

VILLAGE OF SUN, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

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 1-24-07

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INDEPENDENT ACCOUNTANTS' REPORT

Honorable Barbara Gibson, Mayor
and Members of the Board of Aldermen
Village of Sun, Louisiana

We have reviewed the accompanying financial statements of the governmental activities of the Village of Sun, Louisiana (the Village) as of and for the year ended June 30, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Village of Sun, Louisiana.

A review consists principally of inquiries of the Village's personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principals generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 6 and 29, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

In accordance with the *Louisiana Government Audit Guide* and the provisions of state law, we have issued a report dated November 20, 2006, on the results of our agreed-upon procedures for compliance with laws and regulations.



November 20, 2006

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VILLAGE OF SUN, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

As management of the Village of Sun, Louisiana (the Village), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village of Sun, Louisiana, for the fiscal year ended June 30, 2006. This management discussion and analysis ("MD&A") is designed to provide an objective and easy to read analysis of the Village's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of Village finances. It is also intended to provide readers with an analysis of the Village's short-term and long-term activities of the Village, based on information presented in the financial report and fiscal policies that have been adopted by the Village. This section is designed to assist the reader in focusing on significant financial issues, provide an overview of the Village's financial activity, identify changes in the Village's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

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

Overview of the Financial Statements

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

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

1. GOVERNMENT-WIDE FINANCIAL STATEMENTS

Government-wide financial statements are designed by GASB-Statement34 to change the way in which government financial statements are presented. It now provides readers for the first time a concise "entity-wide" Statement of Net Assets and Statement of Activities, seeking to give the user of the financial statements a broad overview of the Village's financial position and results of operations in a manner similar to a private sector business. .

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

VILLAGE OF SUN, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

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

1. Government Activities that are principally supported by taxes and intergovernmental revenue, and
2. Business-type Activities from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a governments' financial position. The Village assets exceed its liabilities at the close of the most recent fiscal year by \$363,274 (net assets). The Village's net assets are comprised of \$306,725 from Governmental Activities and \$56,549 from Business type Activities as shown on Page 7.

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

An additional portion of the Village's net assets presents resources that are subject to restrictions on how they may be used and are classified as such. The remaining balance consists of unrestricted net assets.

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

Governmental Activities

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

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

VILLAGE OF SUN, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

<u>Governmental Activity Expenses</u>	For the year ended June 30, 2006	
	<u>Amounts</u>	<u>Percentages</u>
General Government	\$ 179,105	72%
Public Safety	55,727	22%
Waterworks operation and maintenance	14,392	6%
Total Governmental Activities	\$ 249,224	100%

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

<u>General Governmental Revenues</u>	For the year ended June 30, 2006	
	<u>Amounts</u>	<u>Percentages</u>
Taxes	\$ 53,137	54%
Fines and forfeitures	35,169	36%
Franchise fees	10,642	11%
Licenses	13,388	14%
Investment earnings	641	1%
<u>Other general revenues</u>	<u>19,722</u>	<u>20%</u>
Total Governmental Revenues	\$ 98,948	100%

Business-Type Activities

The business-Type Activities of the Village are those that the Village charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Village's water department is reported here.

<u>Business-Type Activities</u>	<u>For the year ended June 30, 2006</u>
Charges for Services	\$ 47,293
Investment Earnings	329
Transfers	10,055
Operating Expenses	(60,769)
<u>Interest Expense</u>	<u>(767)</u>
Net Operating (Loss)	\$ (3,859)

VILLAGE OF SUN, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

2. FUND FINANCIAL STATEMENTS

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

- A. Government funds are used to account for most of the Village's basic services as reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Village's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the government fund balance sheet and the government fund statement of revenues, expenditures, and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciling statements are located on pages 10 and 12.

The Village maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and change in fund balances for the General Fund and Special Revenue Fund, which are considered to be major revenue funds.

The basic governmental fund financial statements can be found on pages 9 through 12 of the report.

Financial Analysis of the government Funds

As of the end of the current year, the village's governmental funds reported combined ending fund balances of \$185,428. In the General Fund the unreserved fund balance is \$56,348. The Village has a reserved fund balance of \$40,934 in the Special Revenue Funds, which handle sales tax collections.

The reserved fund balance in governmental funds in the amount of \$129,080 indicates that these funds are not available for new spending because they have already been committed for public improvement and water system operation and maintenance. The net increase in fund balance during the current year in the Governmental Funds was \$97,296.

VILLAGE OF SUN, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

B. Proprietary funds – Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its Water/Garbage Department. Proprietary funds provide the same type of information as the government-wide financial statements only in more detail. The proprietary fund financial statements provide separate information for the Water/Garbage departments, which are considered to be major funds of the Village. The basic proprietary fund financial statements can be found on pages 13 through 15 on this report.

3. NOTES TO FINACIAL STATEMENTS

The notes to financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16 through 28 of this report.

4. REQUIRED SUPPLEMENTAL INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found beginning on page 29 of this report.

Request for Information

This financial report is designed to provide a general overview of the Village's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Jane Jenkins; Village Clerk; P.O. Box 818, Sun, Louisiana 70463.

VILLAGE OF SUN, LOUISIANA
STATEMENT OF NET ASSETS
JUNE 30, 2006

	<u>Governmental Activities</u>	<u>Business-type Activites</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 23,840	1,669	\$ 25,509
Investments	16,152	-	16,152
Receivables (net of allowances for uncollectibles)	49,995	3,236	53,231
Internal balances	-	-	-
Restricted cash and equivalents	103,131	36,241	139,372
Buildings & equipment (net)	60,422	-	60,422
Construction in progress	60,874	-	60,874
Utility plant & equipment (net)		32,286	32,286
TOTAL ASSETS	<u>314,414</u>	<u>73,432</u>	<u>387,846</u>
LIABILITIES			
Accounts payable & accrued liabilities	\$ 7,689	\$ 3,534	\$ 11,223
Payable from restricted assets:			
Revenue bonds payable:			
Bonds payable	-	4,581	4,581
Accrued interest payable	-	172	172
Farmer's Home Association:			
Bonds payable	-	4,490	4,490
Accrued interest payable	-	112	112
Revenue bonds payable in more than one year	-	3,994	3,994
TOTAL LIABILITIES	<u>7,689</u>	<u>16,883</u>	<u>24,572</u>
NET ASSETS			
Invested in capital assets, net of related debt	121,296	19,220	140,516
Restricted for:			
Capital projects		11,549	11,549
Debt service		24,692	24,692
Public improvements	94,710	-	94,710
Waterworks maintenance	34,371	-	34,371
Unrestricted	56,348	1,088	57,436
TOTAL NET ASSETS	<u>\$ 306,725</u>	<u>\$ 56,549</u>	<u>\$ 363,274</u>

See accompanying notes and accountants' review report.

**VILLAGE OF SUN, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

	Program Revenues			Net (Expenses) Revenues and Changes of in Net Assets			
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government	\$179,105	\$ -	\$ 282,038	\$ -	\$ 102,933	\$ -	\$ 102,933
Public safety	55,727	-	-	19,000	(36,727)	-	(36,727)
Waterworks operation & maintenance	14,392	-	-	-	(14,392)	-	(14,392)
Total Governmental Activities	249,224	-	282,038	19,000	51,814	-	51,814
Business-type Activities							
Waterworks	60,769	47,293	-	-	-	(13,476)	(13,476)
Interest expense	767	-	-	-	-	(767)	(767)
Total Business-type Activities	61,536	47,293	-	-	-	(14,243)	(14,243)
Total Primary Government	\$310,760	\$ 47,293	\$ 282,038	\$ 19,000	51,814	(14,243)	37,571

General Revenues:

Taxes	53,137	-	53,137
Fines and forfeitures	35,169	-	35,169
Franchise fees	10,642	-	10,642
Licenses	13,388	-	13,388
Investment earnings	641	329	970
Other general revenues	19,722	-	19,722
Transfers	(10,055)	10,055	-
Total general revenues and transfers	122,644	10,384	133,028
Change in Net Assets	174,458	(3,859)	170,599
Net assets-beginning, as previously reported	88,132	60,408	148,540
Adjustments to net assets:			
Capitalize assets and accumulated depreciation as of December 31, 2005	44,135	-	44,135
Net assets-ending	\$ 306,725	\$ 56,549	\$ 363,274

See accompanying notes and accountants' review report.

**VILLAGE OF SUN, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	General Fund	Special Revenue Funds		Total Governmental Funds
		Sales & Use Tax	Special Sales Tax	
ASSETS				
Cash and cash equivalents	\$ 18,008	\$ 5,832	\$ -	\$ 23,840
Restricted cash and cash equivalents	88,146	-	14,985	103,131
Investments	-	-	16,152	16,152
Receivables	42,831	7,164	-	49,995
Due from other funds	1,861	-	3,720	5,581
TOTAL ASSETS	\$ 150,846	\$ 12,996	\$ 34,857	\$ 198,699
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued liabilities	\$ 6,352	\$ 851	\$ 486	\$ 7,689
Due to other funds	-	5,581	-	5,581
Total liabilities	6,352	6,432	486	13,270
Fund Balance				
Reserved for public improvements	88,146	6,563	-	94,709
Reserved for water system operations and maintenance	-	-	34,371	34,371
Unreserved - undesignated	56,348	-	-	56,348
Total fund balances	144,494	6,563	34,371	185,428
TOTAL LIABILITIES AND FUND BALANCES	\$ 150,846	12,995	\$ 34,858	\$ 198,698

See accompanying notes and accountants' review report.

VILLAGE OF SUN, LOUISIANA
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCES TO THE
GOVERNMENT-WIDE FINANCIAL STATEMENT OF NET ASSETS
JUNE 30, 2006

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

Fund Balances, Total Governmental Funds	\$ 185,428
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	<u>121,296</u>
Net Assets of Governmental Activities	<u>\$ 306,724</u>

See accompanying notes and accountants' review report.

VILLAGE OF SUN, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	Special Revenue Funds		Total Governmental Funds
		Sales & Use Tax	Special Sales Tax	
REVENUES				
Taxes	\$ 11,082	\$ 21,461	\$ 20,594	\$ 53,137
FEMA Grants	277,745	-	4,293	282,038
Fines and forfeitures	35,169	-	-	35,169
Franchise fees	10,642	-	-	10,642
Licenses	13,388	-	-	13,388
Interest income	-	-	641	641
Other revenues	12,855	6,446	421	19,722
Total revenues	360,881	27,907	25,949	414,737
EXPENDITURES				
General government	112,072	22,752	32,999	167,823
Public safety	55,728	-	-	55,728
Capital outlay	69,443	-	-	69,443
Waterworks operation and maintenance	-	-	14,392	14,392
Total expenditures	237,243	22,752	47,391	307,386
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	123,638	5,155	(21,442)	107,351
OTHER FINANCING SOURCES/(USES)				
Transfers in	2,814	-	3,803	6,617
Transfers out	-	(3,547)	(13,125)	(16,672)
Net transfers	2,814	(3,547)	(9,322)	(10,055)
NET CHANGE IN FUND BALANCES	126,452	1,608	(30,764)	97,296
FUND BALANCES - BEGINNING OF YEAR	18,042	4,955	65,135	88,132
FUND BALANCES - END OF YEAR	\$ 144,494	\$ 6,563	\$ 34,371	\$ 185,428

See accompanying notes and accountants' review report.

**VILLAGE OF SUN, LOUISIANA
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

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

Net Change in Fund Balances, Total Governmental Funds	\$	97,296
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 expense. This is the amount by which capital outlays exceeded depreciation in the current period.		58,162
The net effect of various miscellaneous transactions involving capital assets is to increase net assets. This amount is the amount of donated assets.		<u>19,000</u>
Change in Net Assets of Governmental Activities	\$	<u><u>174,458</u></u>

See accompanying notes and accountants' review report.

**VILLAGE OF SUN, LOUISIANA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006**

	<u>Waterworks</u>
ASSETS	
Cash and cash equivalents	\$ 1,669
Receivables, (net)	3,236
Restricted cash and cash equivalents	36,241
Utility plant and equipment	187,674
Accumulated depreciation	<u>(155,388)</u>
TOTAL ASSETS	<u>73,432</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	\$ 3,534
Current liabilities (payable from restricted assets)	
Revenue bonds payable	
Bonds payable	4,581
Accrued interest payable	172
Farmer's Home Administration	
Notes payable	4,490
Accrued interest payable	<u>112</u>
Total current liabilities	12,889
Long-term liabilities	
Revenue bonds payable	<u>3,994</u>
Total long-term liabilities	<u>3,994</u>
Total liabilities	<u>16,883</u>
NET ASSETS	
Invested in fixed assets, net of related debt	19,220
Restricted for:	
Revenue bond retirement	11,580
Farmer's Home Administration note payable retirement	13,112
Reserved for depreciation and contingencies	11,549
Unrestricted net assets	<u>1,088</u>
Total net assets	<u><u>\$ 56,549</u></u>

See accompanying notes and accountants' review report.

VILLAGE OF SUN, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND - WATERWORKS SYSTEM ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2006

OPERATING REVENUES	
Water and service charges	\$ 47,293
OPERATING EXPENSES	
Billing and collecting expenses	5,528
Water operations and maintenance	200
Garbage service	23,188
Insurance	1,478
Utilities and telephone	2,092
Wages	22,998
Depreciation	<u>5,285</u>
Total operating expenses	<u>60,769</u>
OPERATING INCOME	(13,476)
NONOPERATING REVENUES/(EXPENSES)	
Interest income	329
Interest expense	<u>(767)</u>
Total nonoperating expenses, net	<u>(438)</u>
LOSS BEFORE TRANSFERS	(13,914)
Operating transfers	<u>10,055</u>
CHANGE IN NET ASSETS	(3,859)
NET ASSETS - BEGINNING OF YEAR	<u>60,408</u>
NET ASSETS - END OF YEAR	<u>\$ 56,549</u>

See accompanying notes and accountants' review report.

VILLAGE OF SUN, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - WATERWORKS SYSTEM ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2006

	<u>UNRESTRICTED</u> <u>CASH</u>	<u>RESTRICTED</u> <u>CASH</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (3,859)	\$ -
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	5,285	-
Changes in operating assets		
Decrease in accounts receivable	14,059	-
Changes in operating liabilities		
Increase in accounts payable	28	-
Increase in other payables	<u>(13,458)</u>	<u>-</u>
Net cash provided by/(used in) operating activities	2,055	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Transfers from unrestricted accounts to restricted accounts	(3,863)	3,863
Principal payments on long-term commitments	<u>-</u>	<u>(8,855)</u>
Net cash provided by/(used in) capital and related financing activities	<u>(3,863)</u>	<u>(4,992)</u>
Net increase/(decrease) in cash and cash equivalents	(1,808)	(4,992)
Cash and cash equivalents - beginning of year	<u>3,477</u>	<u>41,233</u>
Cash and cash equivalents - end of year	<u>\$ 1,669</u>	<u>\$ 36,241</u>
Cash paid for interest	<u>\$ 966</u>	<u>\$ -</u>

See accompanying notes and accountants' review report.

**VILLAGE OF SUN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

INTRODUCTION

The Village of Sun, Louisiana (Village) was incorporated October 6, 1958 under the provisions of the Lawrason Act, Louisiana Revised Statutes (LSA-R.S.) 33:321-463. The Village operates under a Mayor-Board of Aldermen form of government. The Village provides police protection, maintenance of streets, and waterworks services.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements of the Village of Sun have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The financial statements of the Village include all funds, account groups, and activities that are within the oversight responsibility of the Village. Certain units of local government, over which the Village exercises no oversight responsibility, such as the St. Tammany Parish Police Jury, St. Tammany Parish School Board, independently elected parish officials, and municipalities within the parish, are excluded from the accompanying financial statements. These units of government are considered separate reporting entities and issue financial statements separate from that of the Village of Sun.

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

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Village of Sun for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the municipality to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

**VILLAGE OF SUN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meetings 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 the Village's proprietary fund. Individual governmental funds and the enterprise fund are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

General Fund

The General Fund is the principal fund of the Village of Sun and accounts for all financial resources, except those required to be accounted for in other funds. General operating expenditures are paid from this fund.

**VILLAGE OF SUN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Special Revenue Funds

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

Sales and Use Tax Fund

Proceeds of the one percent sales and use tax levied by the Village of Sun are dedicated to acquisition, maintenance, and construction of public roads, streets, sidewalks, bridges, recreational facilities, buildings, operating sewerage and water systems, public safety, and other permanent public improvements.

Special Sales and Use Tax Fund

Proceeds of the special one percent sales and use tax levied by the Village of Sun after paying reasonable and necessary costs and expenses of collecting and administering the tax are dedicated for waterworks additions, improvements, extensions, and operation of the waterworks system.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition or construction of capital facilities (other than those financed by the Proprietary Fund) being financed from general obligation or certificates of obligation bonds proceeds, grants, or transfers from other funds. This includes the Louisiana Community Development Block Grant (LCDBG).

The Village reports the following major proprietary funds:

Proprietary Fund - Enterprise

An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprise, 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. The waterworks system of the Village is funded primarily through user fees collected from approximately two hundred (200) customers of the system.

**VILLAGE OF SUN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Principal operating revenues for the Village's proprietary fund consists of charges to customers and users of water services. Operating expenses for the Village's proprietary fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and cash equivalents

Cash includes amounts in time deposits and interest-bearing demand deposits.

Louisiana Revised Statutes authorize the Village of Sun to invest in (1) United States bonds, treasury notes or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal offices in the State of Louisiana, an investment as stipulated in LSA-R.S. 39:1271, any other federally insured investments or (2) in mutual or trust fund institutions, which are registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investments Act of 1940, and which have underlying investments consisting solely of, and limited to, securities of the US Government or its agencies. For purposes of the statement of cash flows, the Proprietary Fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**VILLAGE OF SUN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Receivables and Payables

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". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "Internal balances."

Allowance For Uncollectible Receivables

The financial statements for the Village of Sun contain no allowance for uncollectible receivables. Uncollectible receivables are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), 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 \$500 or more for capitalizing capital assets.

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

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

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

<u>Description</u>	<u>Estimated lives</u>
Land improvements	20 years
Buildings and building improvements	15-40 years
Water and sewer systems	40 years
Furniture and fixtures	7 years
Vehicles	5 years
Equipment	5-20 years

**VILLAGE OF SUN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Long-Term Obligations

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. In the fund financial statements, however, debt principal payments of governmental funds are recognized as expenditures when paid.

Budget and Budgetary Accounting

Formal budgetary accounting is employed as a management control device during the year for the general fund and special revenue funds. Budgets are adopted for the general fund and special revenue funds on a basis consistent with generally accepted accounting principles (GAAP). All appropriations, which are not expended, lapse at year-end.

Compensated Absences

The Village of Sun has three full-time employees, but does not follow a formal vacation and sick leave policy. The employees are covered under the Federal Insurance Contribution Act.

Use of Estimates in the Preparation of Financial Statements

The preparation of the Village of Sun's financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect reported amounts of assets and liabilities as of June 30, 2006. Adjustments to the reported amounts of assets and liabilities may be necessary in the future to the extent that future estimates or actual results are different from the estimates used in the 2006 financial statements.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Inter-fund Transactions

Permanent reallocation of resources between funds of the reporting entity are classified as inter-fund transfers. For the purposes of the statement of activities, all inter-fund transfers between individual governmental funds have been eliminated.

**VILLAGE OF SUN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budget

In accordance with the Louisiana Local Government Budget Act, the procedures used by the Village in establishing the budgetary data reflected in the financial statements include public notices of the proposed budget, public inspections, and public hearings. The Board of Aldermen then legally adopts the budget. Budgeted amounts included in the accompanying statements are adopted as amended by the Board of Aldermen as of June 30, 2006.

Excess of Expenditures Over Appropriations

The following individual funds had actual expenditures over budgeted appropriations for the year ended June 30, 2006:

<u>Fund</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Special sales & use tax fund	\$22,500	\$ -	\$32,999	\$(32,999)

NOTE C - CASH AND CASH EQUIVALENTS

At June 30, 2006, the Village had cash and cash equivalents (book balances) totaling \$164,881 as follows:

	Cash	
	<u>Unrestricted</u>	<u>Restricted</u>
Time deposits	\$ -	\$ 36,241
Interest-bearing demand Deposits	25,509	103,131
	<u>\$ 25,509</u>	<u>\$ 139,372</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. The 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. At June 30, 2006, the Village of Sun had \$183,993 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$35,964 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). The remaining balance of \$48,029 is not secured by the pledge of securities and is a violation of state law.

Even though the pledged securities are considered uncollateralized (GASB Category 3) under the provisions of GASB Statement No. 3, Louisiana Revised Statutes 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledge securities within 10 days of being notified by the Village of Sun that the fiscal agent has failed to pay deposited funds upon demand.

**VILLAGE OF SUN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE D – INVESTMENTS

An investment of \$16,152, which is stated at cost, and approximates market at June 30, 2006, is invested in the Louisiana Asset Management Pool, Inc. (LAMP). In accordance with GASB Codification Section 150.165, the investment in LAMP is not categorized in the three risk categories provided by GASB because the investment is in a pool of funds thereby not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana, and is governed by a board of directors comprised of representatives from various local governments and statewide professional organizations. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities; as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

NOTE E - CAPITAL ASSETS

The following is a summary of the change in capital assets for the fiscal year ended June 30, 2006:

Governmental Activities	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Capital Assets Being Depreciated:				
Buildings	\$ 82,901	\$ -	\$ -	\$ 82,901
Equipment	42,968	27,568	-	70,536
Total Capital Assets Being depreciated	125,869	27,568	-	153,437
Less Accumulated Depreciation for:				
Buildings	53,885	2,073	-	55,958
Equipment	27,848	9,209	-	37,057
Total Capital Assets Being depreciated	\$ 44,136	\$ 16,286	\$ -	\$ 60,422

**VILLAGE OF SUN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE E - CAPITAL ASSETS (continued)

The following is a summary of the change in capital assets for the fiscal year ended June 30, 2006:

Business-type Activities	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Capital Assets Being Depreciated:				
Water and Sewer Systems & Improvements	\$ 187,674	\$ -	\$ -	\$ 187,674
Less Accumulated Depreciation	150,103	5,285	-	155,388
Total Capital Assets Being depreciated	<u>\$ 37,571</u>	<u>\$ (5,285)</u>	<u>\$ -</u>	<u>\$ 32,286</u>

NOTE F - RECEIVABLES

Receivables at June 30, 2006, consisted of the following:

	General Fund	Special Revenue	Proprietary	Total
Receivables:				
Sales taxes	\$ -	\$ 3,940	\$ -	\$ 3,940
FEMA Grants	37,506	-	-	37,506
Service charges, and fees	5,325	3,224	3,236	11,785
Net receivables	<u>\$ 42,831</u>	<u>\$ 7,164</u>	<u>\$ 3,236</u>	<u>\$ 53,231</u>

The management of the Village of Sun has recorded an allowance for doubtful accounts of \$13,675 to account for accounts receivable from utility customers that it believes are uncollectible as of June 30, 2006. The management of the Village believes that all other receivables are collectible.

**VILLAGE OF SUN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE G - ACCOUNTS PAYABLE & ACCRUED LIABILITIES

The payables of \$11,223 at June 30, 2006, were as follows:

	General Fund	Special Revenue Funds	Proprietary Fund	Total
Accounts payable	\$ 5,148	\$ 376	\$ 2,092	\$ 7,616
Accrued payroll liabilities	1,204	961	1,442	3,607
	<u>\$ 6,352</u>	<u>\$ 1,337</u>	<u>\$ 3,534</u>	<u>\$ 11,223</u>

NOTE H - LONG-TERM DEBT

The following is a summary of the long-term debt transactions for the year ended June 30, 2005:

	Revenue Bond	FHA Note	Total
Bonds and Notes at July 1, 2005	\$ 12,980	\$ 8,940	\$ 21,920
Deductions	4,405	4,450	8,855
Bonds and Notes at June 30, 2006	8,575	4,490	13,065
Portion classified as current at June 30, 2006	4,581	4,490	9,071
Long-term debt at June 30, 2006	<u>\$ 3,994</u>	<u>\$ -</u>	<u>\$ 3,994</u>

The long-term debt outstanding at June 30, 2006, consisted of the remaining note payable to the Farmer's Home Administration (CFDA 10:418) dated August 17, 1967, and the Water Utility Bonds in the amount of \$69,000 dated September 18, 1981, issued to the Farmer's Home Administration (CFDA 10:418). The Revenue Promissory Note was issued for the purpose of paying the cost of construction of a waterworks system. The note matures from 1967 to 2007 at an interest rate of 4.00% per annum. The Water Utility Bonds were issued for the purpose of paying the cost of acquiring and constructing extensions and improvements to the existing waterworks system. The bonds mature from 1981 to 2006 at an interest rate of 5.00% per annum. Both the note and the bonds are secured by a mortgage on land, buildings, machinery, and equipment of the waterworks system.

**VILLAGE OF SUN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE H - LONG-TERM DEBT (continued)

The annual requirements to amortize all debt outstanding at June 30, 2006, including interest of \$633 and \$225 on the Revenue Bonds and the Farmer's Home Administration (FHA) note respectively, were as follows:

Fiscal Year	Revenue Bond	FHA Note	Total
2007	\$ 4,924	\$ 4,715	\$ 9,639
2008	4,284	-	4,284
	<u>\$ 9,208</u>	<u>\$ 4,715</u>	<u>\$ 13,923</u>

NOTE I - RESTRICTED ASSETS

The revenue bonds and the FHA note instruments require that all the income and revenues earned from the operation of the system be deposited into the Waterworks Revenue Fund Account. This account is required to be maintained and administered in the following order of priority and for the following expressed purposes through the use of the following accounts:

Note Payment Fund - The bond and note instruments require that this fund be established and maintain an amount sufficient to pay the principal and the interest on the bond and note by transferring from the Waterworks Revenue Fund Account one-twelfth of the amount of principal and interest becoming due on the next succeeding payment date together with such additional proportionate sum as may be required to pay said principal and interest as the same respectively become due. As of June 30, 2006, the reserve requirement was \$4,715. The balance of the Note Payment Fund was \$13,112 at June 30, 2006.

Reserve Bond Fund - The bond and note instruments require that this fund be established and maintained by transferring a sum at least equal to one-twelfth of five percent of the amount required to be paid monthly into the aforesaid Note Payment Fund. The payments into this fund must continue until such time as there has been accumulated a sum equal to the maximum amount of principal and interest due on the bond and note in any subsequent year and used solely for the purpose of paying the principal and interest each year as to which there would otherwise be default. As of June 30, 2006, the reserve requirement was \$9,208. The balance of the Revenue Bond Fund was \$11,580 at June 30, 2006.

Depreciation Fund - The bond and note instruments require that this fund be established to care for depreciation, extensions, additions, improvements, and replacements necessary to properly operate the system by depositing in a separate bank account the sum of \$82 per month, provided that such sum is available after provision is made for the payments required under the funds previously mentioned. As of June 30, 2006, the reserve requirement was \$13,426. The balance of the Depreciation Fund was \$11,549 at June 30, 2006.

**VILLAGE OF SUN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE J - UTILITY DEPOSITS

Subsidiary records of customer liability utility deposits are not maintained. Therefore, the actual liability of customer utility deposits could not be determined or recorded in the financial statements as of June 30, 2006. Refunds of utility deposits are recorded as a reduction to utility income in the period they are refunded. Management believes that utility deposit and their subsequent refunds are not material to the financial statements in the current period.

NOTE K - INTERFUND TRANSACTIONS

Operating transfers between funds consist primarily of waterworks maintenance expenditures transferred out of the Special Sales and Use Tax Fund and capital outlays in the special revenue funds for capital assets that will be maintained in the General Fund.

	Interfund Transfers in	Interfund Transfers out
General Fund:		
Sales and Use Tax	\$ 1,418	\$ -
Special Sales and Use Tax	1,395	-
	2,813	-
Sales and Use Tax Fund:		
General Fund		1,395
Proprietary Fund		2,152
	-	3,547
Special Sales and Use Tax Fund:		
General Fund		1,418
Proprietary Fund	3,803	11,707
	3,803	13,125
Proprietary Fund:		
Sales and Use Tax	2,152	
Special Sales and Use Tax	11,707	3,803
	13,859	3,803
Total Transfers	\$ 20,476	\$ 20,476

**VILLAGE OF SUN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE K - INTERFUND TRANSACTIONS (continued)

Individual balances due from/to other funds at June 30, 2006, were as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund:	\$ 1,860	\$ -
Special Revenue Funds:		
Sales and Use Tax	-	5,581
Special Sales and Use Tax	3,720	-
Proprietary Fund:	-	-
	\$ 5,581	\$ 5,581

NOTE K - HURRICANE KATRINA

On August 29, 2005, the District was impacted by Hurricane Katrina. The Hurricane caused damage to several buildings and downed numerous trees. As of June 30, 2006, the Village had incurred \$85,144 in Katrina related expenditures, and \$69,443 in capital costs. As of June 30, 2006 the Village had received \$240,239 from the Federal Emergency Management Agency (FEMA) and set up a separate bank account to monitor the funds. The balance in the Hurricane Katrina bank account was \$88,146 as of June 30, 2006, and is classified as restricted cash on the statement of net assets. The Village has recorded \$37,506 as receivable from FEMA as of June 30, 2006 for costs incurred but not reimbursed under an approved project worksheet for capital repairs to the Town Hall building. Expenditures incurred to repair or replace portions of the Town Hall building were paid for using funds from the Hurricane Katrina bank account. As a result, other approved projects, for which the Village had already received funding from FEMA, were not performed. This issue of non-compliance with the terms of FEMA grants is noted in the schedule of current year findings.

**VILLAGE OF SUN, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	Actual Budgetary Basis	Original Budget	Final Budget	Variance with Final Budget Favorable/ (Unfavorable)
REVENUES				
Taxes & franchise fees	\$ 21,725	\$ 20,000	\$ 21,361	\$ 364
FEMA Grants	277,745	-	173,150	104,595
Fines and forfeitures	35,169	39,000	29,915	5,254
Licenses	13,388	10,400	11,050	2,338
Other revenues	12,855	32,000	9,606	3,249
Total revenues	360,881	101,400	245,082	115,799
EXPENDITURES				
General government	112,072	34,500	103,269	(8,803)
Public safety	55,728	57,100	56,117	389
Capital outlay	69,443	14,000	70,974	1,531
Total expenditures	237,243	105,600	230,360	(6,883)
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	123,638	(4,200)	14,722	108,916
OTHER SOURCES				
Transfers in	2,814	-	-	(2,814)
EXCESS/(DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	126,452	(4,200)	14,722	106,103
FUND BALANCES - BEGINNING OF YEAR	18,042	18,042	18,042	-
FUND BALANCES - END OF YEAR	\$ 144,494	\$ 13,842	\$ 32,764	\$ 108,916

See accountants' review report.

**VILLAGE OF SUN, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	Sales and Use Tax				Special Sales and Use Tax			
	Actual Budgetary Basis	Original Budget	Final Budget	Variance Favorable (Unfavorable)	Actual Budgetary Basis	Original Budget	Final Budget	Variance Favorable (Unfavorable)
REVENUES								
Taxes	\$ 21,461	\$ 21,361	\$ 21,361	\$ 100	\$ 20,594	\$ 31,500	\$ 20,386	\$ 208
FEMA Grants	-	-	-	-	4,293	-	-	4,293
Interest income	-	-	-	-	641	-	-	641
Other revenues	6,446	6,000	6,446	-	421	5,300	1,120	(699)
Total revenue	27,907	27,361	27,807	100	25,949	36,800	21,506	4,443
EXPENDITURES								
General government	22,752	-	22,000	(752)	32,999	22,500	-	(32,999)
Capital Outlay	-	-	-	-	-	14,000	-	-
Waterworks operation and maintenance	-	-	-	-	14,392	-	-	(14,392)
Total expenditures	22,752	-	22,000	(752)	47,391	36,500	-	(47,391)
OTHER SOURCES								
Operating transfers in	-	-	-	-	3,803	-	-	3,803
Operating transfers out	(3,547)	-	-	(3,547)	(13,125)	-	-	(13,125)
Total other sources (uses)	(3,547)	-	-	(3,547)	(9,322)	-	-	(9,322)
EXCESS/(DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	1,608	27,361	5,807	(4,200)	(30,764)	300	21,506	(52,270)
FUND BALANCES - BEGINNING OF YEAR	4,955	4,955	4,955	-	65,135	65,135	65,135	-
FUND BALANCES - END OF YEAR	\$ 6,563	\$ 32,316	\$ 10,763	\$ (4,200)	\$ 34,371	\$ 65,435	\$ 86,641	\$ (52,270)

See accountants' review report

VILLAGE OF SUN, LOUISIANA
COMPENSATION PAID TO ALDERMEN
FOR THE YEAR ENDED JUNE 30, 2006

As shown on this schedule, compensation paid to aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. As provided by Louisiana Revised Statute 33:405(G), the aldermen receive \$30 per month to attend board meetings.

Aldermen	Number	Amount
Richard Kivett	10	\$ 300
Floyd Mizell	10	300
Robert Mizell	10	300
Total		<u>\$ 900</u>

VILLAGE OF SUN, LOUISIANA
SCHEDULE OF AGED RECEIVABLES/NUMBER OF USERS/WATER RATES
JUNE 30, 2006

	Aged Accounts Receivable				
	<u>0 - 30 days</u>	<u>31 - 60 days</u>	<u>61 - 90 days</u>	<u>> 90 days</u>	<u>Total</u>
Number	80	30	20	81	211
Amount	\$ 2,091	\$ 1,630	\$ 1,053	\$ 12,137	\$ 16,911
Less Allowance for Doubtful Accounts					(13,675)
					\$ 3,236

Water Rates

Usage

Residential	Cost
0 - 2000	\$ 7.00
2001 - 5000	\$ 7.00
5001 - above	\$ 11.80

Commercial

0 - 10000	\$ 20.00
10001 - above	\$ 20.00

Churches, Masonic Lodges

0 - 2000	\$ 4.00
2001 - 3000	\$ 5.60
3001 - 4000	\$ 7.20
4001 - 5000	\$ 8.80
5001 - 6000	\$ 9.30
6001 - above	\$ 9.30

Number of Users

Residential	202
Non-residential	9

See accountants' review report.

SILVA & ASSOCIATES, LLC

Certified Public Accountants

Craig A. Silva, CPA
Brent A. Silva, CPA
Tom A. Gurtner, CPA

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES FOR COMPLIANCE WITH LAWS AND REGULATIONS

Honorable Barbara Gibson, Mayor
and Members of the Board of Aldermen
Village of Sun, Louisiana

We have performed the procedures included in the Louisiana Government Audit Guide and enumerated below, which were agreed to by the management of the Village of Sun and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the District's compliance with certain laws and regulations during the year ended June 30, 2006, included in the accompanying Louisiana Attestation Questionnaire. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

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

We reviewed all cash disbursements and did not note any purchases for materials and supplies that exceeded \$20,000 or for public works exceeding \$100,000.

Code of Ethics for Public Officials and Public Employees

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

The Village provided us with the required list including the noted information.

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

The Village provided us with the required list.

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

None of the employees included on the list of employees provided by the Village in agreed-upon procedure (3) appeared on the list provided by the Village in agreed-upon procedure (2).

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Budgeting

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

The Village provided us with a copy of the adopted original budget and the adopted budget as amended.

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

We traced the adoption of the original budget to the minutes of a regular meeting, which indicated that the budget had been adopted by the aldermen of the Village. Approval of an amended budget was then traced to the minutes of a meeting held on June 13, 2006.

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

We compared the revenues and expenditures of the amended budget to actual revenues and expenditures. Actual revenues and expenditures for the year exceeded the amended budgeted amounts by more than 5%, in the general fund and the special revenue fund.

Accounting and Reporting

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

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

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

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

All of the payments were properly coded to the correct fund and general ledger account.

- c) determine whether payments received approval from proper authorities.

Inspection of documentation supporting each of the six selected disbursements indicated approvals from the accountant Mayor.

Meetings

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

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

Debt

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.

We inspected copies of all bank deposit slips for the period under examination and noted no deposits which appeared to be proceeds of bank loans, bonds, or like indebtedness.

Advances and Bonuses

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

A reading of the minutes of the District for the year indicated no approval for the payments noted. We also inspected payroll records for the year and noted no instances which would indicate payments to employees, or the Board of Aldermen which would constitute bonuses, advances, or gifts.

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

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

Silva & Associates, LLC

November 20, 2006

VILLAGE OF SUN, LOUISIANA
CURRENT YEAR FINDINGS & MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2006

During 2006, we noted the following findings and management's response:

Finding 2006-1:

Local Government Budgeting Act LSA-R.S. 39:1310 requires the Comptroller (or his/her equivalent) to notify the Board of Commissioners in writing during the year when actual revenues fail to meet budgeted revenues by 5% or more, or when actual expenditures exceed budgeted expenditures by 5% or more. Furthermore, LSA-R.S. 39:1309 requires the Board of Commissioners to amend the budget upon being notified.

It does not appear the Village complied with these requirements. There are several instances of expenditures exceeding budget by 5% or more, with no evidence of notification. The Village did not prepare a separate budget for one of the special revenue funds.

Management's corrective action plan:

The Village's Board of Alderman has hired a bookkeeper to assist in the preparation and monitoring of the Village's budget and intends in the future to comply with the Local Government Budget Act.

Finding 2006-2:

The Village officials and employees perform interrelated duties resulting in a lack of internal accounting controls. This situation is due to economic and financial constraints.

Management's corrective action plan:

Due to the Village's size and operating budget, it is not economically feasible to employ sufficient personnel to ensure adequate segregation of duties.

Finding 2006-3:

The Village used funds obtained from one approved and funded FEMA grant to pay for a different approved but as yet unfunded FEMA project. This appears to be a violation of the terms of the grants.

Management's corrective action plan:

The Village's Board of Alderman felt that it was necessary to expend the funding in this manner to maintain government operations. They have requested reimbursement under the approved FEMA grants, and will replace the funds when they are received.

VILLAGE OF SUN, LOUISIANA
CURRENT YEAR FINDINGS & MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2006

Finding 2006-4:

As of June 30, 2006, the Village's bank balances were not properly collateralized in accordance with state law. As of June 30, 2006, \$48,029 of the Villages bank balances were uncollateralized. We recommend that the Village inform the bank of the oversight and ensure that all of its bank balances are properly collateralized in accordance with state law.

Management's corrective action plan:

The Village's Board of Alderman informed the bank that as of June 30, 2006 the funds on deposit were under pledged. The funds were under pledged due to the Village's Hurricane Katrina account not being considered when calculating total deposits. This error has been corrected, and as of December 7, 2006 the Village's deposits were adequately pledged.

SILVA & ASSOCIATES, LLC

Certified Public Accountants

Craig A. Silva, CPA
Brent A. Silva, CPA
Tom A. Gurtner, CPA

VILLAGE OF SUN, LOUISIANA MANAGEMENT LETTER COMMENTS FOR THE YEAR ENDED JUNE 30, 2006

Honorable Barbara Gibson, Mayor
and Members of the Board of Aldermen
Village of Sun, Louisiana

During the course of our review, we observed conditions and circumstances that may be improved. Below are findings noted for improvement, our recommendation for improvement, and the Village's response.

MLC 2006-5:

The Village's accounting system is very old and is no longer sufficient for the Village's needs. The old system does not produce a balance sheet, record receivables and payables, or assist in the reconciliation of the bank accounts. The Village has purchased new accounting software, but has not implemented it and is not properly trained in its use. We recommend the Village obtain the assistance necessary to properly implement the new software and provide its employees with adequate training in the proper use of the system.

Response:

The Village's clerk, Jane Jenkins, is currently attempting to transfer the balances from the old system into the new system and begin using the new system.

MLC 2006-6:

72% of the Village's waterworks receivables are over 90 days old. The Village does not have, or does not follow, a formal policy for granting credit to customers, denying service to delinquent customers, collecting on past due accounts, or writing off uncollectible receivables. We recommend that the Village formalize and follow a written procedure for processing, monitoring, and collecting its waterworks customer accounts, and terminating service to customers for nonpayment.

Response:

The Village's Board of Alderman have asked management to begin more aggressively collecting past due balances. The Village management has begun sending cutoff notices to past due customers, and has also made payment arrangements with others. The Village's management acknowledges that certain balances will need to be written off.

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



November 20, 2006

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**LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Government)**

12/21/2006 (Date Transmitted)

Silva & Associates, LLC, CPA's
4331 Iberville St.
Mandeville, LA 70471
(985) 626-8299 (Auditors)

In connection with your review of our financial statements as of June 30, 2006 and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of (date of completion/representations).

Public Bid Law

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

Yes No []

Code of Ethics for Public Officials and Public Employees

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

Yes No []

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

Yes No []

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-14) or the budget requirements of LSA-RS 39:34.

Yes No []

Accounting and Reporting

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

Yes No []

We have filed our annual financial statements in accordance with LSA-RS 24:514, 33:463, and/or 39:92, as applicable.

Yes No

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

Yes No

Meetings

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

Yes No

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 39:1410.60-1410.65.

Yes No

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 79-729.

Yes No

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

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

Barbara Peterson Mayor 12-21-06 Date

Richard T. Thott Alderman 12-21-06 Date

_____ Alderman _____ Date

_____ Alderman _____ Date