor	\$ 3,600	7/1/2003-6/30/04
Kathy Moses	Councilwoman	180	7/1/2003-6/30/04
Linda Bruce	Councilwoman	180	7/1/2003-6/30/04
Nancy C. Mayo	Councilwoman	60	7/1/03-10/31/03

X. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village carries commercial insurance for all risks of loss, including workers' compensation. Settlement amounts have not exceeded insurance coverage for the current year or the three prior fiscal years.

The Village participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Village has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2004, may be impaired. In the opinion of the Village's management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

XI. ON-BEHALF PAYMENTS FOR SALARIES

For the year ended June 30, 2004, the Village recognized revenues and expenditures of \$2,650 in salary supplements from the State of Louisiana paid directly to an employee of the police department.

XII. COMMITMENTS

The Village of Bonita, Louisiana is involved with a \$15,000 grant from the Louisiana Governor's Office of Rural Development for improvements to the municipal building, sewer waste clean up, and acquisition of a police automobile. There are no contracts related to this project, but the Village incurred expenses of \$11,784 had been reimbursed as of June 30, 2004, with a grant balance of \$3,216 to be expended. The Village was also awarded a grant from the United States Department of Agriculture Rural Development in the amount of \$18,300 for the purpose of purchasing a police automobile.

XIII. PRIOR PERIOD ADJUSTMENT

The prior period adjustment of \$(380,241) in the General Fund is the result of the GASB 34 pronouncement that required depreciation of general fixed assets. The General Fund also had voided checks in the amount of \$3,158. These two prior period adjustments resulted in a net negative fund balance adjustment of \$(377,083) in the General Fund. A prior period adjustment of \$57,741 was made to correct an overstatement of depreciation in the Proprietary Funds.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF BONITA, LOUISIANA
Statement of Revenues, Expenditures, and Changes in
Fund Balance-Budget and Actual-General Fund
For the Year Ended June 30, 2004

	Budget Amounts		Actual	Budget to
	Budget	Final	Amonats Budgetary Basis	GAAP Differences Over (Under)
REVENUE				
Taxes	\$ 50,285	\$ 50,285	\$ 41,442	\$ (8,843)
Licenses and Permits	14,500	14,500	16,214	1,714
Intergovernmental	-	-	2,650	2,650
Fines and Forfeitures	82,000	82,000	77,114	(4,886)
Grants	-	-	31,394	31,394
Interest and Miscellaneous	4,100	4,100	2,571	(1,529)
Total Revenues	<u>150,885</u>	<u>150,885</u>	<u>171,385</u>	<u>20,500</u>
EXPENDITURES				
Current:				
General Government	91,224	91,224	58,717	(32,507)
Public Safety	81,054	81,054	73,552	(7,502)
Highways and Streets	-	-	-	-
Capital Outlay	-	-	29,229	29,229
Debt Service:				
Principal Retirement	6,600	6,600	5,250	(1,350)
Interest	2,600	2,600	4,372	1,772
Total Expenditures	<u>181,478</u>	<u>181,478</u>	<u>171,120</u>	<u>(10,358)</u>
Excess (Deficiency) of Revenues Over Expenditures	(30,593)	(30,593)	265	30,858
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	-	-	(8,657)	(8,657)
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	(30,593)	(30,593)	(8,392)	22,201
Fund Balances (Deficit) , Beginning	53,472	53,472	53,472	-
Fund Balances, Ending	<u>\$ 22,879</u>	<u>\$ 22,879</u>	<u>\$ 45,080</u>	<u>\$ 22,201</u>

See Accompanying Auditor's Report and Notes to Financial Statements.

OTHER REPORTS

VILLAGE OF BONITA, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
WITH MANAGEMENT'S PLANNED CORRECTIVE ACTION
Year Ended June 30, 2004

I have audited the general-purpose financial statements of Village of Bonita, Louisiana, as of and for the year ended June 30, 2004, and have issued my report thereon dated December 22, 2004. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standard*, issued by the Comptroller General of the United States. My audit of the financial statements as of June 30, 2004, resulted in an unqualified opinion.

Section I – Summary of Auditor's Reports

Report on Compliance and Internal Control Material to the Financial Statements

Internal Control

Material Weaknesses Yes No Reportable Conditions Yes No

Compliance

Compliance Material to Financial Statements Yes No

Section II – Financial Statement Findings

2004-1 Inadequate Segregation of Duties (finding was cited in first audit conducted by my firm as of and for the two years ended June 30, 1992)

Criteria: Adequate segregation of duties is essential to a proper internal control structure.

Condition: The segregation of duties is inadequate to provide effective internal control.

Cause: The condition is due to economic and space limitations.

Effect: No action is recommended.

Recommendation: No action is recommended.

Management's response and planned corrective action:

I concur in the finding, but it is not economically feasible nor does space allow for corrective action to be taken.

Village Of Bonita, Louisiana
 Schedule Of Findings And Questioned Costs
 With Management's Planned Corrective Action (Continued)

2004-2 Deficit Enterprise Fund Retained Earnings (initial citing in June 30, 1994, report on compliance with laws and regulations)

Criteria: The Village's waterworks and sewer revenue bond resolutions require that the Village "fix and maintain rates and collect charges for all services and facilities to be rendered by the system sufficient to provide for the payment of the reasonable and necessary expenses of administration, operation, and maintenance of the system..." as well as other cash requirements.

Condition: The Village's Enterprise Fund is in a deficit position and continues to incur operating losses.

Cause: The water and sewer rate structure is not adequate to provide for all necessary expenses.

Effect: The Village is in violation of the bond resolutions.

Recommendation: I recommend that rates be analyzed and adjusted accordingly to provide for the necessary expenses.

Management's response and planned corrective action:

Water and sewer rates are periodically reviewed. Management increased water and sewer rates in 1991, 1995, 2000, and again in April 2002. Another increase in rates is not feasible at this time.

2004-3 Deficit Bond Funding Requirements (initial citing in June 30, 1992, report on compliance with laws and regulations)

Criteria The resolutions authorizing the waterworks and sewer revenue bonds require that the Village establish for each issuance a sinking; reserve; and depreciation and contingency account.

Condition At June 30, 2004, only the deposit requirement of the sewer revenue bond's sinking and the waterworks revenue bond sinking accounts had been met. Waterworks and sewer revenue bonds' deposit requirements were unfunded in total as of June 30, 2004, by \$17,182 and \$4,025, respectively.

Village Of Bonita, Louisiana
Schedule Of Findings And Questioned Costs
With Management's Planned Corrective Action (Continued)

Cause	The deposit requirements have not been met due to the financial burden imposed upon the Village by the spring flooding in 1991 and continual operating losses since.
Effect	The Village is in violation of the revenue bond resolutions.
Recommendation:	I recommend that such funding deficits be eliminated as funds become available. Also, bondholders should be made aware of the deficit findings and management's planned corrective action.

Management's response and
planned corrective action:

Management is making effort to fund the individual requirements as sources become available and the bondholders will be made fully aware of their actions.

Section III – Management Letter

Issued.

VILLAGE OF BONITA, LOUISIANA
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended June 30, 2004

Section I – Financial Statement Findings

2003-1 Inadequate Segregation of Duties **Unresolved-2004-1.**

Adequate segregation of duties is essential to a proper internal control structure.

2003-2 Deficit Enterprise Fund Retained Earnings **Unresolved-2004-2.**

The Village should fix and maintain rates and collect charges for all services and facilities to be rendered by the water and sewer systems sufficient to provide for the payment of reasonable and necessary expenses.

2003-3 Deficit Bond Funding Requirements **Unresolved-2004-3.**

The resolutions authorizing the waterworks and sewer revenue bonds require that the Village establish for each issuance a sinking; reserve; and depreciation and contingency account.

Section II – Management Letter

2003-1 Individual Funds' Trial Balances and Posting **Resolved-2003-1.**

Transactions should be properly posted so that trial balances for each fund can be readily obtained. Also, revenues and expenditures of a related funding source should not be posted to the same account resulting in a "wash".

2003-1 Expending of Dedicated Funds **Unresolved-2004-2.**

Ad valorem taxes approved by the electorate can only be legally expended for purposes approved in the referendum.

2003-2 Violation of State Statute **Unresolved-2004-3.**

Minutes, ordinances, resolutions, budgets, and other official proceedings of the Village should be published in the official journal.

Village Of Bonita, Louisiana
Summary Schedule Of Prior Year Findings
Year Ended June 30, 2004 (Continued)

2003-3 State Supplemental Pay

Unresolved –2004-4.

The Village, as employer of a police officer receiving state supplemental pay, is responsible for calculating and deducting from the officer's pay the amounts required by federal law to be withheld by an employer.



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Honorable Virgil Penn, Mayor
And Members of the Board Aldermen
Village of Bonita, Louisiana

I have audited the general-purpose financial statements of Village of Bonita, Louisiana, as of and for the year ended June 30, 2004, and have issued my report thereon dated December 22, 2004. I conducted my audit in accordance with general accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller of the United States.

As part of my examination, I have issued my report on the general-purpose financial statements, dated December 22, 2004, and my report on internal control and compliance with laws, regulations, contracts, and grants dated December 22, 2004.

During the course of my examination, I became aware of the following matters, which represent immaterial deviations of compliance or suggestions for improved internal controls.

2004-01 Expending of Dedicated Funds (*Repeat Recommendation*)

Criteria: Ad valorem taxes approved by the electorate can only be legally expended for purposes approved in the referendum.

Condition: Interfund receivables and payables exist for dedicated and restricted funds expended for unauthorized purposes during prior fiscal years.

For the year ended June 30, 2004, the Village collected approximately \$11,874 of ad valorem taxes dedicated for general obligation debt with the related debt obligations. The dedicated taxes for the year were transferred to the required restricted fund. However, a prior year obligation of \$6,623 remains outstanding and due to the required restricted fund. The latest incident of dedicated ad valorem tax funds being expended for purposes other than those approved in the referendum occurred in the year ended June 30, 2001, when \$9,850 of the dedicated ad valorem tax funds were expended to pay the waterworks revenue bonds' annual principal and interest.

**Village of Bonita
Management Letter (Continued)**

Cause: The lack of revenue sources in the Enterprise Fund has forced the Village to use excess funds dedicated and restricted for general obligation bonded debt payments to meet the bonded debt obligations of the Enterprise Fund.

Effect: The Village is in violation of the general obligation bond resolutions and is expending dedicated ad valorem tax revenues for purposes other than that for which levied.

Recommendation: The interfund receivables and payables should be eliminated as monies are available. Using the funds currently available and as funds are repaid to the Debt Service fund, the Village should consider paying off the general obligation bonds. Also consideration should be given to reducing the ad valorem tax levy to generate only the approximate amount required to pay the annual general obligation bond principal and interest requirements.

**Management's
response and planned
corrective action:**

We will reduce the interfund receivables and payables as funds become available and consider the other recommendations.

2004-02 Violation of State Statute (Repeat Recommendation)

Criteria: LA R.S. 43:143-144 and A.G. 82-383 require that minutes, ordinances, resolutions, budgets, and other official proceedings of the Village be published in the official journal.

Condition: Official proceedings of the Village are not being published in the official journal.

Cause: The Village's management is of the opinion that due the lack of funds, this expenditure is not feasible.

Effect: The Village is in violation of the statute and opinion cited.

Recommendation: We recommend that the Village adhere to the provision.

**Management's
response and planned
corrective action:**

Currently, the minutes are being prominently posted at Village Hall and we will publish the required proceedings in the official journal as funds become available.

2004-03 State Supplemental Pay (Repeat Recommendation)

**Village of Bonita
Management Letter (Continued)**

Criteria: Pursuant to L.A.R.S. 2218:4, the Village, as employer of a police officer receiving state supplemental pay, is responsible for calculating and deducting from the officer's pay the amounts required by federal law to be withheld by an employer, such as federal income, social security, and medicare taxes. The Village is further responsible for transmitting and reporting the sums so withheld in accordance with the laws requiring the withholding.

Condition: The Village is not calculating and deducting the required taxes from the officer's pay nor are such amounts being transmitted and reported in accordance with the laws.

Cause: The Village has not adhered to the applicable laws.

Effect: The Village is in violation of the laws and the affected officer is not accumulating the maximum social security benefits to be drawn upon retirement, death, or disability.

Recommendation: The Village should amend affected payroll forms previously as the statute of limitations permits and be calculating, deducting, transmitting, and reporting the correct withholdings.

Management's response and planned corrective action: Management concurs and will calculate, deduct, transmit, and report the current withholdings on affected employees effective January 2004.

I recommend that management address the foregoing issues as an improvement to operations and the administration of public programs. I am available to further explain the suggestions or help implement the recommendations.



Rosie D. Harper
Certified Public Accountant

December 22, 2004