

2310

RECEIVED
LEGISLATIVE AUDITOR

06 JAN 23 AM 10:59

TOWN OF RAYVILLE, LOUISIANA

Annual Financial Statement
With Independent Auditor's Report
As of and for the Year Ended June 30, 2005
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 2-22-06

TOWN OF RAYVILLE, LOUISIANA

Annual Financial Statements
As of and for the Year Ended June 30, 2005
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 Statements 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, 2005
With Supplemental Information Schedules

	Schedule	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
Other Supplemental Schedules:		
Schedule of Compensation Paid Board Members	2	48
Schedule of Expenditures of Federal Awards	3	49-50
Supplemental Reporting Requirements Based On Ordinance 867	4	51-52
Other Reports:		
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	54-55
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	56-57
Schedule of Findings and Questioned Cost	7	58
Current Year Findings, Recommendations, and Corrective Action Plan	8	59-60
Status of Prior Audit Findings	9	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, each major fund, and the aggregate remaining fund information of the Town of Rayville, Louisiana, as of and for the year ended June 30, 2005, 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 above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Rayville, Louisiana, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

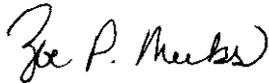
In accordance with *Governmental Auditing Standards*, I have also issued a report dated December 18, 2005, on my consideration of the Town of Rayville's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control or on compliance. 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 18, 2005

Required Supplemental Information
(Part I)

TOWN OF RAYVILLE, LOUISIANA
MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2005

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, 2005. 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. 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.

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

TOWN OF RAYVILLE, LOUISIANA
MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2005

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 \$6,536,805 (net assets); this represents an increase of \$336,380 from last fiscal year. Of this total net asset amount, \$525,195 is unrestricted net assets. The Town's net assets are comprised of \$4,276,999 from governmental activities and \$2,259,806 from business-type activities.

The following is a condensed statement of the Town of Rayville's net assets as of June 30, 2005:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Assets			
Current and other assets	608,548	582,905	1,191,453
Capital assets (net)	<u>4,032,000</u>	<u>3,112,569</u>	<u>7,144,569</u>
Total Assets	<u>4,640,548</u>	<u>3,695,474</u>	<u>8,336,022</u>
Liabilities			
Other liabilities	313,715	174,814	488,529
Long-term liabilities	<u>49,834</u>	<u>1,260,854</u>	<u>1,310,688</u>
Total Liabilities	<u>363,549</u>	<u>1,435,668</u>	<u>1,799,217</u>
Net Assets			
Invested in capital assets, Net	3,807,720	1,846,505	5,654,225
Restricted	89,127	268,258	357,385
Unrestricted	<u>380,152</u>	<u>145,043</u>	<u>525,195</u>
Total Net Assets	<u>4,276,999</u>	<u>2,259,806</u>	<u>6,536,805</u>

By far the largest portion of the Town's net assets (\$5,654,225 or 86%) 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 assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since

TOWN OF RAYVILLE, LOUISIANA
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2005

capital assets themselves cannot be used to liquidate these liabilities.

Of the remaining balance, (5% or \$357,385) is restricted net assets and (9% or \$525,195) 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 \$1,553,039, which was used to finance some of the \$7,144,569 capital assets. Total liabilities of \$1,799,217 are equal to 28% of the total net assets.

The Town's governmental activities increased net assets by \$28,414. This increase is mainly due to capital grants of \$292,474.

The following is a summary of the statement of activities:

	Governmental Activities	Business- Type Activities	Total
Revenue			
Program revenue	804,418	902,873	1,707,291
General revenue and transfers	<u>1,327,446</u>	<u>119,980</u>	<u>1,447,426</u>
Total Revenue and Transfers	<u>2,131,864</u>	<u>1,022,853</u>	<u>3,154,717</u>
Expenses			
General and administrative	527,820	-	527,820
Public Safety	701,053	-	701,053
Public Works	614,035	-	614,035
Recreation	158,979	-	158,979
Airport	101,563	-	101,563
Utility	-	714,887	714,887
Total Expenses	<u>2,103,450</u>	<u>714,887</u>	<u>2,818,337</u>
Increase in net assets	28,414	307,966	336,380
Net Assets June 30, 2004	<u>4,248,585</u>	<u>1,951,840</u>	<u>6,200,425</u>
Net Assets June 30, 2005	<u>4,276,999</u>	<u>2,259,806</u>	<u>6,536,805</u>

Governmental revenues in the current and prior fiscal year are comprised of the following:

	Year End June 30, 2005	Year End June 30, 2004
Program Revenues		
Rents and Fees	40,139	37,862
Fines	211,725	279,664
Garbage Fees	224,058	231,773
Operating Grants	36,022	51,150
Capital Grants	<u>292,474</u>	<u>426,853</u>
Total Program Revenues	<u>804,418</u>	<u>1,027,302</u>

TOWN OF RAYVILLE, LOUISIANA
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2005

	Year End <u>June 30, 2005</u>	Year End <u>June 30, 2004</u>
General Revenues		
Property Taxes	175,866	152,322
Sales Taxes	946,720	919,914
Franchise and Insurance Taxes	139,243	150,216
Other Tax and Licenses	104,519	104,471
Investment Earnings	1,147	865
Other General Revenues	38,095	79,026
Intergovernmental	<u>40,104</u>	<u>44,608</u>
Total General Revenues	<u>1,445,694</u>	<u>1,451,422</u>

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 budget figures. The budgets were not amended in the current fiscal year.

TOWN OF RAYVILLE, LOUISIANA
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2005

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 \$469,279, which is a decrease of \$159,000. This decrease is mainly due to Capital Outlay in the Recreational Department. \$89,127 of the fund balance is reserved for Economic development and expenditures per grant agreements; the balance of \$380,152 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 total net assets of \$307,966. The operating income of the Water and Sewer Departments totaled \$67,025.

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

Actual revenues were \$38,167 less than the budgeted amounts. Expenditures exceeded the budget by \$374,840. Other financing sources exceeded the budget by \$378,596.

Capital Asset and Debt Administration

The total investment in net capital assets as of June 30, 2005 is \$7,144,569, which is an increase of \$352,468 over the amount of \$6,792,101 at June 30, 2004.

New major capital assets purchased or constructed in fiscal year 2005 are:

Governmental activities:

1. Printer for City Hall \$1,550
2. Street maintenance equipment \$46,030
3. Police cars (2) \$41,954

TOWN OF RAYVILLE, LOUISIANA
MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2005

4. Roof overlay for the Civic Center \$40,763
5. Recreation Department Improvements \$248,014
6. Lighting for downtown area \$14,650
7. Improvements to the airport in progress \$102,795

Proprietary activities:

1. Sewer System Improvements \$589,297

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, 2005:

	Governmental		Proprietary Debt		
	General	General	Water	Sewer	Proprietary
	Fund	Fund			
	Loans	Capital Leases	Revenue Bonds	Refunding Bonds	Capital Leases
Payable at					
July 1, 2004	-	137,365	994,956	390,000	13,656
Lease Financing	-	82,584	-	-	-
Local Interim					
Financing	207,420	-	-	-	-
Bonds Retired		-	(12,454)	(50,000)	-
Capital Lease Retired		(113,197)	-	-	(7,399)
Interim Loan					
Repayment	(89,893)	-	-	-	-
Payable at					
June 30, 2005	<u>117,527</u>	<u>106,752</u>	<u>982,502</u>	<u>340,000</u>	<u>6,257</u>
Amount Due within					
one year	<u>117,527</u>	<u>56,919</u>	<u>12,695</u>	<u>50,000</u>	<u>5,210</u>

Current Financial Factors

With the exception of Capital Grants, revenues for the upcoming fiscal year are expected to remain relatively constant. Construction will continue on the Airport Project, which is funded by a combination of Federal and State Grants.

TOWN OF RAYVILLE, LOUISIANA
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2005

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, 2005

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	120,194	7,820	128,014
Investments	4,492	-	4,492
Receivables (net of allow- ances for uncollectibles)	394,748	143,762	538,510
Restricted assets			
Cash	89,114	353,312	442,426
Investments	-	47,047	47,047
Deferred Charges (Net of Amortization)	-	30,964	30,964
Capital Assets (net)	<u>4,032,000</u>	<u>3,112,569</u>	<u>7,144,569</u>
Total Assets	<u>4,640,548</u>	<u>3,695,474</u>	<u>8,336,022</u>
<u>LIABILITIES</u>			
Accounts, salaries, and other payables	139,269	37,503	76,772
Payable from restricted assets	-	69,406	69,406
Capital Leases payable, due Within one year	56,919	5,210	62,129
Notes Payable, due within one year	117,527	62,695	180,222
Capital Leases payable, beyond one year	49,834	1,047	50,881
Notes Payable, beyond one year	-	<u>1,259,807</u>	<u>1,259,807</u>
Total Liabilities	<u>363,549</u>	<u>1,435,668</u>	<u>1,799,217</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of Related debt	3,807,720	1,846,505	5,654,225
Restricted	89,127	268,258	357,385
Unrestricted	<u>380,152</u>	<u>145,043</u>	<u>525,195</u>
Total Net Assets	<u>4,276,999</u>	<u>2,259,806</u>	<u>6,536,805</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, 2005

	Program Revenues			Net (Expenses) / Revenues, and Changes		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) / Revenue	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES						
General government	527,820	30,000	78,050	(390,618)		(390,618)
Public Safety - Police	577,299	6,022	0	(355,259)		(355,259)
Public Safety - Fire	123,754	0	0	(123,754)		(123,754)
Public Works - Streets	418,183	0	0	(418,183)		(418,183)
Public Works - Sanitation	195,852	0	0	28,206		28,206
Recreation	158,979	0	111,629	(40,656)		(40,656)
Airport	101,563	0	102,795	1,232		1,232
Total Governmental Activities	2,103,450	36,022	292,474	(1,299,032)		(1,299,032)
BUSINESS-TYPE ACTIVITIES						
Water & Sewer	714,887	0	187,811	187,986		187,986
Total Business-Type Activities	714,887	0	187,811	187,986		187,986
Total	2,818,337	32,872	480,285	(1,111,046)		(1,111,046)
General Revenues:						
Property Taxes				175,866	0	175,866
Sales Taxes				946,720	0	946,720
Franchise & Insurance Taxes				139,243	0	139,243
Beer Taxes				4,075	0	4,075
Occupational Licenses				100,444	0	100,444
Investment Earnings				1,147	1,732	2,879
Other General Revenues				38,095	0	38,095
Intergovernmental Transfers				40,104	0	40,104
				(118,248)	118,248	0
Total general revenues and transfers				1,327,446	119,980	1,447,426
Change in Net Assets				28,414	307,966	336,380
Net assets - beginning				4,248,585	1,951,840	6,200,425
Net assets - ending				4,276,999	2,259,806	6,536,805

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

Fund Financial Statements

Governmental Funds

TOWN OF RAYVILLE, LOUISIANA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	General Fund	(Major Fund) Sales Tax	(Other Governmental Fund Economic Development	Total Governmental Funds
<u>Assets</u>				
Cash and Cash Equivalents				
Restricted	49,385	-	39,729	89,114
Unrestricted	91,145	29,049	-	120,194
Investments				
Restricted	-	-	-	-
Unrestricted	4,492	-	-	4,492
Receivables (net of allow- ances for uncollectibles)				
Licenses and Permits	1,376	-	-	1,376
Taxes, including penalty, interest and fees	10,006	85,694	-	95,700
Services	6,206	-	-	6,206
Fines and Forfeits	244,095	-	-	244,095
Other	10,902	-	-	10,902
Intergovernmental	36,393	-	-	36,393
Accrued Interest	49	14	13	76
Total Assets	<u>454,049</u>	<u>114,757</u>	<u>39,742</u>	<u>608,548</u>
<u>Liabilities</u>				
Accounts Payable	84,547	1,442	-	85,989
Accrued Expenditures	26,987	-	-	26,987
Estimated Compensated Absences	26,293	-	-	26,293
Total Liabilities	<u>137,827</u>	<u>1,442</u>	<u>-</u>	<u>139,269</u>
<u>Fund Balance</u>				
Fund Balance:				
Reserved for Projects per Grant Agreements	49,385	-	39,742	89,127
Unreserved	266,837	113,315	-	380,152
Total Fund Balance	<u>316,222</u>	<u>113,315</u>	<u>39,742</u>	<u>469,279</u>
Total Liabilities and Fund Balance	<u>454,049</u>	<u>114,757</u>	<u>39,742</u>	<u>608,548</u>

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

TOWN OF RAYVILLE, LOUISIANA

RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
June 30, 2005

Fund Balances - Total Governmental Funds (Statement C)		469,279
Amounts reported for governmental activities in Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the Governmental funds		
Governmental capital assets	5,896,964	
Less accumulated depreciation	<u>(1,864,964)</u>	4,032,000
Capital Leases Payable used in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds		
		(106,753)
Interim Notes Payable used in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds		
		<u>(117,527)</u>
Net Assets of Governmental Activities (Statement A)		<u>4,276,999</u>

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

TOWN OF RAYVILLE, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2005

	General Fund	(Major Fund) Sales Tax	(Other Governmental Fund) Economic Development	Total Governmental Funds
<u>Revenues</u>				
Taxes	319,184	946,720	-	1,265,904
Licenses and Permits	112,173	-	-	112,173
Intergovernmental Revenue	368,600	-	-	368,600
Charges for Service	264,197	-	-	264,197
Fines and Forfeits	211,725	-	-	211,725
Interest	459	345	343	1,147
Other	26,366	-	-	26,366
Total Revenues	<u>1,302,704</u>	<u>947,065</u>	<u>343</u>	<u>2,250,112</u>
<u>Expenditures</u>				
Current:				
General Government	548,833	14,248	-	563,081
Fire	147,153	-	-	147,153
Police	581,520	-	-	581,520
Highways and Streets	435,367	-	-	435,367
Sanitation	195,852	-	-	195,852
Recreation	152,020	-	-	152,020
Airport	10,119	-	-	10,119
Capital Outlay	495,756	-	-	495,756
Total Expenditures	<u>2,566,620</u>	<u>14,248</u>	<u>-</u>	<u>2,580,868</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,263,916)	932,817	<u>343</u>	(330,756)
Other Financing Sources (Uses)				
Interim Financing	207,420	-	-	207,420
Capital Leases	82,584	-	-	82,584
Operating Transfers In	951,537	-	-	951,537
Operating Transfers (Out)	(12,036)	(1,057,749)	-	(1,069,785)
Total Other Financing Sources (Uses)	<u>1,229,505</u>	<u>(1,057,749)</u>	<u>-</u>	<u>171,756</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(34,411)	(124,932)	343	(159,000)
Fund Balance at Beginning of Year	<u>350,633</u>	<u>238,247</u>	<u>39,399</u>	<u>628,279</u>
Fund Balance at End of Year	<u>316,222</u>	<u>113,315</u>	<u>39,742</u>	<u>469,279</u>

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

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, 2005

Net Change in Fund Balances, Total Governmental Funds (Statement E)	(159,000)
--	------------

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	495,756	
Less Current Year Depreciation	<u>(222,142)</u>	273,614

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 & Loans	(290,004)	
Capital Lease and Loan Payments	<u>203,804</u>	<u>(86,200)</u>

Changes in Net Assets of Governmental Activities (Statement B)	<u>28,414</u>
---	---------------

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

Proprietary Funds

TOWN OF RAYVILLE, LOUISIANA

STATEMENT OF NET ASSETS
 WATER AND SEWER ENTERPRISE FUND
 (Business-Type Activity)

June 30, 2005

Assets

Current Assets:

Cash and Cash Equivalents	7,820
Accounts Receivable (net of allowances for uncollectibles of 14,250)	108,601
Unbilled Accounts Receivable	28,525
Revenues Receivable	6,179
Accrued Interest	457
Deferred Charges (Net of Amortization)	30,964
Total Current Assets	<u>182,546</u>

Non Current Assets:

Restricted Assets (Cash and Investments):

Customer Deposits	95,636
1999 Sewer Bond Funds	261,719
Water Bond Funds	43,004
Total Restricted Assets	<u>400,359</u>

Property, Plant, and Equipment:

Land	39,425
Improvements	4,774,390
	<u>4,813,815</u>
Less Accumulated Depreciation	(1,701,246)
Net Property, Plant, and Equipment	<u>3,112,569</u>

Total Non Current Assets	<u>3,512,928</u>
--------------------------	------------------

Total Assets	<u>3,695,474</u>
--------------	------------------

(CONTINUED)

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

TOWN OF RAYVILLE, LOUISIANA
 STATEMENT OF NET ASSETS
 WATER AND SEWER ENTERPRISE FUND
 (Business-Type Activity)
 June 30, 2005

(CONTINUED)

Liabilities

Current Liabilities:	
Accounts Payable	26,508
Capital Leases Payable	5,210
Other Accrued Expenses	3,550
Estimated Compensated Absences	7,445
Total Current Liabilities	<u>42,713</u>
Current Liabilities-Restricted Assets:	
Customer Meter Deposits	69,406
Current Portion of Revenue Bonds	62,695
Total Current Liabilities-Restricted Assets	<u>132,101</u>
Long-Term Liabilities:	
Capital Leases Payable	1,047
Revenue Bonds	1,259,807
Total Long-Term Liabilities	<u>1,260,854</u>
Total Liabilities	<u>1,435,668</u>
<u>Net Assets</u>	
Investment in Capital Assets, Net of Related Debt	1,846,505
Restricted Net Assets	268,258
Unrestricted Net Assets	<u>145,043</u>
Total Net Assets	<u>2,259,806</u>

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

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, 2005

Operating Revenues:	
Charges for Services	633,290
Lease Revenue	<u>81,772</u>
Total Operating Revenue	<u>715,062</u>
Operating Expenses:	
Depreciation	134,613
Employee Benefits	40,687
Fuel	14,303
Insurance	31,235
Professional	117,162
Repairs and Equipment	33,343
Salaries	127,286
Supplies	62,113
Supplies-Office	15,129
Telephone and Utilities	<u>72,166</u>
Total Operating Expenses	<u>648,037</u>
Operating Income (Loss)	<u>67,025</u>
Non-Operating Revenues (Expenses)	
Interest	1,732
Amortization	(1,814)
Interest	(64,001)
Paying Agent Fees	(1,035)
Total Non-Operating Revenues (Expenses)	<u>(65,118)</u>
Income (Loss) Before Contributions and Transfers	<u>1,907</u>
Other Financing Sources:	
Transfers In:	
Sales Tax Fund	106,212
General Fund	12,036
Capital Grants	<u>187,811</u>
Total Other Financing Sources	<u>306,059</u>
Change in Net Assets	<u>307,966</u>
Total Net Assets at Beginning of Year	<u>1,951,840</u>
Total Net Assets at End of Year	<u>2,259,806</u>

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

TOWN OF RAYVILLE, LOUISIANA

STATEMENT OF CASH FLOWS, PROPRIETARY FUNDS
 WATER AND SEWER ENTERPRISE FUND
 (Business-Type Activity)
 For the Year Ended June 30, 2005

<u>Cash Flows from Operating Activities</u>	
Receipts from customers and users	694,400
Payments to suppliers	(381,353)
Payments to employees	(126,786)
Net cash provided by operating activities	<u>186,261</u>
<u>Cash Flows form NonCapital Financing Activities</u>	
Transfers from other funds	118,248
Repayment of loan to other fund	(15,000)
Net cash provided (used) by noncapital financing activities	<u>103,248</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Capital Grants	451,133
Construction of capital assets	(547,166)
Principal paid on capital debt	(69,854)
Interest paid on capital debt	(64,001)
Capital debt agent fees	(1,035)
Net cash provided (used) by capital and Related financing activities	<u>(230,923)</u>
<u>Cash Flows from Investing Activities</u>	
Interest on temporary investments	1,420
Interest reinvested	(352)
Net cash provided (used) by investing activities	<u>1,068</u>
Net increase in cash and cash equivalents	59,654
Cash and cash equivalents, beginning of year	<u>301,478</u>
Cash and cash equivalents, end of year	<u>361,132</u>
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>	
Operating Income	<u>67,025</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities	
Depreciation	134,613
Change in assets and liabilities	
(Increase) decrease in:	
Accounts receivable - customers	(23,526)
Revenues Receivable - lease	(6,179)
Increase (decrease) in:	
Accounts payable	4,674
Accrued liabilities	869
Customer deposits	<u>8,785</u>
Total Adjustments	<u>119,236</u>
Net cash provided by operating activities	<u>186,261</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, 2005

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, including GASB 34. 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, 2005

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.

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 to be a major proprietary fund.

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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. Available is generally defined as within 60 days. 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 receivable that are accrued, and recognized in the accounts reduced by an allowance for uncollectible taxes receivable when determinable by management.

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 10.37 mills.

TAXPAYER ASSESSED REVENUES - Revenues from taxpayer assessment is 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

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

contractual requirements are reviewed in making this determination with each grant. Generally revenue is recorded at the time of receipt or earlier if 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 sick pay is 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 and sewer bills. The unbilled cycle representing water and sewer services provided is accrued for revenue recognition in the period earned.

COMPENSATED ABSENCES - Sick pay applicable to employees of the Water and Sewer Fund is 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.

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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

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

E. 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	7 - 20 years
Vehicles	5 years

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

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

G. 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 combined statement of revenues, expenditures, and changes in fund balances - budget and actual for all governmental fund types 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 was not amended in the reporting year. The budget amounts shown in the financial statements are the original authorized amounts.

II. Stewardship, Compliance, and Accountability

A. BUDGETARY COMPLIANCE

The Town of Rayville was not in compliance with the budgets 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 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

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

the balances that must be maintained in these restricted accounts. At June 30, 2005, 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 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	7,820
Restricted Assets:	
Customer Deposit	95,636
Certificate of Deposit with 9-month maturity	(47,047)
1999 Sewer Bond Funds	261,719
Water Bond Funds	43,004
Cash and Cash Equivalents, end of year	<u>361,132</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 maturities exceed 90 days; however, if the maturities are 90 days or less, they are classified as cash equivalents.

At June 30, 2005, the Town had cash and cash equivalents (book balances) as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Petty Cash	614	-	614
Checking Account	115,527	417,890	533,417
Time Deposits	11,873	24,536	36,409
TOTAL	<u>128,014</u>	<u>442,426</u>	<u>570,440</u>

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

	<u>Cash</u>	<u>Cash Equivalents Certificates of Deposits</u>	<u>Total</u>
At June 30, 2005: Carrying Amount on Balance Sheet	<u>534,031</u>	<u>36,409</u>	<u>570,440</u>
<u>Bank Balances:</u>	<u>611,418</u>	<u>36,409</u>	<u>647,827</u>
1: Insured (FDIC) or collateralized with securities held by the entity or its agent <u>in the entity's name</u>	<u>200,000</u>	<u>36,409</u>	<u>236,409</u>
2: Collateralized with securities held by pledging financial insti- tution's trust department or agent <u>in the entity's name</u>	<u>-</u>	<u>-</u>	<u>-</u>
3: Uncollateralized, including any secur- ities held for the entity but <u>not in the entity's name</u>	<u>411,418</u>	<u>-</u>	<u>411,418</u>
Total Bank Balances	<u>611,418</u>	<u>36,409</u>	<u>647,827</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 within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon demand.

At June 30, 2005, Town of Rayville had investments (book balances) totaling \$51,539 as follows:

	<u>Category</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Time Deposits (Maturities exceeding 90 days)	1	\$51,539	\$51,539

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

2. Allowance for Uncollectible Accounts

At June 30, 2005, the allowance for estimated uncollectible accounts was \$14,250 in the Water and Sewer Enterprise Fund.

3. Net Working Capital

At June 30, 2005, the net working capital of the Proprietary Fund was \$371,012.

4. Changes in General Governmental Capital Assets

Capital assets and depreciation activity as of and for the year ended June 30, 2005, 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				
Land	579,730	-	-	579,730
Construction in Progress	-	102,795	-	102,795
Total capital assets, not being depreciated	<u>579,730</u>	<u>102,795</u>	<u>-</u>	<u>682,525</u>
Capital assets being depreciated				
Buildings & Improvements	1,860,597	110,211	-	1,970,808
Land Improvements	2,040,059	193,216	-	2,233,275
Machinery & Equipment	344,038	42,180	-	386,218
Vehicles	<u>576,784</u>	<u>47,354</u>	<u>-</u>	<u>624,138</u>
Total capital assets being depreciated	<u>4,821,478</u>	<u>392,961</u>	<u>-</u>	<u>5,214,439</u>
Less accumulated depreciation for:				
Buildings & Improvements	(791,677)	(49,336)	-	(841,013)
Land Improvements	(282,675)	(93,382)	-	(376,057)
Machinery & Equipment	(177,809)	(32,511)	-	(210,320)
Vehicles	<u>(390,661)</u>	<u>(46,913)</u>	<u>-</u>	<u>(437,574)</u>
Total accumulated depreciation	<u>(1,642,822)</u>	<u>(222,142)</u>	<u>-</u>	<u>(1,864,964)</u>
Total capital assets being depreciated, net	<u>3,178,656</u>	<u>170,819</u>	<u>-</u>	<u>3,349,475</u>
Total capital assets, net	<u>3,758,386</u>	<u>273,614</u>	<u>-</u>	<u>4,032,000</u>

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Depreciation expense of \$222,142 for the year ended June 30, 2005, was charged to the following governmental functions:

General Government	55,346
Public Safety:	
Police	33,489
Fire	9,829
Public Works:	
Streets	25,075
Recreation	6,959
Airport	<u>91,444</u>
 Total	 <u>222,142</u>

5. Changes in Proprietary Fund Fixed Assets

A summary of Proprietary Fund Type Property, Plant, and Equipment at June 30, 2005 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	<u>375,830</u>	<u>-</u>	<u>(375,830)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>415,255</u>	<u>-</u>	<u>(375,830)</u>	<u>39,425</u>
Capital assets being depreciated				
Water & Waste Water Systems	4,150,377	589,297	-	4,739,674
Machinery, equipment, and Vehicles	<u>34,716</u>	<u>-</u>	<u>-</u>	<u>34,716</u>
Total capital assets being depreciated	<u>4,185,093</u>	<u>589,297</u>	<u>-</u>	<u>4,774,390</u>
Less accumulated depreciation for:				
Water & Waste Water Systems	(1,558,223)	(129,373)	-	(1,687,596)
Machinery, equipment, and Vehicles	<u>(8,410)</u>	<u>(5,240)</u>	<u>-</u>	<u>(13,650)</u>
Total accumulated depreciation	<u>(1,566,633)</u>	<u>(134,613)</u>	<u>-</u>	<u>(1,701,246)</u>
Total capital assets being depreciated, net	<u>2,618,460</u>	<u>454,684</u>	<u>-</u>	<u>3,073,144</u>
Total capital assets, net	<u>3,033,715</u>	<u>454,684</u>	<u>(375,830)</u>	<u>3,112,569</u>

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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

	<u>Capital Asset</u>	<u>Accumulated Depreciation</u>
Vehicles	353,298	173,734
Equipment	105,595	15,502

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 15% to 21.5%, 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>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Total Payroll	833,342	810,913	863,318	890,342
Total Covered Payroll	635,424	612,917	648,061	763,783
Employee Contributions	55,545	51,594	55,910	66,944
Town Contributions	111,448	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 sick pay is accrued when incurred in proprietary and governmental funds. At June 30, 2005, the recorded accruals in the General Fund and the Water and Sewer Fund were as follows:

General Fund	26,293
Water and Sewer Fund	<u>7,445</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, 2005

3. LONG-TERM OBLIGATIONS

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

Bonds Payable at June 30, 2005, are comprised of the following issues:

	<u>Outstanding Principal</u>
1,054,000 Rural Development Water Revenue Bonds due in Monthly Payments Through July, 2038. Interest Rate 4.75%	982,502
550,000 1999 Sewer Refunding Bonds due in semi-annual payments July, 2001 through July, 2011. Interest rate 3.6% - 4.6%	<u>340,000</u>
Total Bonds Payable	<u>1,322,502</u>

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

Equipment Leases Payable at June 30, 2005:

Backhoe Lease. Original financing of \$18,940 at 8.4% payable in 48 monthly payments	<u>6,257</u>
--	--------------

The above lease is 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.

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. The final lease payment was made during the current fiscal year.

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.

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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.

In the year ended June 30, 2003, the Town entered into a capital lease agreement to purchase an air compressor. The total cost of the air compressor is \$8,500. The lease term is for 36 months with an interest rate of 6.0%. The monthly payments are \$258. The final lease payment was made during the current fiscal year.

In September 2004, the Town entered into a capital lease agreement to acquire two police cars. The total cost of the cars was \$41,954. The lease terms call for 4.9% interest with 24 monthly payments of \$1,831.

In November 2004, the Town entered into a capital lease agreement to acquire a backhoe loader. The total cost of the equipment was \$40,630. The lease terms call for 4.75% interest with 45 monthly payments of \$984.

On March 16, 2005, the Town borrowed \$207,420 for interim financing on improvements to the Blakeman Park recreation facility. The loan terms called for interest at the rate of 5.5% and matured on May 16, 2005. At maturity, the accrued interest was paid with a principal payment of \$89,893 and the maturity extended to September 27, 2005.

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

The following is a summary of debt transactions of the Town for the fiscal year ended June 30, 2005:

	Governmental		Proprietary Debt		
	General		Water Revenue Bonds	Sewer Refunding Bonds	Proprietary Capital Leases
	General Fund Loans	Fund Capital Leases			
Payable at					
July 1, 2004	-	137,365	994,956	390,000	13,656
Lease Financing	-	82,584	-	-	-
Local Interim Financing	207,420	-	-	-	-
Bonds Retired		-	(12,454)	(50,000)	-
Capital Lease Retired		(113,197)	-	-	(7,399)
Interim Loan Repayment	(89,893)	-	-	-	-
Payable at					
June 30, 2005	<u>117,527</u>	<u>106,752</u>	<u>982,502</u>	<u>340,000</u>	<u>6,257</u>
Amount Due within one year	<u>117,527</u>	<u>56,919</u>	<u>12,695</u>	<u>50,000</u>	<u>5,210</u>

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

(d) Summary of Debt Service Requirements to Maturity

The annual requirements to maturity, including principal and interest, as of June 30, 2005, are as follows:

Year Ending June 30	General Fund Interim Loan	General Fund Capital Leases	Proprietary Debt		
			Water Revenue Bonds	Sewer Refunding Bonds	Capital Leases
2006	124,579	60,501	59,448	15,128	5,538
2007	-	27,389	59,448	63,368	1,047
2008	-	23,726	59,448	66,337	-
2009	-	1,174	59,448	64,090	-
2010	-	-	59,448	66,650	-
2011-2015	-	-	297,240	125,437	-
2016-2020	-	-	297,240	-	-
2021-2025	-	-	297,240	-	-
2026-2030	-	-	297,240	-	-
2031-2035	-	-	297,240	-	-
2036-2038	-	-	163,436	-	-
Total Principal and Interest	<u>124,579</u>	<u>112,790</u>	<u>1,946,876</u>	<u>401,010</u>	<u>6,585</u>
Less Interest	<u>(7,052)</u>	<u>(6,037)</u>	<u>(964,374)</u>	<u>(61,010)</u>	<u>(328)</u>
Liability as of June 30, 2005	<u>117,527</u>	<u>106,753</u>	<u>982,502</u>	<u>340,000</u>	<u>6,257</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

As of June 30, 2005, there were no interfund receivables or payables.

D. RESTRICTED NET ASSETS

The Water and Sewer Enterprise Fund had restricted net assets as follows:

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Restricted Assets:	
Reserve and contingency accounts	270,229
Sinking Fund	34,494
Customer deposits	<u>95,636</u>
Total	<u>400,359</u>
Less:	
Liabilities payable from restricted assets:	
Customer deposits	69,406
Current portion of bonds	<u>62,695</u>
Total	<u>132,101</u>
Restricted Net Assets	<u>268,258</u>

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 \$22,370 are included on the financial statement as Intergovernmental Revenue and Public Safety Expenditures.

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 in the Water and Sewer Enterprise Fund was \$64,001 as a non-operating expense and \$1,043 as an operating expense. Interest paid in the General Fund was \$14,015.

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 grants with the FAA and LADOTD, the Town is making improvements to the airport taxiway. The project is totally funded by the grant proceeds. In October 2004, the construction contract totaling \$275,261 for the project was signed. As of June 30, 2005, \$100,549 had been billed by the contractor. The project is scheduled for completion in August 2005.

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

TOWN OF RAYVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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.

VII. SUBSEQUENT EVENTS

Alleged fraudulent activity was discovered on December 5, 2005. Management responded immediately by examining financial records of the Town, questioning the involved employee, and notifying the auditor as well as the proper authorities. The allegations involve unauthorized purchases by the employee of items for the personal benefit of the employee. The alleged acts occurred subsequent to the year ended June 30, 2005. Alleged unauthorized purchases in the amount of \$1,299 have been identified.

Required Supplemental Information
(Part II)

Budgetary Comparison Schedules

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, 2005

	Budgeted Original and Final	Actual Budgetary Basis	Budget to Actual (GAAP) Differences Over (Under)
Revenues:			
Taxes	286,000	319,184	33,184
Licenses and Permits	105,000	112,173	7,173
Intergovernmental	411,971	368,600	(43,371)
Charges for Services	268,790	264,197	(4,593)
Fines and Forfeits	222,000	211,725	(10,275)
Interest	250	459	209
Other	46,860	26,366	(20,494)
Total Revenues	<u>1,340,871</u>	<u>1,302,704</u>	<u>(38,167)</u>
Expenditures:			
Current:			
General Government	545,242	548,833	(3,591)
Fire	156,308	147,153	9,155
Police	550,400	581,520	(31,120)
Highways & Streets	310,613	435,367	(124,754)
Sanitation	214,617	195,852	18,765
Recreation	51,450	152,020	(100,570)
Airport	363,150	10,119	353,031
Capital Outlay:	-	495,756	(495,756)
Total Expenditures	<u>2,191,780</u>	<u>2,566,620</u>	<u>(374,840)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(850,909)</u>	<u>(1,263,916)</u>	<u>(413,007)</u>
Other Financing Sources (Uses):			
Capital Leases	-	82,584	82,584
Interim Financing	-	207,420	207,420
Operating Transfers In (Out):			
Water and Sewer Fund	-	(12,036)	(12,036)
Sales Tax Fund	850,909	951,537	100,628
Total Other Sources (Uses)	<u>850,909</u>	<u>1,229,505</u>	<u>378,596</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	-	(34,411)	<u>(34,411)</u>
Fund Balance at Beginning of Year	<u>350,633</u>	<u>350,633</u>	
Fund Balance at End of Year	<u>350,633</u>	<u>316,222</u>	

The accompanying notes are an integral part of this financial 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, 2005

	Budgeted Original and Final	Actual Budgetary Basis	Budget to Actual (GAAP) Differences Over (Under)
Revenues:			
Taxes	913,000	946,720	33,720
Interest	400	345	(55)
Total Revenues	<u>913,400</u>	<u>947,065</u>	<u>33,665</u>
Expenditures:			
General Government:			
Office/Administrative	14,500	14,248	252
Total Expenditures	<u>14,500</u>	<u>14,248</u>	<u>252</u>
Capital Outlay:			
City Hall	-	-	-
Total Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures and Capital Outlay	<u>14,500</u>	<u>14,248</u>	<u>252</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>898,900</u>	<u>932,817</u>	<u>33,917</u>
Other Financing Sources (Uses):			
Operating Transfers In (Out):			
Water and Sewer Fund	-	(106,212)	(106,212)
General Fund	(850,909)	(951,537)	(100,628)
Total Other Financing Sources (Uses)	<u>(850,909)</u>	<u>(1,057,749)</u>	<u>(206,840)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	47,991	(124,932)	(172,923)
Fund Balance at Beginning of Year	<u>238,247</u>	<u>238,247</u>	
Fund Balance at End of Year	<u>286,238</u>	<u>113,315</u>	

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

Other Supplemental Schedules

TOWN OF RAYVILLE, LOUISIANA

Schedule of Compensation Paid Board Members
For the Year ended June 30, 2005

<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

TOWN OF RAYVILLE, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2005

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	\$ 97,655	\$97,655
State of Louisiana, Department of Transportation and Development			
*Airport Improvement Program	20.106	5,140	5,140
Department of Housing and Urban Development- Community Planning and Development:			
Community Development Block Grants/ State's Program - Water Well	14.228	2,250	2,250
United States Department of Justice- Local Law Enforcement Block Grant/Passed Through North Delta Law Enforcement Planning District	16.592	6,022	2,872
Department of Housing and Urban Development- Community Planning and Development:			
Community Development Block Grants/ *State's Program - Sewer System	14.228	185,561	185,561

The accompanying notes are an integral part of this statement.

TOWN OF RAYVILLE, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Revenue Recognized	Expenditures
United States Department of The Interior- National Park Service- Outdoor Recreation/Acquisition, Development and Planning Grant / Passed through the LA Dept of Culture, Recreation & Tourism- Office of State Parks	15.916	124,032	124,032
United States Department of Agriculture- Rural Utilities Service / *Water and Waste Disposal Bonds Outstanding	10.760	-	982,502
Totals		<u>420,660</u>	<u>1,400,012</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, 2005

- (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, 2005. 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	4/28/05 - 4/28/06
500,000	General Liability	LMRMA	8/30/02 - 8/31/05
4,115,568	Property	Allstate	4/01/05 - 4/01/06

- (e) As of June 30, 2005, the Sewer System has 1,513 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 was 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 was completed in the current fiscal year. 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, 2005

- (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 current 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 \$267,387 for sewer services during the year ended June 30, 2005. The average monthly billing per user is \$14.88.

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, 2005, and have issued my qualified report thereon dated December 18, 2005. 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 18, 2005.

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 18, 2005.

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.

Zoe P. Meeks

Rayville, LA
December 18, 2005

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, 2005. 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 above 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, 2005.

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 18, 2005

TOWN OF RAYVILLE, LOUISIANA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

Part 1 - 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. Three 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:
10.770 U. S. Department of Agriculture, Rural Utilities Service,
Water and Waste Disposal Bond
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 05-1-(c), 05-2-(c) and 05-3-(c) 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 Secion 510(a) of Cicular A-133

A. Compliance Findings-

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

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, 2005Compliance Findings05-1-(c) - 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, 2006.

05-2-(c) - 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 with current personnel this reporting deadline cannot be met in the fiscal year ending June 30, 2006.

05-3-(c) - Budget VariancesFinding:

The Town had an unfavorable expenditure variance of \$374,840 or 17% in its general fund during the year. The Budget Act requires that budgets be amended when the variance exceeds 5%.

Recommendation:

Budget performance should be more closely monitored and the budget should be amended when there is an unfavorable variance of more than 5%. When grants become available during the fiscal year, the budget should be amended to include the expenditure of the grant funds.

Corrective Action Plan:

Lorraine Scott, in conjunction with Mayor Harry Lewis will monitor the Town's expenditures in comparison with its adopted budget, and will amend its budget when variances exceed 5%.

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, 2005

Compliance Findings

04-1-(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.

04-2-(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.

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 18, 2005

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, 2005. 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 a grant agreement for improvements to recreation facilities. Due to a misunderstanding of the grant agreement, the Town was obligated to provide matching funds that were not budgeted. I recommend that all grant proposals be carefully reviewed by the Mayor and Clerk prior to commitment on behalf of the Town. Establishment of a committee by the Council to review grant opportunities and requirements could provide additional oversight in grant matters.
3. The Town has spent a great deal of time, effort and resources in the past two years to upgrade its accounting system and train its accounting 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 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. The Town deals with complex accounting matters, therefore, I recommend that management seek qualified accounting personnel when the opportunity for hiring is available.

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. I recommend additional training of personnel utilizing the billing system to enable them to fully implement the features of the billing system and maintain the customer deposit records.
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 administration. 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. The budget should be monitored and amended as additional funds become available through grants, etc.; and the expenditures exceed budgeted amounts.

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

Town of Rayville
P.O. Box 878
Rayville, La. 71269
Telephone (318) 728-2011
Fax (318) 728-7503



"White Gold Capital Of the South"

Officers

Harry Lewis, Mayor
Willie L. Robinson, Chief of Police
Lorraine J. Scott, Town Clerk
William R. Coenen, Jr., Town Attorney
Arad L. Brown, Supt. Of Public Works
Willie Mathis, Fire Chief
James Smith, Dir. of Econ/Comm Affairs

Aldermen

George Tennant, Mayor Pro Tem
James C. Adams, III
Valerie Allen
Terry Brown
Johnny Jones

February 1, 2006

Steve J. Theriot, CPA
Louisiana Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

RECEIVED
TOWN OF RAYVILLE AUDITOR
06 FEB 13 AM 10:53

Dear Mr. Theriot:

The Town of Rayville, Louisiana respectfully submits the following corrective action plan for the management letter comments for the year ended June 30, 2005.

Name and address of independent public accounting firm: Zoe P. Meeks, A Professional Accounting Corporation, 217 Benedette Street, Rayville, LA 71269

Audit Period: As of and for the year ended June 30, 2005

The findings from the December 18, 2005 management letter are discussed below. The comments are numbered consistently with the numbers assigned in the management letter.

1. Monitoring of water system

Recommendation: 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.

Action Taken: We concur with the recommendation, and it was implemented on January 2, 2006 as to monitoring of the overall consumption of the water pumped by the Town's system. All main pumps in use are metered and an employee has been assigned with oversight by a supervisor to record the daily usage.

2. Grant management

Recommendation: All grant proposals to be carefully reviewed by the Mayor and Clerk prior to commitment on behalf of the Town. Establishment of a committee by the Council to review grant opportunities and requirements.

EQUAL OPPORTUNITY EMPLOYER

Action Taken: We concur with the recommendation. Oversight of grant proposals was implemented in December of 2005. The establishment of a committee by the Council to review grant matters is being studied.

3. Personnel training and supervision

Recommendation: Management should continue to focus on thorough oversight and supervision in timely filing of reports and journalizing of transactions. Management should seek qualified accounting personnel when the opportunity for hiring is available.

Action Taken: We concur with the recommendation and will continue to focus on oversight and supervision of accounting personnel. We will seek qualified accounting personnel as the opportunity is available within the constraints of funding available for those positions.

4. Water and sewer billing system

Recommendation: Additional training of personnel utilizing the billing system to enable them to fully implement the features of the billing system and maintain the customer deposit records.

Action Taken: We concur with the recommendation. A new accounting staff person has been hired as the water and sewer system clerk to maintain the billing, customer accounts, and deposits for the system, and has been scheduled for training to be provided by the software vendor. The position will be closely supervised and monitored to determine the effectiveness of the training and the progress of the accounting personnel toward fully implementing the system.

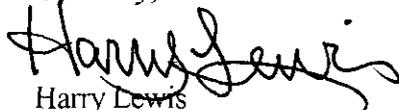
5. Budget Monitoring

Recommendation: 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. The budget should be monitored and amended as additional funds become available through grants, etc.; and the expenditures exceed budgeted amounts.

Action Taken: We concur with the recommendation. We will seek training to begin using the budget functions of the accounting software. We are currently monitoring the adherence to the budget using manual calculations, but have requested consultation with an accounting firm to assist the Town in using the software function to more accurately do this.

If there are questions regarding this plan, please call Lorraine Scott at 318-728-2011.

Sincerely,



Harry Lewis
Mayor