

2318

RECEIVED
LEGISLATIVE AUDITOR

05 JAN 10 AM 11:50

TOWN OF RAYVILLE, LOUISIANA

Annual Financial Statements
With Independent Auditor's Report
As of and for the Year Ended June 30, 2004
With Supplemental Schedules

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

TOWN OF RAYVILLE, LOUISIANA

Annual Financial Statements
As of and for the Year Ended June 30, 2004
With Supplemental Information Schedules

CONTENTS

	Statement	Page
Independent Auditor's Report		1
Required Supplemental Information (Part I)		
Management's Discussion and Analysis		4-10
<u>Basic Financial Statements</u>		
Government-Wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C	17
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Financial Statement of Net Assets	D	18
Statement of Revenues, Expenditures, and Changes in Fund Balances	E	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	F	20
Proprietary Funds:		
Statement of Net Assets	G	22-23
Statement of Revenues, Expenses, and Changes in Fund Net Assets	H	24
Statement of Cash Flows	I	25
Notes to the Financial Statements		27-42

TOWN OF RAYVILLE, LOUISIANA

Annual Financial Statements
As of and for the Year Ended June 30, 2004
With Supplemental Information Schedules

	Schedules	Page
Required Supplemental Information (Part II)		
Budgetary Comparison Schedules:		
Statement of Revenues, Expenditures, and Changes In Fund Balance - Budget and Actual - General Fund	1	45
Statement of Revenues, Expenditures, and Changes In Fund Balance - Budget and Actual Sales Tax Special Revenue Fund	1-A	46
<u>Other Supplemental Schedules:</u>		
Schedule of Compensation Paid Board Members	2	48
Schedule of Expenditures of Federal Awards	3	49
Supplemental Reporting Requirements Based on Ordinance 867	4	50-51
<u>Other Reports</u>		
Independent Auditor's Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of the Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	5	53-54
Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program And on Internal Control over Compliance in Accordance with OMB Circular A-133	6	55-56
Schedule of Findings and Questioned Cost	7	57-58
Current Year Findings, Recommendations, and Corrective Action Plan	8	59
Status of Prior Audit Findings	9	60-61

Zoe P. Meeks • A Professional Accounting Corporation

217 Benedette Street · Rayville, Louisiana 71269

Zoe P. Meeks
Certified Public Accountant

Ph. 318-728-0007
Fax 318-728-5533

To the Honorable Mayor Harry Lewis
And the Members of the Town Council
Town of Rayville, Louisiana

I have audited the accompanying basic financial statements of the governmental activities and the business-type activities of the Town of Rayville, Louisiana, as of and for the year ended June 30, 2004, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Rayville'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 basic 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 in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of the Town of Rayville, Louisiana, as of June 30, 2004, and the respective changes in financial position and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the Town has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of July 1, 2004.

In accordance with *Governmental Auditing Standards*, I have also issued a report dated December 23, 2004, on my consideration of the Town of Rayville's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The management's discussion and analysis on pages 4 through 10 and budgetary comparison information on pages 44 through 45, 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.

My audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Rayville's basic financial statements. The supplemental information schedule listed in the table of contents as schedule 2 is presented for purposes of additional financial analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Town of Rayville, Louisiana. The schedule of compensation paid board members and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements taken as a whole.

The Supplemental Reporting Requirements presented as Schedule 4 is not a required part of the basic financial statements. I have applied certain limited procedures to the information contained in the schedule. However, I did not audit the information and express no opinion on it.



Rayville, Louisiana
December 23, 2004

Required Supplemental Information
(Part I)

TOWN OF RAYVILLE, LOUISIANA
MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2004

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

This is the first year the Town has presented its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34. This reporting model changes the presentation of financial data, and also the manner in which the information is recorded. We encourage readers to consider the information presented here in conjunction with additional information presented throughout this report.

Overview of the Financial Statements

This section is intended to serve as an introduction to the Town's financial statements. The Town's basic financial statements consist of the government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information, which is in addition to the basic financial statements.

Government-Wide Financial Statements

Government-wide financial statements are designed by GASB Statement No. 34 to change the way in which governmental financial statements are presented. It now provides readers with a concise "entity-wide" Statement of Net Assets and Statement of Activities, which seeks to give the user of the financial statements a broad overview of the Town's financial position and results of operations in a manner similar to private sector businesses.

The statement of net assets presents information on all of the Town's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The difference between the two is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or weakening.

TOWN OF RAYVILLE, LOUISIANA
MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2004

The statement of activities presents information which shows how the government's net assets changed during this fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Each of these reports is broken down between governmental activities and business-type activities. Governmental activities normally are those activities that are supported by taxes, licenses, permits, fines, and intergovernmental revenues; for example, the Police and Fire Departments. Business-type activities are functions that are intended to support their costs through charges for services or fees; such as the Water and Sewer Departments.

Government-wide Financial Analysis

As noted earlier, net assets may, over time, serve as a useful indicator of a government's financial position. At the close of the most recent fiscal year, the Town's assets exceeded its liabilities by \$6,200,425 (net assets); this represents an increase of \$1,067,662 from last fiscal year. Of this total net asset amount, \$656,939 is unrestricted net assets. The Town's net assets are comprised of \$4,248,585 from governmental activities and \$1,951,840 from business-type activities.

The following is a condensed statement of the Town of Rayville's net assets as of June 30, 2004:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Assets			
Current and other assets	783,033	743,017	1,526,050
Capital assets (net)	<u>3,758,385</u>	<u>3,033,715</u>	<u>6,792,100</u>
Total Assets	<u>4,541,418</u>	<u>3,776,732</u>	<u>8,318,150</u>
Liabilities			
Other liabilities	240,668	496,204	736,872
Long-term liabilities	<u>52,165</u>	<u>1,328,688</u>	<u>1,380,853</u>
Total Liabilities	<u>292,833</u>	<u>1,824,892</u>	<u>2,117,725</u>
Net Assets			
Invested in capital assets, Net	3,620,306	1,635,103	5,255,409
Restricted	79,374	208,703	288,077
Unrestricted	<u>548,905</u>	<u>108,034</u>	<u>656,939</u>
Total Net Assets	<u>4,248,585</u>	<u>1,951,840</u>	<u>6,200,425</u>

By far the largest portion of the Town's net assets (\$5,255,409 or 85%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, etc.) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital

TOWN OF RAYVILE, LOUISIANA
MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2004

assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's capital assets reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Of the remaining balance, (5% or \$288,077) is restricted net assets and (10% or \$656,939) is unrestricted net assets, which may be used to meet the government's on-going obligations to citizens and creditors.

The Town has total outstanding debt of \$1,536,691, which was used to finance some of the \$6,792,100 capital assets. Total liabilities of \$2,117,725 are equal to 34% of the total net assets.

The Town's governmental activities increased net assets by \$473,117. This increase is mainly due to capital grants of \$426,853.

The following is a summary of the statement of activities:

	Governmental Activities	Business- Type Activities	<u>Total</u>
Revenue			
Program revenue	1,027,302	1,145,095	2,172,397
General revenue and transfers	<u>1,334,005</u>	<u>118,375</u>	<u>1,452,380</u>
Total Revenue and Transfers	<u>2,361,307</u>	<u>1,263,470</u>	<u>3,624,777</u>
Expenses			
General and administrative	553,501	-	553,501
Public Safety	653,777	-	653,777
Public Works	525,662	-	525,662
Recreation	68,010	-	68,010
Airport	87,240	-	87,240
Utility	-	680,978	680,978
Total Expenses	<u>1,888,190</u>	<u>680,978</u>	<u>2,569,168</u>
Increase in net assets	473,117	582,492	1,055,609
Net Assets June 30, 2003	<u>3,775,468</u>	<u>1,357,295</u>	<u>5,132,763</u>
Net Assets June 30, 2004	<u>4,248,585</u>	<u>1,951,840</u>	<u>6,200,425</u>

Governmental revenues are comprised of the following:

Program Revenues	
Rents and Fees	37,862
Fines	279,664
Garbage Fees	231,773
Operating Grants	51,150
Capital Grants	<u>426,853</u>
Total Program Revenues	<u>1,027,302</u>

TOWN OF RAYVILLE, LOUISIANA
MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2004

General Revenues	
Property Taxes	152,322
Sales Taxes	919,914
Franchise and Insurance Taxes	150,216
Other Tax and Licenses	104,471
Investment Earnings	865
Other General Revenues	79,026
Intergovernmental	<u>44,608</u>
Total General Revenues	<u>1,451,422</u>

Because of the change in accounting principles described in Note VIII of Notes to the Financial Statements, a comparison of various items included in the Statement of Activities with the previous year amounts is not presented. In future years these amounts will be available and comparisons presented.

Governmental Activities

The governmental activities of the Town include General Government, Public Safety, Public Works, Recreation, Airport, and Industrial Development. Revenues normally associated with municipal operations are sales tax, property tax, franchise fees, license fees, sanitation fees, permits, fines, and operating grants.

Business-Type Activities

The business-type activities of the Town are those that charge a fee to customers for the services provided. The Town has one business-type activities, which is accounted for in the enterprise fund. The Town uses the enterprise fund to account for the revenues and expenses related to the provision of water and sewer services.

Fund Financial Statements - Governmental Funds

The fund financial statements provide more detailed information about the Town's most significant funds - not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for a particular purpose.

The Town currently maintains three individual governmental funds (General Fund, Special Revenue - Sales Tax and Special Revenue - Economic Development). Each fund is considered a major fund. Information is presented separately for each fund as outlined in the table of contents.

The Town adopts an annual budget for the General Fund and the Special Revenue - Sales Tax Fund. A statement of revenues, expenditures, and changes in fund balance for the General Fund and the Special Revenue - Sales Tax Fund are presented in the Required Supplemental Information (Part II), which compares actual revenues and expenditures to the original budget and amended budget figures.

TOWN OF RAYVILLE, LOUISIANA
MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2004

Financial Analysis of the Town's Governmental Funds

The Town of Rayville's governmental funds (General Fund, Special Revenue - Sales Tax and Special Revenue - Economic Development) reported an ending fund balance of \$628,279, which is an increase of \$165,801. This increase is mainly due to Capital Grants. \$39,399 of the fund balance is reserved for Economic development and \$39,975 of the fund balance is reserved to be spent in accordance with grant contracts. The balance of \$548,905 is unreserved.

Fund Financial Statements - Proprietary Funds

The Town maintains one proprietary fund. Proprietary funds are used to report the same functions as business-type activities. The Town uses an enterprise fund (the first type of proprietary fund) to account for its Combined Water and Sewer Operations. This enterprise fund reports the same functions presented as business-type activities in the government-wide financial statements.

Financial Analysis of the Town's Proprietary Fund

The Town's proprietary fund shows an increase in ending net assets of \$594,545. The operating losses of the Water and Sewer Departments totaled \$25,546.

In that financial statements of enterprise funds are presented on the same basis of accounting as in both the government-wide financial statements and the individual funds statements, all comments and analysis made under business-type activities, also apply to these funds.

General Fund Budgetary Highlights

The major differences between the original budget and the final amended budget of the General Fund are:

1. The decrease in revenue of \$241,851 is due mainly to the anticipation of receiving less intergovernmental revenues (grants).
2. Expenditures increased from \$2,605,079 to \$2,617,476 for a difference of \$12,397. This was due to increases in cost of personal services (e.g. salaries and wages, hospitalization insurance, increased employer portion of retirement contributions) and equipment purchases that were not anticipated in the original budget.

The actual excess of revenue for the current fiscal year was sufficient to meet all expenditures and shows a \$82,199 increase in fund balance.

TOWN OF RAYVILLE, LOUISIANA
MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2004

Capital Asset and Debt Administration

The total investment in net capital assets as of June 30, 2004 is \$6,792,100.

New major capital assets purchased or constructed in fiscal year 2004 are:

Governmental activities:

1. Computers, printers and a copier for City Hall \$23,460
2. Street maintenance equipment \$54,510
3. Police cars (2) \$40,357
4. Airport lighting and improvements \$360,223
5. Building improvements & equipment for the civic center \$36,291

Proprietary activities:

1. Water and Sewer System used trucks \$6,600
2. Water Well \$219,748

In addition to the above, the Town had Construction in Progress expenditures totaling \$375,830 for improvements to the sewer system as of June 30, 2004. This construction is a LCDBG-DN Sewer Project.

Proprietary Debt:

The Town of Rayville used long-term financing to construct the Water System and the Sewer System. Also, equipment was acquired through capital leases.

General Governmental Debt:

Various capital assets were purchased by the Town through capital leases.

The following is a summary of debt transactions of the Town for the fiscal year ended June 30, 2004:

	<u>Governmental</u>	<u>Proprietary Debt</u>		
	General			
	Fund	Water	Sewer	Proprietary
	Capital	Revenue	Refunding	Capital
	<u>Leases</u>	<u>Bonds</u>	<u>Bonds</u>	<u>Leases</u>
Payable at				
July 1, 2003	122,758	1,006,834	435,000	20,780
Lease Financing	93,336	-	-	-
Bonds Retired	-	11,878	45,000	-
Capital Lease Retired	<u>78,728</u>	-	-	<u>7,124</u>
Payable at				
June 30, 2004	<u>137,366</u>	<u>994,956</u>	<u>390,000</u>	<u>13,656</u>
Amount Due within				
one year	<u>85,914</u>	<u>12,107</u>	<u>50,000</u>	<u>7,817</u>

TOWN OF RAYVILLE, LOUISIANA
MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2004

Current Financial Factors

With the exception of Capital Grants, revenues for the upcoming fiscal year is expected to remain relatively constant. Construction will continue on the LCDBG-DN Sewer Project which is funded by a State Grant.

The cost of implementing Governmental Standards Board Statement No. 34 will be an expense of the upcoming fiscal year. The total cost of implementation is unknown.

Requests for Information

This financial report is designed to provide a general overview of the Town of Rayville's finances for all with an interest in the government's operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Lorraine Scott, Town Clerk, Post Office Box 878, Rayville, Louisiana, 71269.

Basic Financial Statements

Government-Wide Financial Statements

STATEMENT A

TOWN OF RAYVILLE, LOUISIANA

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business- Type Activities	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 244,353	\$ 78,849	\$ 323,202
Investments	4,441	-	4,441
Receivables (net of allowances for uncollectibles)	454,873	377,066	831,939
Internal Balances	15,000	(15,000)	-
Restricted assets	64,366	269,324	333,690
Deferred Charges (Net of Amortization)	-	32,778	32,778
Capital Assets (net)	<u>3,758,385</u>	<u>3,033,715</u>	<u>6,792,100</u>
Total Assets	<u>4,541,418</u>	<u>3,776,732</u>	<u>8,318,150</u>
<u>LIABILITIES</u>			
Accounts, salaries, and other payables	154,754	365,659	520,413
Payable from restricted assets	-	60,621	60,621
Capital Leases payable, due Within one year	85,914	7,817	93,731
Notes Payable, due within one year	-	62,107	62,107
Capital Leases payable, beyond one year	52,165	5,839	58,004
Notes Payable, beyond one year	<u>-</u>	<u>1,322,849</u>	<u>1,322,849</u>
Total Liabilities	<u>292,833</u>	<u>1,824,892</u>	<u>2,117,725</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of Related debt	3,620,306	1,635,103	5,255,409
Restricted	79,374	208,703	288,077
Unrestricted	<u>548,905</u>	<u>108,034</u>	<u>656,939</u>
Total Net Assets	<u>\$4,248,585</u>	<u>\$1,951,840</u>	<u>\$6,200,425</u>

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

TOWN OF RAYVILLE, LOUISIANA

Statement of Activities
For The Year Ended June 30, 2004

	Program Revenues			Net (Expenses) / Revenue	Net (Expenses), Revenues, and Changes	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business- Type Activities
<u>GOVERNMENTAL ACTIVITIES</u>						
General government	\$ 553,501	\$ 51,150	\$ 66,630	\$(399,896)	\$ -	\$(399,896)
Public Safety - Police	515,276	-	-	(235,612)	-	(235,612)
Public Safety - Fire	138,501	-	-	(138,501)	-	(138,501)
Public Works - Streets	314,851	-	-	(314,851)	-	(314,851)
Public Works - Sanitation	210,811	-	-	20,962	-	20,962
Recreation	68,010	2,037	-	(65,973)	-	(65,973)
Airport	87,240	-	360,223	272,983	-	272,983
Total Governmental Activities	1,888,190	51,150	426,853	(860,888)	-	(860,888)
<u>BUSINESS-TYPE ACTIVITIES</u>						
Water & Sewer	680,978	-	501,674	476,170	476,170	476,170
Total Business-Type Activities	680,978	-	501,674	476,170	476,170	476,170
Total	\$2,569,168	\$1,204,773	\$ 928,527	\$(384,718)	(860,888)	(384,718)
General Revenues:						
Property Taxes				152,322	-	152,322
Sales Taxes				919,914	-	919,914
Franchise & Insurance Taxes				150,216	-	150,216
Beer Taxes				4,944	-	4,944
Occupational Licenses				99,527	-	99,527
Investment Earnings				865	958	1,823
Other General Revenues				79,026	-	79,026
Intergovernmental				44,608	-	44,608
Transfers				(117,417)	117,417	-
Total general revenues and transfers				1,334,005	118,375	1,452,380
Change in Net Assets				473,117	594,545	1,067,662
Net assets - beginning				3,775,468	1,357,295	5,132,763
Net assets - ending				\$4,248,585	\$1,951,840	\$6,200,425

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

Fund Financial Statements

Governmental Funds

STATEMENT C

TOWN OF RAYVILLE, LOUISIANA

Balance Sheet
Governmental Funds
June 30, 2004

	General Fund	(Major Fund) Sales Tax	(Other Governmental Fund) Economic Development	Total Governmental Funds
<u>Assets</u>				
Cash and Cash Equivalents:				
Restricted	\$ 39,975	-	184	\$ 40,159
Unrestricted	87,799	156,554	-	244,353
Investments:				
Restricted	-	-	24,207	24,207
Unrestricted	4,441	-	-	4,441
Receivables (net of allowances for uncollectibles):				
Licenses and Permits	1,753	-	-	1,753
Taxes, including penalty, interest and fees	20,290	81,684	-	101,974
Services	4,470	-	-	4,470
Fines and Forfeits	246,434	-	-	246,434
Other	14,515	-	-	14,515
Intergovernmental	85,675	-	-	85,675
Due from Other Funds	-	-	15,000	15,000
Accrued Interest	35	9	8	52
 Total Assets	 <u>505,387</u>	 <u>238,247</u>	 <u>39,399</u>	 <u>783,033</u>
 <u>Liabilities</u>				
Accounts Payable	109,141	-	-	109,141
Accrued Expenditures	16,199	-	-	16,199
Estimated Compensated Absences	29,414	-	-	29,414
Total Liabilities	<u>154,754</u>	<u>-</u>	<u>-</u>	<u>154,754</u>
 <u>Fund Balance</u>				
Fund Balance:				
Reserved for Industrial Development	-	-	39,399	39,399
Reserved for Projects per Grant Agreements	39,975	-	-	39,975
Unreserved	310,658	238,247	-	548,905
Total Fund Balance	<u>350,633</u>	<u>238,247</u>	<u>39,399</u>	<u>628,279</u>
 Total Liabilities and Fund Balance	 <u>\$505,387</u>	 <u>\$238,247</u>	 <u>\$ 39,399</u>	 <u>\$783,033</u>

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

STATEMENT D

TOWN OF RAYVILLE, LOUISIANA

Reconciliation of the Balance Sheet to the
Statement of Net Assets
Governmental Funds
June 30, 2004

Fund Balances - Total Governmental Funds (Statement C)		\$ 628,279
Amounts reported for governmental activities in Statement of Net Assets are difference because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the Governmental funds		
Governmental capital assets	5,401,208	
Less accumulated depreciation	<u>(1,642,823)</u>	3,758,385
Capital Leases Payable used in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds		
		<u>(138,079)</u>
Net Assets of Governmental Activities (Statement A)		<u>\$4,248,585</u>

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

STATEMENT E

TOWN OF RAYVILLE, LOUISIANA

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

	General Fund	(Major Fund) Sales Tax	(Other Governmental Fund) Economic Development	Total Governmental Funds
<u>Revenues</u>				
Taxes	\$ 325,088	\$919,914	\$ -	\$1,245,002
Licenses and Permits	112,504	-	-	112,504
Intergovernmental Revenue	522,611	-	-	522,611
Charges for Service	269,635	-	-	269,635
Fines and Forfeits	279,664	-	-	279,664
Interest	386	217	262	865
Other	44,568	-	-	44,568
Total Revenues	<u>1,554,456</u>	<u>920,131</u>	<u>262</u>	<u>2,474,849</u>
<u>Expenditures</u>				
Current:				
General Government	486,234	10,751	-	496,985
Fire	128,671	-	-	128,671
Police	484,027	-	-	484,027
Highways and Streets	293,537	-	-	293,537
Sanitation	210,811	-	-	210,811
Recreation	64,606	-	-	64,606
Airport	7,804	-	-	7,804
Debt Service	78,016	-	-	78,016
Capital Outlay	517,153	7,233	-	524,386
Total Expenditures	<u>2,270,859</u>	<u>17,984</u>	<u>-</u>	<u>2,288,843</u>
Excess (Deficiency) of Revenues Over Expenditures	(716,403)	902,147	262	186,006
Other Financing Sources (Uses)				
Proceeds from the Sale of Assets	3,875	-	-	3,875
Capital Lease Proceeds	93,337	-	-	93,337
Operating Transfers In	730,403	-	-	730,403
Operating Transfers (Out)	(29,013)	(818,807)	-	(847,820)
Total Other Financing Sources (Uses)	<u>798,602</u>	<u>(818,807)</u>	<u>-</u>	<u>(20,205)</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>82,199</u>	<u>83,340</u>	<u>262</u>	<u>165,801</u>
Fund Balance at Beginning of Year	<u>268,434</u>	<u>154,907</u>	<u>39,137</u>	<u>462,478</u>
Fund Balance at End of Year	<u>\$ 350,633</u>	<u>\$238,247</u>	<u>\$ 39,399</u>	<u>\$ 628,279</u>

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

STATEMENT F

TOWN OF RAYVILLE, 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

Net Change in Fund Balances, Total Governmental Funds (Statement E)	\$165,801
--	-----------

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

Governmental funds report capital outlays as expenditures.
However, in the statement of activities the cost of those
assets is allocated over their estimated useful lives and
reported as depreciation expenses.

Expenditures for Capital Assets	524,386	
Less Current Year Depreciation	<u>(201,749)</u>	322,637

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. This amount is the net
effect of these differences in the treatment of
long-term debt and related items.

Current year Capital Leases	(93,337)	
Capital Lease Payments	<u>78,016</u>	<u>(15,321)</u>

Changes in Net Assets of Governmental Activities (Statement B)	<u>\$473,117</u>
---	------------------

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

Proprietary Funds

STATEMENT G

TOWN OF RAYVILLE, LOUISIANA

Statement of Net Assets, Proprietary Funds
 Water and Sewer Enterprise Fund
 (Business-Type Activity)
 June 30, 2004

Assets

Current Assets:

Cash and Cash Equivalents	\$ 78,849
Intergovernmental Receivable	263,322
Accounts Receivable (net of allowances for uncollectibles of 14,250)	88,644
Unbilled Accounts Receivable	24,955
Accrued Interest	145
Deferred Charges (Net of Amortization)	<u>32,778</u>
Total Current Assets	<u>488,693</u>

Non Current Assets:

Restricted Assets (Cash and Investments):

Customer Deposits	60,621
1999 Sewer Bond Funds	171,280
Water Bond Funds	<u>37,423</u>
Total Restricted Assets	<u>269,324</u>

Property, Plant, and Equipment:

Land	39,425
Improvements	4,185,093
Construction in Progress	<u>375,830</u>
	4,600,348
Less Accumulated Depreciation	<u>(1,566,633)</u>
Net Property, Plant, and Equipment	<u>3,033,715</u>

Total Non Current Assets 3,303,039

Total Assets \$3,791,732

(CONTINUED)

STATEMENT G

TOWN OF RAYVILLE, LOUISIANA

Statement of Net Assets, Proprietary Funds
 Water and Sewer Enterprise Fund
 (Business-Type Activity)
 June 30, 2004

(CONTINUED)

Liabilities

Current Liabilities:

Accounts Payable	\$ 355,276
Other Accrued Expenses	2,830
Estimated Compensated Absences	7,553
Due to Governmental Fund	15,000
Total Current Liabilities	<u>380,659</u>

Current Liabilities-Restricted Assets:

Customer Meter Deposits	60,621
Current Portion of Capital Leases	7,817
Current Portion of Revenue Bonds	62,107
Total Current Liabilities-Restricted Assets	<u>130,545</u>

Long-Term Liabilities:

Capital Leases Payable	5,839
Revenue Bonds	1,322,849
Total Long-Term Liabilities	<u>1,328,688</u>

Total Liabilities

1,839,892Net Assets

Investment in Capital Assets, Net of Related Debt	1,635,103
Restricted Net Assets	208,703
Unrestricted Net Assets	108,034
Total Net Assets	<u>\$1,951,840</u>

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

STATEMENT H

TOWN OF RAYVILLE, LOUISIANA

Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Proprietary Funds
 Water and Sewer Enterprise Fund
 (Business-Type Activity)
 For the Year Ended June 30, 2004

Operating Revenues:	
Charges for Services	\$ 568,102
Lease Revenue	<u>87,372</u>
Total Operating Revenue	<u>655,474</u>
Operating Expenses:	
Depreciation	112,108
Employee Benefits	16,352
Fuel	8,998
Insurance	75,883
Professional	117,341
Repairs	46,416
Salaries	120,314
Supplies	41,601
Supplies-Office	3,031
Telephone and Utilities	<u>68,436</u>
Total Operating Expenses	<u>610,480</u>
Operating Income (Loss)	<u>44,994</u>
Non-Operating Revenues (Expenses)	
Interest	958
Amortization	(1,814)
Interest	(67,649)
Paying Agent Fees	<u>(1,035)</u>
Total Non-Operating Revenues (Expenses)	<u>(69,540)</u>
Income (Loss) Before Contributions and Transfers	<u>(24,546)</u>
Other Financing Sources:	
Transfers In:	
Sales Tax Fund	88,404
General Fund	29,013
Capital Grants	<u>501,674</u>
Total Other Financing Sources	<u>619,091</u>
Change in Net Assets	594,545
Total Net Assets at Beginning of Year	<u>1,357,295</u>
Total Net Assets at End of Year	<u>\$1,951,840</u>

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

STATEMENT I

TOWN OF RAYVILLE, LOUISIANA

Statement of Cash Flows, Proprietary Funds
 Water and Sewer Enterprise Fund
 (Business-Type Activity)
 For the Year Ended June 30, 2004

<u>Cash Flows from Operating Activities</u>	
Receipts from customers and users	\$674,352
Payments to suppliers	(369,724)
Payments to employees	(118,968)
Net cash provided by operating activities	<u>185,660</u>
 <u>Cash Flows form NonCapital Financing Activities</u>	
Transfers from other funds	117,417
Loans from other funds	15,000
Net cash provided (used) by noncapital financing activities	<u>132,417</u>
 <u>Cash Flows from Capital and Related Financing Activities</u>	
Capital Grants	501,674
Purchase of capital assets	(6,600)
Acquisition and construction of capital assets	(595,578)
Principal paid on capital debt	(63,987)
Interest paid on capital debt	(67,649)
Capital debt agent fees	(1,035)
Net cash provided (used) by capital and Related financing activities	<u>(233,175)</u>
 <u>Cash Flows from Investing Activities</u>	
Interest on temporary investments	846
Purchase of investments	(365)
Net cash provided (used) by investing activities	<u>481</u>
Net increase in cash and cash equivalents	<u>85,383</u>
Cash and cash equivalents, beginning of year	216,095
Cash and cash equivalents, end of year	<u>301,478</u>
 <u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>	
Operating Income	<u>44,994</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities	
Depreciation	112,108
Change in assets and liabilities	
(Increase) decrease in:	
Accounts receivable - customers	(20,979)
Increase (decrease) in:	
Accounts payable	31,262
Accrued liabilities	16,379
Customer deposits	1,896
Total Adjustments	<u>140,666</u>
Net cash provided by operating activities	<u>\$185,660</u>

The accompanying notes are an integral part of this financial Statement.

Notes to the Financial Statements

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

I. Summary of Significant Accounting Policies

The Town of Rayville, Louisiana was incorporated in 1911, under the provisions of the Lawrason Act. The Town operates under a Town Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the Town of Rayville conform to generally accepted accounting principles as applicable to governments. The Town applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Town implemented GASB 34 in the current fiscal year. The proprietary fund unit applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The following is a summary of the more significant policies:

A. SCOPE OF REPORTING ENTITY

This report contains all of the funds of the Town of Rayville. There are no significant additional organizations, functions, or activities over which the Town has manifestations of oversight and accountability, or for which the scope of public service or special financial arrangements may require them to be included in this report as per NCGA statement 1 and GASB 14.

The Town of Rayville appoints the board of directors of the Rayville Housing Authority but has no financial accountability for the Rayville Housing Authority. There is no related-party activity between the Town and the Rayville Housing Authority. The Rayville Housing Authority submits its own financial statements which are a matter of public record. Because there is no financial accountability/obligation between the Town and the Housing Authority, those financial statements are not included in the Town's financial reports.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the government. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

statements. Management considers the following funds: (General Fund and Special Revenue - Sales Tax Fund) to be major governmental funds. The Town of Rayville has only one proprietary fund, the Water and Sewer Enterprise Fund. Therefore, it is considered by management to be a major proprietary fund.

C. BASIS OF PRESENTATION

FUND CATEGORIES

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two generic fund types and two broad fund categories as follows:

GOVERNMENTAL FUNDS

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

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. The Town has the following two special revenue funds:

1. Sales Tax Fund - to account for the proceeds of the sales taxes received and the expenditures of those funds in accordance with the law. This fund is considered by management to be a major governmental fund.
2. Economic Development Fund - to account for expenditures for economic development in accordance with the terms of the grant. This fund is not considered by management to be a major governmental fund.

PROPRIETARY FUNDS

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

1. Water and Sewer Enterprise Fund - to account for the operations of the water and sewer facilities owned by the Town. The fund is considered a major proprietary fund.

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their statement of net assets. Their reported fund equity (net total assets) is segregated into Investment in Capital Assets, net of Related Debt, Restricted Net Assets, and Unrestricted Net Assets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

D. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

GOVERNMENTAL FUNDS

Revenues are recognized when they become measurable and available as net current assets. The revenue recognition is determined for each primary revenue source as detailed below:

SALES TAX - Sales Tax revenue is recorded when taxpayer liability is established and collectibility is reasonably assured using the modified accrual basis of accounting.

FINES - Based on the criteria of legal requirements, measurability, and collectibility, fines are recorded on the accrual basis of accounting.

PROPERTY TAXES - Property tax revenue is recorded when the taxes are levied as they become measurable and available at that time. Property taxes are levied on November 1 and are due and payable at that time. An enforceable lien attaches to the property on January 1, as taxes become delinquent after December 31. The Town bills and collects its own property taxes. Property taxes that are accrued are recognized in the accounts reduced by an allowance for uncollectible taxes receivable.

The Louisiana Municipal Finance Law permits the Town to levy taxes of \$20 per \$100 of assessed valuation. The tax for the current period was 10.18 mills.

TAXPAYER ASSESSED REVENUES - Revenues from taxpayer assessments are recognized when cash is received as that is generally the earliest point that income is measurable and collectible. If taxpayer collectibility and liability are clearly established, as when tax returns are filed but payment while assured is not made, revenue is accrued prior to actual payment. Any refunds of such taxes would be reported as a reduction of revenue at the time the claims are filed with the Town.

MISCELLANEOUS REVENUES - Revenues from swimming fees and other miscellaneous revenues are recorded as the cash is received.

GRANTS - Grants recorded in governmental funds are recognized as revenue in the accounting period when they become susceptible to accrual. Legal and contractual requirements are reviewed in making this determination with each grant. Generally revenue is recorded at the time of receipt or earlier if

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

the susceptibility to accrual criteria is met. As expenditures are often the prime factor for determining eligibility, revenues are recognized when the expenditure is made. If cost sharing or matching requirements exist, revenue recognition depends upon compliance with these requirements. Grants are included as Intergovernmental Revenue.

The measurement focus of governmental funds is on expenditures which represent decreases in net financial resources. Most expenditures are measurable and should be recorded when the related liability is incurred. The expenditures shall be the amount accrued during the year that would normally be liquidated with expendable available financial resources.

The expenditures for the following are recognized as detailed below:

COMPENSATED ABSENCES. All accumulated unpaid vacation pay and sick pay are accrued when incurred in the governmental fund. Such accruals are to be paid with current available spendable resources and therefore represent current liabilities.

PENSION EXPENDITURES. The expenditure is recognized as the amount accrued during the year that will be liquidated with expendable available financial resources. This accrual is established by the amount of the payroll and the multiple employer retirement plans. All accrued amounts are considered to be current liabilities.

LONG-TERM DEBT. Expenditures for principal and interest on general obligation long-term debt are recorded in the year of payment.

INVENTORY. Inventory items (material and supplies) are considered to be insignificant and are reported as expenditures when purchased.

POSTEMPLOYMENT BENEFITS. The Town offers no Postemployment benefits other than retirement system pensions.

PROPRIETARY FUNDS

The proprietary fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Operating revenues and expenses are limited to items directly related to the services of the Water and Sewer Systems and Lease Revenue. All other items are considered nonoperating. The following revenue or expense recognition applies:

UNBILLED WATER RECEIVABLES - The Town utilizes cycle billing to generate its water bills. The unbilled cycle representing water services provided is accrued for revenue recognition in the period earned.

COMPENSATED ABSENCES - Sick pay and vacation pay applicable to employees of the Water and Sewer Fund are accrued as it is earned and the expense recognized in the period incurred.

PENSION EXPENSE - The pension expense applicable to employees of the Water and Sewer Fund is accrued as the salary is expensed upon which the cost is based.

INVENTORY - Inventory items (material and supplies) are considered to be nonmaterial and are reported as expenses when purchased.

TOWN OF RAYVILLE, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2004

POSTEMPLOYMENT BENEFITS. The Town offers no Postemployment benefits other than retirement system pensions.

E. ACTIVITY BETWEEN FUNDS

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (current portion) or "advances to/from other funds" (non-current portion). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

F. CAPITAL ASSETS

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Description</u>	<u>Estimated Lives</u>
Governmental activities:	
Land improvements	20 - 30 years
Buildings	40 years
Vehicles	5 - 15 years
Machinery and Equipment	5 - 15 years
Business-type activities/Enterprise Fund:	
Buildings	25 years
Systems and Improvements	20 - 50 years
Machinery and Equipment	10 - 20 years
Vehicles	5 years

G. 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 statements and the reported amounts of revenues, expenditures, and

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

expenses during the reporting period. Actual results could differ from those estimates.

H. BUDGETS AND BUDGETARY ACCOUNTING

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

- a. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- b. The statement of revenues, expenditures, and changes in fund balances - budget and actual for each major governmental fund presents comparisons of legally adopted budgets with actual data on a budgetary basis. Accounting principles applied for purposes of developing data on a budgetary basis and those used to present financial statements in conformity with generally accepted accounting principles are the same and no adjustment is necessary to convert the actual GAAP data to the budgetary basis.
- c. Unused appropriations of all of the above annually budgeted funds lapse at the end of the fiscal year.
- d. Prior to June 15, the Mayor submits to the Town Council, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments. Prior to June 30, the budget is legally enacted through the passage of an ordinance.
- e. The Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Town Council. Therefore the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis.
- f. The budget amounts shown presented as required supplemental information in Schedules 1 and 1-A are the original and final authorized amounts as adopted and amended by legal ordinance during the year.

II. Stewardship, Compliance, and Accountability

A. BUDGETARY COMPLIANCE

The Town of Rayville was in compliance with the budget for the General Fund and Sales Tax Special Revenue Fund. The Town did not adopt a budget for the Economic Development Special Revenue Fund.

B. BOND RESTRICTIONS

(a) WATER REVENUE BONDS

The Water Revenue Bonds issued on July 28, 1998, are secured by and payable solely from the income and revenues derived or to be derived from the operation

**TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

of the water system after provision has been made for the payment of the reasonable and necessary expenses of operating and maintaining the system.

The bond agreement requires the Town to maintain certain cash accounts (Water Revenue Fund, Sinking Fund, Reserve Fund, and Contingency Fund) and sets forth the balances that must be maintained in these restricted accounts. At June 30, 2004, the Town had adequate cash restricted for the Water Revenue Bonds.

(b) 1999 SEWER REVENUE REFUNDING BONDS

To take advantage of a reduction in interest rates, the Town issued the 1999 Sewer Revenue Refunding Bonds on February 15, 1999. On July 1, 2001, the proceeds from these bonds retired all the 1991 Sewer Revenue Bonds maturing after that date. The 1999 bonds are secured by and payable solely from the income and revenues derived or to be derived from the operations of the sewerage system after provisions are made for the payment of the reasonable and necessary expenses of operating and maintaining the system.

The bond ordinance requires the Town to maintain certain cash accounts including a Revenue Fund, Operations and Maintenance Fund, Sinking Fund, Reserve Fund, and Renewal and Replacement Fund. The calculations of the restricted cash amounts are outlined in the ordinance.

III. Detail Notes on All Funds and Account Groups

A. ASSETS

1. Cash and Investments

Cash includes cash on hand, amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. On the Water and Sewer Enterprise Fund Statement of Cash Flows, cash includes the following accounts:

Current Assets:	
Cash and Cash Equivalents	78,849
Restricted Assets:	
Customer Deposits:	60,621
Certificate of Deposit with 12-month maturity	(46,695)
1999 Sewer Bond Funds	171,280
Water Bond Funds	<u>37,423</u>
Cash and Cash Equivalent, end of year	<u>301,478</u>

Under state law, the municipality may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Under state law, the municipality may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

At June 30, 2004, the Town had cash and cash equivalents (book balances), and investments as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Totals</u>
Petty Cash	614	-	614
Checking Account	310,894	262,788	573,682
Time Deposits-less than 90 days	11,693	-	11,693
Investments-over 90 days	<u>4,441</u>	<u>70,902</u>	<u>75,343</u>
TOTAL	<u>327,642</u>	<u>333,690</u>	<u>661,332</u>

	<u>Cash Equivalents</u>			<u>Totals</u>
	<u>Cash</u>	<u>Certificates of Deposits</u>	<u>Investments</u>	
At June 30, 2004: Carrying Amount on Balance Sheet	<u>573,682</u>	<u>11,693</u>	<u>75,343</u>	<u>660,718</u>

<u>Bank Balances:</u>	<u>647,896</u>	<u>11,693</u>	<u>75,343</u>	<u>734,932</u>
-----------------------	----------------	---------------	---------------	----------------

a: Insured (FDIC)

or collateralized
with securities
held by the entity
or its agent in the
entity's name

	200,000	11,693	75,343	287,036
--	---------	--------	--------	---------

b: Collateralized
with securities
held by pledging
financial insti-
tution's trust
department or agent
in the entity's name

	-	-	-	-
--	---	---	---	---

c: Uncollateralized,
including any secur-
ities held for the
entity but not in
the entity's name

	<u>447,896</u>	<u>-</u>	<u>-</u>	<u>447,896</u>
--	----------------	----------	----------	----------------

Total Bank Balances	<u>647,896</u>	<u>11,693</u>	<u>75,343</u>	<u>734,932</u>
---------------------	----------------	---------------	---------------	----------------

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the 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 the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, LSA-R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon demand.

2. Allowance for Uncollectible Accounts

At June 30, 2004, the allowance for estimated uncollectible accounts was \$14,250 in the Water and Sewer Enterprise Fund.

3. Net Working Capital

At June 30, 2004, the net working capital of the Proprietary Fund was \$284,412.

4. Changes in General Governmental Capital Assets

Capital assets and depreciation activity as of and for the year ended June 30, 2004, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Capital assets, not being				
Depreciated:				
Construction in progress	3,000		3,000	-
Land	<u>579,730</u>	-	-	<u>579,730</u>
Total capital assets, not being depreciated	<u>582,730</u>	<u>-</u>	<u>-</u>	<u>582,730</u>
Capital assets being				
Depreciated:				
Buildings & Improvements	1,838,857	21,740	-	1,860,597
Land Improvements	1,665,760	374,299	-	2,040,059
Machinery & Equipment	278,048	90,990	25,000	344,038
Vehicles	<u>546,427</u>	<u>40,357</u>	<u>10,000</u>	<u>576,784</u>
Total capital assets being depreciated	<u>2,782,647</u>	<u>118,326</u>	<u>35,000</u>	<u>4,821,478</u>
Less accumulated				
depreciation for:				
Buildings & Improvements	(745,289)	(46,389)	-	(791,678)
Land Improvements	(204,756)	(77,919)	-	(282,675)
Machinery & Equipment	(168,976)	(33,758)	25,000	(177,809)
Vehicles	<u>(356,978)</u>	<u>(43,683)</u>	<u>10,000</u>	<u>(390,661)</u>
Total accumulated depreciation	<u>(1,476,074)</u>	<u>(201,749)</u>	<u>35,000</u>	<u>(1,642,823)</u>
Total capital assets being depreciated, net	<u>2,853,018</u>	<u>(5,520)</u>	<u>-</u>	<u>3,178,655</u>

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

Depreciation expense of \$201,749 for the year ended June 30, 2004, was charged to the following governmental functions:

General Government	\$ 56,516
Public Safety:	
Police	31,249
Fire	9,829
Public Works:	
Streets	21,315
Recreation	3,404
Airport	<u>79,436</u>
Total	<u>\$201,749</u>

5. Changes in Proprietary Fund Fixed Assets

A summary of Proprietary Fund Type Property, Plant, and Equipment at June 30, 2004 follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-type activities:</u>				
Capital assets, not being depreciated				
Land	39,425	-	-	39,425
Construction in progress	25,462	375,830	(25,462)	375,830
Total capital assets, not being depreciated	<u>64,887</u>	<u>375,830</u>	<u>(25,462)</u>	<u>415,255</u>
Capital assets being depreciated				
Water & Waste Water Systems	3,930,629	219,748	-	4,150,377
Machinery, equipment, and Vehicles	28,116	6,600	-	34,716
Total capital assets being depreciated	<u>3,958,745</u>	<u>226,348</u>	<u>-</u>	<u>4,185,093</u>
Less accumulated depreciation for:				
Water & Waste Water Systems	(1,450,256)	(107,967)	-	(1,558,223)
Machinery, equipment, and Vehicles	(4,270)	(4,140)	-	(8,410)
Total accumulated depreciation	<u>(1,454,526)</u>	<u>(112,107)</u>	<u>-</u>	<u>(1,566,633)</u>
Total capital assets being depreciated, net	<u>2,569,106</u>	<u>490,071</u>	<u>(25,462)</u>	<u>3,033,715</u>

6. Capital Assets acquired through leases are summarized as follows:

	<u>Capital Asset</u>	<u>Accumulated Depreciation</u>
Vehicles	311,344	128,884
Equipment	64,965	6,297

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

B. LIABILITIES

1. PENSION AND RETIREMENT PLANS

Defined Benefit Pension Plans

The employees of the Town of Rayville, Louisiana participate in a Statewide Local Government Retirement System, a multiple-employer public employee retirement system. The Town's employees and policemen participate in the Municipal Employees' Retirement System of Louisiana ("MERS") and the Municipal Police Employees' Retirement System of Louisiana ("MPERS").

Covered employees are required by State statute to contribute a set percent of their salary to the plans. The Town is required by the same statute to contribute the remaining amounts necessary to pay benefits when due. In the current year, the Town's contribution percentage ranged from 11% to 15.25%, determined by the plan in which the employee participated. The contribution requirements and payroll for employees covered by the systems are shown in the schedule below.

<u>Years ended June 30</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Total Payroll	810,913	863,318	890,342
Total Covered Payroll	612,917	648,061	763,783
Employee Contributions	51,594	55,910	66,944
Town Contributions	73,005	53,887	57,703

Employee eligibility, vesting of benefits, the pension benefit obligation contribution requirements and other actuarial and historical trend information on both the MERS and MPERS can be obtained from the audit reports of each plan which are available for public inspection. The reports may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, LA 70809 or the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, LA 70809-2250.

2. COMPENSATED ABSENCES

Accumulated unpaid vacation and sick pay are accrued when incurred in proprietary and governmental funds. At June 30, 2004, the recorded accruals in the General Fund and the Water and Sewer Fund were as follows:

General Fund	29,414
Water and Sewer Fund	<u>7,553</u>
Total	<u>36,967</u>

These amounts do not exceed a normal year's accumulations.

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

2. LONG-TERM OBLIGATIONS

(a) Description of Long-Term Obligations of the Water and Sewer Fund:

Bonds Payable at June 30, 2004:	<u>Outstanding Principal</u>
1,054,000 Rural Development Water Revenue Bonds due in Monthly Payments Through July, 2038. Interest Rate 4.75%	994,956
550,000 1999 Sewer Refunding Bonds due in semi-annual payments July, 2001 through July, 2011. Interest rate 3.6% - 4.6%	<u>390,000</u>
Total Bonds Payable	<u>1,384,956</u>

All above revenue bonds are being serviced - principal and interest by the Water and Sewer Fund.

Equipment Capital Leases Payable at June 30, 2004:

Backhoe Lease. Original financing of \$18,940 at 8.4% payable in 48 monthly payments	10,664
Air Compressor Lease. Original financing of \$8,500 at 6.0% payable in 36 monthly payments	<u>2,992</u>
Total Leases Payable	<u>13,656</u>

The above leases are being serviced - principal and interest by the Water and Sewer Fund.

(b) Description of Long-term Obligations of the General Fund:

In 1999, the Town entered into a capital lease agreement to acquire equipment at a cost of \$79,943. The lease term is for 48 months with an interest rate of 5.9%. Monthly payments are set at \$1,077 for 47 months with a balloon payment of \$44,077. In August 2003, the balloon payment was refinanced. The refinancing rate remained at 5.9%. The payment schedule outlined 13 monthly payments of \$1,068 followed by 16 monthly payments of \$2,114.

In the year ended June 30, 2002, the Town entered into a capital lease agreement to acquire a fire truck. The total cost of the fire truck was \$147,439. The lease term is for 5 years with an interest rate of 5.9%. The annual payments are set at \$34,887. In October 2003, the annual payments on the fire truck were converted to 24 monthly payments of \$2,822.

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

In the year ended June 30, 2002, the Town entered into a capital lease agreement to acquire two cars. The total cost of the cars is \$41,370. The lease term is for 24 months with an interest rate of 5.2%. The monthly payments are set at \$1,811. The final lease payment was made during the current fiscal year.

In the year ended June 30, 2003, the Town entered into a capital lease agreement to acquire a car. The total cost of the car is \$21,490. The lease term is for 24 months with an interest rate of 6.0%. The monthly payments are set at \$948. The final lease payment was made during the current fiscal year.

In July 2003, the Town entered into a capital lease agreement to acquire two police cars. The total cost of the cars was \$40,357. The lease term calls for 5.35% interest with 24 monthly payments of \$1,769.

In July 2003, the Town entered into a capital lease agreement to acquire a tractor. The total cost of the tractor was \$43,540. The terms call for 4.25% interest with 60 monthly payments of \$804.

In August 2003, the Town entered into a capital lease agreement to acquire a cutter. The total cost of the cutter was \$9,440. The terms call for 7.9% interest with 60 monthly payments of \$190.

(c) Changes in Long-Term Debt (Principal Only)

The following is a summary of the long-term obligation transactions of the Town for the fiscal year ended June 30, 2004:

	<u>Governmental</u>	<u>Proprietary Debt</u>		
	General Fund Capital <u>Leases</u>	Water Revenue <u>Bonds</u>	Sewer Refunding <u>Bonds</u>	Proprietary Capital <u>Leases</u>
Payable at				
July 1, 2003	122,758	1,006,834	435,000	20,780
Lease Financing	93,336	-	-	-
Bonds Retired	-	11,878	45,000	-
Capital Lease Retired	<u>78,728</u>	<u>-</u>	<u>-</u>	<u>7,124</u>
Payable at				
June 30, 2004	<u>137,366</u>	<u>994,956</u>	<u>390,000</u>	<u>13,656</u>
Amount Due within one year	<u>85,914</u>	<u>12,107</u>	<u>50,000</u>	<u>7,817</u>

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(d) Summary of Debt Service Requirements to Maturity

The annual requirements to maturity, including principal and interest, as of June 30, 2004, are as follows:

Year Ending June 30	General Fund Capital Leases	Proprietary Debt		
		Water Revenue Bonds	Sewer Refunding Bonds	Capital Leases
2005	92,388	59,448	8,061	8,630
2006	28,600	59,448	65,128	5,538
2007	11,923	59,448	63,368	579
2008	11,923	59,448	66,337	-
2009	190	59,448	64,090	-
2010-2014	-	297,240	192,087	-
2015-2019	-	297,240	-	-
2020-2024	-	297,240	-	-
2025-2029	-	297,240	-	-
2030-2034	-	297,240	-	-
2035-2038	-	222,884	-	-
Total Principal and Interest	145,024	2,006,324	459,071	14,747
Less Interest	(7,658)	(1,011,368)	(69,071)	(1,091)
Liability as of June 30, 2004	<u>137,366</u>	<u>994,956</u>	<u>390,000</u>	<u>13,656</u>

4. LEASE COMMITMENTS

The Town of Rayville records items acquired under capital leases as an asset and an obligation in the accompanying financial statements. An analysis of the capital lease activity and annual requirements to maturity is presented in the preceding note describing the Long-term Obligations of the Town.

C. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2004 is as follows:

Due To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Economic Development Fund	Water and Sewer Enterprise Fund	\$15,000

D. ON BEHALF OF PAYMENTS FOR SALARIES

Included in the General Fund financial statements are amounts paid by the State of Louisiana as supplemental salaries to the Town's policemen and firemen. The payments of \$27,240 are included on the financial statement as Intergovernmental Revenue and Public Safety Expenditures.

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

IV. FINANCIAL STATEMENT PRESENTATION

A. SALES TAX FUND

The sales tax collections of the Town of Rayville are not restricted as to the use of the monies. The Town assesses 1.50 % sales or use tax. The expiration of the sales tax law as passed in April 2003 is July 31, 2013. As required by Louisiana Law R.S. 33:2844, the sales and use tax collection was centralized within each parish beginning July 1, 1992. The Town of Rayville, in conjunction with the other parish taxing authorities, voted to establish a Richland Parish Tax Commission to serve as the collecting agency.

B. INTEREST EXPENSE PAID

Interest paid as a non-operating expense in the Water and Sewer Enterprise Fund was \$67,649.

V. COMMITMENTS & CONTINGENCIES

The Town indicates that there was no pending or threatened litigation, claims, or assessments against the Town that would have a material effect on these financial statements.

Through a LCDBG demonstrative needs grant, the Town has entered into a contract to obtain a new water well for use by the Proprietary Fund. The project was substantially complete in June, 2004. At June 30, 2004, project costs of \$52,425 were included in Accounts Payable.

In the current fiscal year, the Town entered into a contract to upgrade the sewer system. The project will be funded through a LCDBG grant and local funding. At June 30, 2004, Construction in Progress totaled \$375,831.

VI. RISK OF LOSS

The Town is exposed to a variety of risks that may result in losses. These risks include possible loss from acts of God, injury to employees, property damage, or breach of contract. The Town finances these potential losses through purchasing insurance from several commercial companies. The level of coverage has remained constant. The Town is not a member of a risk pool. All claims currently filed are adequately covered by the policies in place with no outstanding liabilities for the Town.

VIII. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For the fiscal year ended June 30, 2004, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements for State and Local Governments; Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

At June 30, 2004, there was no effect on fund balances as a result of implementing GASB Statements 37 and 38.

GASB Statement No. 34 creates new basic financial statements for reporting on the Town's financial activities. The financial statements now include

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

government-wide financial statements prepared on the accrual basis of accounting and governmental fund financial statements prepared on the modified accrual basis of accounting, which present information for individual major funds rather than by fund type.

The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to GASB Statement No. 34.

Fund Balances, June 30, 2003	
As originally presented	462,478
GASB Statement No. 34 Adjustment:	
Capital asset, net	3,435,747
Capital Leases Payable	<u>(122,757)</u>
Governmental activities net assets, June 30, 2003	<u>3,775,468</u>

Required Supplemental Information
(Part II)

Budgetary Comparison Schedules

SCHEDULE 1

TOWN OF RAYVILLE, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (GAAP Basis) and Actual
General Fund
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Budgetary Basis	Budget to Actual (GAAP) Differences Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 285,443	\$ 285,443	\$ 325,088	\$ 39,645
Licenses and Permits	94,000	94,000	112,504	18,504
Intergovernmental	861,281	626,135	522,611	(103,524)
Charges for Services	236,960	236,960	269,635	32,675
Fines and Forfeits	200,000	200,000	279,664	79,664
Interest	1,500	250	386	136
Other	48,500	43,045	44,568	1,523
Total Revenues	<u>1,727,684</u>	<u>1,485,833</u>	<u>1,554,456</u>	<u>68,623</u>
Expenditures:				
Current:				
General Government	549,325	549,325	497,246	52,079
Fire	156,949	169,346	152,021	17,325
Police	514,286	514,286	507,358	6,928
Highways & Streets	304,944	304,944	313,860	(8,916)
Sanitation	208,636	208,636	210,811	(2,175)
Recreation	71,433	71,433	64,606	6,827
Airport	13,150	13,150	7,804	5,346
Capital Outlay:	786,356	786,356	517,153	269,203
Total Expenditures	<u>2,605,079</u>	<u>2,617,476</u>	<u>2,270,859</u>	<u>346,617</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(877,395)</u>	<u>(1,131,643)</u>	<u>(716,403)</u>	<u>415,240</u>
Other Financing Sources (Uses):				
Capital Leases	-	-	93,337	93,337
Proceeds on the Sale of Assets	-	-	3,875	3,875
Operating Transfers In (Out):				
Water and Sewer Fund	-	-	(29,013)	(29,013)
Sales Tax Fund	877,395	877,395	730,403	(146,992)
Total Other Sources (Uses)	<u>877,395</u>	<u>877,395</u>	<u>798,602</u>	<u>78,793</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ -</u>	<u>\$ (254,248)</u>	<u>82,199</u>	<u>\$336,447</u>
Fund Balance at Beginning of Year			<u>268,434</u>	
Fund Balance at End of Year			<u>\$ 350,633</u>	

The accompanying notes are an integral part of this statement.

TOWN OF RAYVILLE, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Sales Tax Special Revenue Fund (Major Governmental Fund)
For the Year Ended June 30, 2004

	Original And Final Budget	Actual Budgetary Basis	Budget to Actual (GAAP) Differences Over (Under)
Revenues:			
Taxes	\$928,000	\$919,914	\$(8,086)
Interest	600	217	(383)
Total Revenues	<u>928,600</u>	<u>920,131</u>	<u>(8,469)</u>
Expenditures:			
General Government:			
Office/Administrative	14,600	10,751	3,849
Total Expenditures	<u>14,600</u>	<u>10,751</u>	<u>3,849</u>
Capital Outlay:			
City Hall	-	7,233	(7,233)
Total Capital Outlay	<u>-</u>	<u>7,233</u>	<u>(7,233)</u>
Total Expenditures and Capital Outlay	<u>14,600</u>	<u>17,984</u>	<u>(3,384)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>914,000</u>	<u>902,147</u>	<u>(11,853)</u>
Other Financing Sources (Uses):			
Operating Transfers In (Out):			
Water and Sewer Fund	-	(88,404)	(88,404)
General Fund	(877,395)	(730,403)	146,992
Total Other Financing Sources (Uses)	<u>(877,395)</u>	<u>(818,807)</u>	<u>58,588</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ 36,605</u>	<u>83,340</u>	<u>\$ 46,735</u>
Fund Balance at Beginning of Year		<u>154,907</u>	
Fund Balance at End of Year		<u>\$238,247</u>	

The accompanying notes are an integral part of this statement.

Other Supplemental Schedules

TOWN OF RAYVILLE, LOUISIANA

Schedule of Compensation Paid Board Members
For the Year ended June 30, 2004

<u>Board Member</u>	<u>Amount</u>
James C. Adams	\$ 4,800
Valerie Allen	4,800
Terry Brown	4,800
Johnny L. Jones	4,800
George Tennant	<u>4,800</u>
Total	<u>\$ 24,000</u>

The accompanying notes are an integral part of this statement.

SCHEDULE 3

TOWN OF RAYVILLE, LOUISIANA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2004

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Revenue Recognized	Expenditures
United States Department of Transportation- Federal Aviation Administration			
*Airport Improvement Program	20.106	\$ 324,200	\$324,200
State of Louisiana, Department of Transportation and Development			
*Airport Improvement Program	20.106	36,022	36,022
Department of Housing and Urban Development- Community Planning and Development:			
Community Development Block Grants/ State's Program - Water Well	14.228	147,933	147,933
United States Department of Agriculture- Rural Utilities Service / Emergency			
Community Water Assistance Grant	10.763	46,353	46,353
Department of Housing and Urban Development- Community Planning and Development:			
Community Development Block Grants/ *State's Program - Sewer System	14.228	<u>307,388</u>	<u>307,388</u>
Total		<u>861,896</u>	<u>861,896</u>

(1) The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting which is described in Note 1 to the Financial Statements.

(2) Major Federal Programs are indicated by (*)

The accompanying notes are an integral part of this statement.

TOWN OF RAYVILLE

Supplemental Reporting Requirements
Based on Ordinance 867
For the Year Ended June 30, 2004

- (a) The Income Statement of the Sewer System is not presented. The Town's Proprietary Fund, "Water and Sewer Fund" combines the activity of those two systems. The financial information can not be readily segregated.
- (b) A balance sheet of the Sewer System is not presented. The Town's Proprietary Fund, "Water and Sewer Fund", combines the accounts of those two systems. The financial information can not be readily segregated.
- (c) The Issuer has not addressed the following areas set forth in the bond ordinance:

The revenue fund, sinking fund, operation and maintenance fund, reserve fund, and the renewal and replacement fund have not been established with the paying agent as required in Section 401. The Town has established a Reserve account at a local financial institution. The reserve fund balance exceeds the amounts required in all of the various funds.

Charges for services to the issuer have not been billed.

- (d) The Town has numerous insurance policies in force at June 30, 2004. The three policies that impact the Sewer System are outlined below:

<u>Amount of Coverage</u>	<u>Type of Coverage</u>	<u>Insurer</u>	<u>Policy Dates</u>
540,000	Fidelity Bonds	Thomas, Farr & Reeves Agcy	4/28/04 - 4/28/05
500,000	General Liability	LMRMA	8/30/02 - 8/31/05
3,890,568	Property	Allstate	4/01/04 - 4/01/05

- (e) As of June 30, 2004, the Sewer System has 1,561 customers.
- (f) In the year ended June 30, 2004, the Town of Rayville entered into a contract to upgrade and rehabilitate the sewer system at a projected cost of \$664,140. The project is being funded by a Louisiana Community Development Block Grant in the amount of \$531,580 and local funds in the amount of \$132,560. The project began in April of 2004 and is expected to be completed within the next fiscal year. As of June 30, 2004, \$375,830 has been expended on the project and is reflected in the financial statements as construction in progress. There have been no other additions, replacements or improvements to the physical properties of the System during the fiscal year.
- (g) The analysis of all funds required setting forth all deposits and disbursements made is not presented.

TOWN OF RAYVILLE

Supplemental Reporting Requirements
Based on Ordinance 867
For the Year Ended June 30, 2004

- (h) The sewer rate during the fiscal year. The rate was a flat \$5 per month through December 31, 2003. January 1, 2004, new rates based on gallons of water usage went into effect. The new rates are:

RESIDENTIAL - \$7.00 per month for the first 2,000 gallons of water used, and \$1.25 per thousand or part thereof over 2,000 gallons.

COMMERCIAL - \$10.00 per month for the first 20,000 gallons of water used, and \$1.25 per thousand or part thereof over 20,000 gallons.

The Town billed \$199,472 for sewer services during the year ended June 30, 2004. The average monthly billing per user is \$10.

Other Reports

Zoe P. Meeks • A Professional Accounting Corporation

217 Benedette Street • Rayville, Louisiana 71269

Zoe P. Meeks
Certified Public Accountant

Ph. 318-728-0007
Fax 318-728-5533

SCHEDULE 5

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

Honorable Mayor Harry Lewis and
Members of the Town Council
Town of Rayville, Louisiana

I have audited the general purpose financial statements of the Town of Rayville, Louisiana as of and for the year ended June 30, 2004, and have issued my qualified report thereon dated December 23, 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 Town of Rayville, Louisiana's general purpose 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* and which are described in the accompanying schedule of findings and questioned costs. I also noted certain immaterial instances of noncompliance that I have reported to management of the Town in a separate letter dated December 23, 2004.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Rayville, Louisiana's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to

be material weaknesses. However, I noted other matters involving the internal control over financial reporting that I have reported to management of the Town of Rayville, Louisiana, in a separate letter dated December 23, 2004.

This report is intended solely for the information and use of management, the Town Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Joe P. Meeks".

Rayville, LA
December 23, 2004

Zoe P. Meeks • A Professional Accounting Corporation

217 Benedette Street • Rayville, Louisiana 71269

Zoe P. Meeks
Certified Public Accountant

Ph. 318-728-0007
Fax 318-728-5533

SCHEDULE 6

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor Harry Lewis and
Members of the Town Council
Town of Rayville, Louisiana

Compliance

I have audited the compliance of the Town of Rayville, Louisiana with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The Town's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town's management. My responsibility is to express an opinion on the Town of Rayville, Louisiana's compliance based on my audit.

I conducted my audit of compliance 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, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to about that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Town of Rayville, Louisiana's compliance with those requirements.

In my opinion, the Town of Rayville, Louisiana complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the Town of Rayville is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of

expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operations that I consider to be material weaknesses.

This report is intended solely for the information and use of management, the Town Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Rayville, LA
December 23, 2004

TOWN OF RAYVILLE, LOUISIANA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

Part I - Summary of Auditor's Results:

1. An unqualified opinion was issued on the basis financial statements of the Town of Rayville's primary government.
2. Two instances of noncompliance which could have a direct and material effect on the determination of financial statement amounts of the Town of Rayville, Louisiana, which are determined to be reported in accordance with *Government Auditing Standards* are disclosed in Schedule 8.
3. No reportable conditions were disclosed during the audit of internal control over major federal award programs.
4. There are no audit findings relative to the major federal award programs for the Town of Rayville, Louisiana.
5. An unqualified report on compliance for the major federal awards programs for the Town of Rayville, Louisiana was issued.
6. The threshold for distinguishing between Type A and B programs was \$300,000.
7. The programs tested as major programs included:

20.106	FAA and LA DOTD Airport Improvements
14.228	LCDBG Sewer Rehabilitation
8. The auditee did not qualify as a low-risk auditee under Section 530 of Circular A-133.

Part II - Findings which are required to be reported in accordance with generally accepted Governmental Auding Standards:

A. Compliance Findings-

See compliance findings 04-1 and 04-2 on Schedule 8, Current Year findings, Recommendations and Corrective Action Plan.

B. There were no internal control findings.

Part III - Findings and questioned costs for Federal awards which include audit findings as defined in Section 510(a) of Circular A-133

A. Compliance Findings-

There were no compliance findings to be reported under the above guidance.

TOWN OF RAYVILLE, LOUISIANA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

B. Internal Control Findings:

There were no internal control findings to be reported under the above guidance.

TOWN OF RAYVILLE, LOUISIANA

Current Year Findings, Recommendations and Corrective Action Plan
For the Year Ended June 30, 2004Compliance Findings04-1 - Bond Ordinance RequirementsFinding:

Various requirements of the 1999 Sewer Refunding Bond Ordinance have not been met. The ordinance requires the bond issuer to maintain books and records separate and apart from all other records for the sewer system, to have an annual audit within six months of the close of each fiscal year to include separate financial statements for the sewer system. Due to limitations in the billing and financial reporting system, the Town's financial reporting for the sewer system has not been maintained separate and apart from the water system.

Recommendation:

I recommend that the Town engage assistance from its accountants and software consultants to complete the separation of the accounts and reporting of the sewer system from the water system.

Corrective Action Plan:

Lorraine Scott, the Town clerk, will seek assistance to complete the adaptation of the accounting and financial reporting system to comply with the requirements of the ordinance. She anticipates that the reporting system will be adapted to comply with the requirements by June 30, 2005.

04-2 - RDC Loan OrdinanceFinding:

The financial statements were not issued within the time limit set forth in Resolution Number 1997-2.

Recommendation:

The Town should strive to close the fiscal year in a more timely manner.

Corrective Action Plan:

Lorraine Scott, will be make efforts to improve the overall efficiency of the accounting system in order to close the fiscal year in a more timely manner in order to comply with the Resolution. It is anticipated that this reporting deadline cannot be met in the fiscal year ending June 30, 2005.

Internal Control Findings

There were no internal control findings.

Management Letter Suggestions

There were no management letter suggestions not addressed as findings.

TOWN OF RAYVILLE, LOUISIANA

Status of Prior Audit Findings
For the Year Ended June 30, 2004

Compliance Findings

2003-I (c) - General Fixed Assets

Description of Finding

The Town does not have a comprehensive record of general fixed assets or a reliable historical cost record for general fixed assets acquired prior to 1977.

Corrective Action Taken

Yes. The Town engaged an accounting firm to assist with the implementation of GASB 34 and to research the prior records of the Town to compile a detailed listing of the capital assets of the town.

2003-II (c) - Bond Ordinance Requirements

Description of Finding

Various requirements of the 1999 Sewer Refunding Bond Ordinance have not been met.

Corrective Action Taken

Partial. The Town engaged accountants and software consultants to assist with implementing new software applications for the enterprise fund billing and collections. Management was unable to utilize the new system to fulfill the separate reporting requirements for the sewer system by the end of the current fiscal year.

2003-III (c) - RDC Loan Ordinance

Description of Finding

The financial statements were not issued within the time limit set by Resolution Number 1997-2.

Corrective Action Taken

Partial. The accounting department has upgraded its accounting software and contracted with consultants for assistance with implementation of the system and training of its personnel. The Town has been unable to comply with the ordinance as of the current fiscal year.

Internal Control Findings

2003-I (i) - Water Billing System

Description of Finding

Same as 2003-I (c)

Corrective Action Taken

Same as 2003-I (c)

TOWN OF RAYVILLE, LOUISIANA

Status of Prior Audit Findings
For the Year Ended June 30, 2004

2003-II (i) - Water Billing System

Description of Finding

The controls in the billing system utilized by the Water and Sewer Proprietary Fund do not assure that all users of metered water are accurately billed.

Corrective Action Taken

Yes. The Town upgraded the billing system in order to properly control the water consumption and billings.

FEDERAL AWARDS

There were no prior year audit findings or questioned costs relative to federal awards for the prior year.

Zoe P. Meeks • *A Professional Accounting Corporation*

217 Benedette Street Rayville, Louisiana 71269

Zoe P. Meeks
Certified Public Accountant

Ph. 318-728-0007
Fax 318-728-5533

December 23, 2004

Honorable Mayor Harry Lewis and Members of the Town Council
Town of Rayville, Louisiana

Thank you for the confidence that you have placed in my firm as your auditor for the fiscal year ended June 30, 2004. I was engaged to express an opinion on the basic financial statements of the Town as well as to issue an Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Although the purpose of the report is not to provide assurance on internal control, I performed tests of the Town's compliance with laws, regulations, contracts and grants as well as considering the Town's internal control over financial reporting. In the course of performing various audit procedures, I noted areas of financial reporting and control that the Town should address:

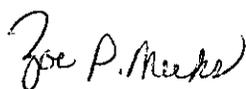
1. In 1997 the Town obtained a new pumping system and main water well meters. Although the water going to the Northside Utility District #2 is not metered as to the amount used, the overall system can be monitored on a monthly basis to determine the remainder after accounting for the water directly provided the metered customers of the Town and amounts for flushing of the lines and various other periodic uses over and above the metered usage. Over a period of time, estimates could be established to indicate the amount of water being pumped to the Northside district. This information is necessary to evaluate the cost to the town of providing water to the district in relation to the fees that it receives from the district. Although the district has become current on its payments to the Town, the Town has no records of the consumption of the district. The Town should consider requiring more information from the district as to its usage in order to more accurately evaluate the cost of providing the service as well as monitoring the overall consumption of the water pumped by the Town's system.
2. In the current year, the Town entered into capital leases without the prior approval of the State Bond Commission.
3. The Town has spent a great deal of time, effort and resources in the past year in upgrading its accounting system and training its personnel. Although great progress has been made, adequate training and supervision should always be a prominent goal of management. I noted some areas in grant monitoring, timely filing of various reports, and journalizing transactions during the first half of the fiscal year that need

improvement. It appears that progress was made toward correcting prior deficiencies through training and supervision. Management should continue to focus on thorough oversight and supervision in these areas.

4. The Town fully implemented a new billing system for the Water and Sewer Department in August of 2004. Although the new system generates much more accurate, detailed and useful information than the old system, management should continue its efforts to further utilize the information in managing the profitability, controls, and effectiveness of the system. The new system is being used to more carefully monitor delinquent accounts and a stricter policy is being enforced as to cut-off on these accounts and collecting re-connect fees. This needs to be continually monitored and enforced routinely.
5. The accounting software utilized by the Town has the capability of providing budget comparison data throughout the fiscal year. This feature has not been implemented by the Town. I recommend that management seek the training necessary to begin using the budget functions of the software in order to monitor the Town's adherence to the budget at various intervals during the fiscal year.

Again, thank you for the opportunity to provide auditing services to the Town of Rayville for this year. I look forward to discussing these matters with you in further detail if you need clarification, I am always available to assist you with information to help management to improve on any areas mentioned herein or any other areas that you may feel need attention that have not been addressed.

Sincerely,



Zoe P. Meeks
ZOE P. MEEKS, APAC