VILLAGE OF BONITA, LOUISIANA

FINANCIAL REPORT

June 30, 1999

HILL, INZINA & COMPANY
Certified Public Accountants • A Professional Corporation
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VILLAGE OF BONITA, LOUISIANA

FINANCIAL REPORT

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HILL, INZINA & COMPANY

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Honorable Michael J. Lytle, Mayor,
and Members of the Board of Aldermen
Village of Bonita, Louisiana

We have audited the accompanying general-purpose financial statements of Village of Bonita, Louisiana, as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the management of Village of Bonita, Louisiana. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Village of Bonita, Louisiana, as of June 30, 1999, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 1999, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements of Village of Bonita, Louisiana.

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The schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. The information presented in this schedule and the schedule of compensation paid board members has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

The year 2000 issue supplementary information is presented as required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that Village of Bonita, Louisiana, is or will become year 2000 compliant, that the Village's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Village does business are or will become year 2000 compliant.

Hill, Inzina & Co.

September 1, 1999

GENERAL-PURPOSE FINANCIAL STATEMENTS

(COMBINED STATEMENTS - OVERVIEW)

Proprietary Fund Type	Account Groups		
Enterprise	General Fixed Assets	General Long-Term Debt	Totals - (Memorandum Only)
$ 5,264	$ -	$ -	$ 42,182
9,702	-	-	9,702
-	-	-	48,066
-	-	-	500
40,667	-	-	40,667
4,335	-	-	4,335
2,200	-	-	2,200
1,206,970	915,793	-	2,122,763
-	-	63,000	63,000
-	-	12,830	12,830
$ 1,269,138	$ 915,793	$ 75,830	$ 2,346,245

(continued)

VILLAGE OF BONITA, LOUISIANA

COMBINED BALANCE SHEET -
ALL FUND TYPES AND ACCOUNT GROUPS (Continued)
June 30, 1999

	Governmental Fund Types		
LIABILITIES, EQUITY, AND OTHER CREDITS	General	Debt Service	Capital Projects
Liabilities:			
Accounts payable	$ -	$ -	$ 500
Accrued liabilities	1,640	-	-
Due to other funds	11,037	964	-
Payable from restricted assets:			
Customers' deposits	-	-	-
Revenue bonds payable - current	-	-	-
Accrued interest payable	-	-	-
Due to other funds	-	-	-
Revenue bonds payable - net of current portion	-	-	-
General obligation bonds payable	-	-	-
Note payable	-	-	-
Capital lease payable	-	-	-
Total liabilities	$ 12,677	$ 964	$ 500
Equity and other credits:			
Contributed capital	$ -	$ -	$ -
Investment in general fixed assets	-	-	-
Retained earnings - unreserved (deficit)	-	-	-
Fund balances:			
Reserved for debt service	-	68,217	-
Unreserved - undesignated	3,124	-	2
Total equity and other credits	$ 3,124	$ 68,217	$ 2
Total liabilities, equity, and other credits	$ 15,801	$ 69,181	$ 502

See notes to financial statements.

Proprietary Fund Type	Account Groups		
Enterprise	General Fixed Assets	General Long-Term Debt	Totals - (Memorandum Only)
$ -	$ -	$ -	$ 500
-	-	-	1,640
2,269	-	-	14,270
10,523	-	-	10,523
9,000	-	-	9,000
4,578	-	-	4,578
35,996	-	-	35,996
144,000	-	-	144,000
-	-	63,000	63,000
-	-	10,660	10,660
-	-	2,170	2,170
$ 206,366	$ -	$ 75,830	$ 296,337
$ 1,490,385	$ -	$ -	$ 1,490,385
-	915,793	-	915,793
(427,613)	-	-	(427,613)
-	-	-	68,217
-	-	-	3,126
$ 1,062,772	$ 915,793	$ -	$ 2,049,908
$ 1,269,138	$ 915,793	$ 75,830	$ 2,346,245

VILLAGE OF BONITA, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
Year Ended June 30, 1999

	General	Debt Service	Capital Projects	Totals - (Memorandum Only)
Revenues:				
Taxes	$ 26,434	$ 9,128	$ -	$ 35,562
Licenses and permits	16,550	-	-	16,550
Intergovernmental	22,137	-	332,325	354,462
Fines and forfeitures	29,940	-	-	29,940
Interest and miscellaneous	9,179	442	-	9,621
	$ 104,240	$ 9,570	$ 332,325	$ 446,135
Expenditures:				
Current:				
General government	$ 42,391	$ -	$ -	$ 42,391
Public safety	49,280	-	-	49,280
Highways and streets	6,926	-	-	6,926
Debt service:				
Principal retirement	1,485	2,000	-	3,485
Interest	918	3,252	-	4,170
Capital outlay	-	-	332,325	332,325
	$ 101,000	$ 5,252	$ 332,325	$ 438,577
Excess of revenues over expenditures	$ 3,240	$ 4,318	$ -	$ 7,558
Other financing sources (uses):				
Operating transfers in	16,000	-	-	16,000
Operating transfers out	(21,534)	-	-	(21,534)
Proceeds from capital lease	2,220	-	-	2,220
Sale of assets	5,006	-	-	5,006
Excess of revenues over expenditures and other financing sources (uses)	$ 4,932	$ 4,318	$ -	$ 9,250
Fund balances (deficit) - beginning	(1,808)	63,899	2	62,093
Fund balances - ending	$ 3,124	$ 68,217	$ 2	$ 71,343

See notes to financial statements.

VILLAGE OF BONITA, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 1999

	Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Taxes	$ 36,600	$ 26,434	$(10,166)
Licenses and permits	14,600	16,550	1,950
Intergovernmental	3,400	22,137	18,737
Fines and forfeitures	34,800	29,940	(4,860)
Interest and miscellaneous	1,800	9,179	7,379
	$ 91,200	$ 104,240	$ 13,040
Expenditures:			
Current:			
General government	$ 54,680	$ 42,391	$ 12,289
Public safety	43,440	49,280	(5,840)
Highways and streets	-	6,926	(6,926)
Debt service:			
Principal retirement	1,200	1,485	(285)
Interest	-	918	(918)
	$ 99,320	$ 101,000	$(1680)
Excess (deficiency) of revenues over expenditures	$(8,120)	$ 3,240	$ 11,360
Other financing sources (uses):			
Operating transfers in	-	16,000	16,000
Operating transfers out	-	(21,534)	(21,534)
Proceeds from borrowings	-	2,220	2,220
Sale of assets	-	5,006	5,006
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	$(8,120)	$ 4,932	$ 13,052
Fund balance (deficit) - beginning	(1,808)	(1,808)	-
Fund balance (deficit) - ending	$(9,928)	$ 3,124	$ 13,052

See notes to financial statements.

VILLAGE OF BONITA, LOUISIANA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS - PROPRIETARY FUND TYPE - ENTERPRISE FUND
Year Ended June 30, 1999

Revenues:	
Water and sewer fees	$ 87,085
Utility refund	8,600
	$ 95,685
Expenses:	
Contracted labor	$ 18,360
Depreciation	33,701
Insurance	3,000
Interest	7,828
Office	1,637
Other operating	3,568
Repairs and maintenance	1,829
Salaries	24,274
Supplies	7,291
Utilities	7,367
Vehicle	413
	$ 109,268
Operating income (loss)	$(13,583)
Nonoperating revenue:	
Interest	938
Income (loss) before operating transfers	$(12,645)
Operating transfers in	21,534
Operating transfers out	(16,000)
Net income (loss)	$(7,111)
Retained earnings (deficit) - beginning	(420,502)
Retained earnings (deficit) - ending	$(427,613)

See notes to financial statements.

VILLAGE OF BONITA, LOUISIANA

STATEMENT OF CASH FLOWS -
PROPRIETARY FUND TYPE - ENTERPRISE FUND
Year Ended June 30, 1999

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income (loss)	$(13,583)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	33,701
(Increase) decrease in accounts receivable	775
(Increase) decrease in restricted assets	(6,326)
Increase (decrease) in accounts payable	(2,853)
Increase (decrease) in liabilities payable from restricted assets	1,578
Net cash flows provided by operating activities	$ 13,292
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfers in	$ 21,534
Operating transfers out	(16,000)
Net cash flows provided by noncapital financing activities	$ 5,534
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Repayment of long-term debt	$(9,000)
Purchase of fixed assets	(14,771)
Net cash flows provided (used) by capital and related financing activities	$(23,771)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	$ 938
Increase (decrease) in cash	$(4,007)
CASH - beginning	9,271
CASH - ending	$ 5,264

NON - CASH FINANCING ACTIVITY:

Construction in progress of $332,324, funded by the Capital Projects Fund, increased contributed capital by the same amount.

SUPPLEMENTAL DISCLOSURE:

Interest paid	$ 7,828

See notes to financial statements.

VILLAGE OF BONITA, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 1999

Note 1. Organization and Summary of Significant Accounting Policies

Village of Bonita, Louisiana, (the "Village") operates under a mayor-board of aldermen form of government in accordance with the provisions of the Lawrason Act. Citizens elect the mayor at large and three council members by districts. The mayor is paid a monthly salary while the council members are compensated for meetings attended. The Village is located in northeast Louisiana, its population is approximately 265 and it employs approximately 5 people. As of June 30, 1999, the Village services approximately 220 utility customers and maintains approximately 5 miles of roads.

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

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

Basis of Presentation:

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

Financial Reporting Entity:

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

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

1. Appointing a voting majority of an organization's governing body, and

   a. *the ability of the municipality to impose its will on that organization and/or*

   b. the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.

2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.

3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the Village has determined that Sewer District No. 1 of Village of Bonita, Louisiana, is a component unit of the reporting entity and is reported with the primary government as a blended component unit. Considered in the determination of component units of the reporting entity was Tenth Ward Fire Protection District No. 1 of Morehouse Parish, Louisiana. It was determined that this governmental entity is not a component unit of the Village's reporting entity.

Fund Accounting:

The Village uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds of the Village are classified into two categories: governmental and proprietary. In turn, each category is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

Governmental funds:

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

General Fund - the general operating fund of the Village and accounts for all financial resources, except those required to be accounted for in other funds.

Debit Service Funds - account for transactions relating to resources retained and used for the payment of principal, interest, and related costs on the long-term obligations recorded in the General Long-Term Debt Account Group.

Capital Projects Fund - accounts for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds.

Proprietary funds:

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. The proprietary fund is:

Enterprise Fund - accounts for operations 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.

Basis of Accounting:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by all governmental funds.

The modified accrual basis of accounting recognizes revenues when both "measurable" and "available". Measurable means the amount can be determined and available means collectible within the current period or soon enough thereafter to pay current liabilities. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred.

The proprietary fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of the fund are included on the balance sheet. The proprietary fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time the liabilities are incurred.

Those major revenues susceptible to accrual are taxes, and water and sewer fees. Licenses and permits; fines and forteitures; and other revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Budgets and Budgetary Accounting:

The Board of Aldermen adopted annual budgets for the General and Enterprise Funds on June 23, 1998. The annual budgets were prepared in accordance with the basis of accounting utilized by those funds. The Village Clerk is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter the total expenditures/expenses resulting from revenues exceeding amounts estimated must be approved by the Board of Aldermen. No amendments were made to the budgets. All annual appropriations lapse at fiscal year end.

Encumbrances:

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Village.

Cash:

Cash includes amounts in demand and savings deposits and is reported at net book value - the June 30, 1999, bank balance plus deposits in transit and less checks that have not cleared the bank as of that date.

Under state law, the Village 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.

NOTES TO FINANCIAL STATEMENTS

Investments:

Investments are limited by Louisiana Revised statute 33:2955. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Nonparticipating investment contracts, generally certificates of deposit, are reported at cost, which approximates market value.

Uncollectible Allowance:

The statements contain no provision for uncollectible accounts. The Village's management is of the opinion that such allowance would be immaterial in relation to the financial statements taken as a whole.

Short-Term Interfund Receivables/Payables:

During the course of operations, numerous transactions occur between individual funds for goods or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet.

Prepaid Expenses:

The Village records as expense the cost of insurance coverage paid by the Enterprise Fund in the actual period of coverage or all costs of insurance coverage actually paid if the premium coverage for future periods is immaterial.

Restricted Assets/Liabilities:

Certain proceeds of Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment and to care for depreciation, extensions, additions, improvements, and replacements to the water and sewer systems, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Meter deposits collected from utility customers are restricted to payment of amounts owed to the Village and/or refunded to the customer upon the customer no longer utilizing the system.

Fixed Assets:

Fixed assets of governmental funds are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized (reported) in the General Fixed Assets Account Group. Public domain or "infrastructures" including roads; bridges; curbs and gutters; streets and sidewalks; drainage systems; and lighting systems are capitalized. Interest costs incurred during construction are not capitalized. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost or, if donated, assets are valued at their estimated fair value on the date of donation.

Fixed assets used in the proprietary fund operations are included on the balance sheet of the fund net of accumulated depreciation. Depreciation of all exhaustible fixed assets used by proprietary fund operations is charged as an expense against operations. Depreciation has been calculated on each class of depreciable property using the straight line method over the estimated useful lives as follows:

Water and sewer system	40 years
Improvements	20 years
Equipment	5 - 20 years

Accumulated Compensated Absences:

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

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

Long-Term Obligations:

Long-term obligations expected to be financed from governmental funds are reported in the General Long-Term Debt Account Group. Expenditures for principal and interest payments for long-term obligations are recognized in the governmental funds when due. Long-term obligations expected to be financed from proprietary fund operations are accounted for in that fund.

Fund Equity:

Contributed capital is recorded in the proprietary fund when capital contributions are received from other funds and such resources were used for the acquisition or construction of capital assets. Contributed capital is not amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such resources.

Reserves represent those portions of equity not appropriable for expenditure or legally segregated for a specific future use.

Interfund Transactions:

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Revenue Recognition - Taxes:

Ad valorem taxes attach as an enforceable lien on property as of January 1. Taxes are levied by the Village in September or October, are actually billed to the taxpayers in November, and are due and payable on or before January 1 of the following year. All unpaid taxes become delinquent on March 15 of the following year. The Village bills and collects its own property taxes using the assessed values determined by the tax assessor of Morehouse Parish. The Village's ad valorem tax revenues are recognized when levied.

Sales/use taxes collected and held by other governments at year end on behalf of the Village and those collected by other governments and remitted to the Village within 60 days after June 30 for preceding months are recognized as revenue. The sales/use taxes are collected by Morehouse Sales and Use Tax Commission and remitted to the Village.

Total Columns on Combined Statements - Overview:

Total columns on the combined statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 2. Deficit Bond Funding Requirements

The resolutions authorizing the waterworks and sewer revenue bonds require that the Village establish for each issuance a sinking; reserve; and depreciation and contingency account. Monthly amounts are to be deposited into the sinking accounts equal to one-twelfth of the total amount of principal and interest falling due in the ensuing year. A sum at least equal to 5% of the amounts deposited into the sinking accounts should be deposited into the reserve accounts until such time as there has been accumulated a total equal to the highest combined principal and interest payable in any future year. Amounts specifically designated by each of the bond resolutions are to be deposited into the depreciation and contingency accounts on a monthly basis.

At June 30, 1999, only the deposit requirements of the waterworks and sewer revenue bonds' sinking accounts had been met. The waterworks and sewer revenue bonds' reserve, and depreciation and contingency accounts were not funded at June 30, 1999, by $17,842 and $6,296, respectively.

Note 3. Enterprise Fund Deficit

At June 30, 1999, the retained earnings of the Enterprise Fund is in a deficit position of $427,613.

NOTES TO FINANCIAL STATEMENTS

The deficit arose largely due to the overall financial burden imposed by the spring flooding in 1991 which destroyed the Village's water wells. The Village entered into a contract with Jones-McGinty Water System, Inc., to obtain water for distribution through the Village's system. The cost of the purchased water exceeded the amount recoverable by the Village from its water customers. Also contributing to the deficit were operating transfers made from the Enterprise Fund in an effort to relieve some of the General Fund's financial responsibilities. Reductions in personnel, increases in user charges, and other cost reductions have been implemented to eliminate the deficit.

Note 4. Cash and Investments

The following is a summary of cash and investments at June 30, 1999:

Non-interest bearing demand deposits	$ 24,089
Time deposits	58,060
Investments	4,335
Petty cash	700
	$ 87,184

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

At June 30, 1999, the carrying amount and bank balance of the Village's deposits (excluding petty cash of $400) were $86,484 and $90,365, respectively. The bank balance was covered by federal depository insurance.

There were no repurchase or reverse repurchase agreements at June 30, 1999.

Note 5. Taxes

For the year ended June 30, 1999, ad valorem taxes of 17.58 mills were levied on property with assessed valuations totaling $845,970 as follows:

	Authorized Millage	Levied Millage	Expiration Date
General corporate purposes	7.10	7.10	Perpetual
Debt service	10.48	10.48	2016

NOTES TO FINANCIAL STATEMENTS

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

Taxpayer	Assessed Valuation	Percentage of Total Assessed Valuation	Ad Valorem Tax Revenue
Northeast Louisiana Telephone Company, Inc.	$ 314,210	37.14%	$ 5,524

Total ad valorem taxes levied were $14,872. As of June 30, 1999, substantially all ad valorem taxes had been collected.

For the year ended June 30, 1999, sales and use taxes of 1% were levied for any lawful corporate purposes. These taxes will expire June 30, 2000.

Note 6. Due From/To Other Funds

A summary of amounts due from/to other funds at June 30, 1999, is as follows:

Receivable Fund	Payable Fund	Amounts
General	Debt Service	$ 513
General	Enterprise - Unrestricted	69
Debt Service	General	11,038
Debt Service	Enterprise - Restricted	36,446
Enterprise - Restricted	Enterprise - Unrestricted	2,200
		$ 50,266

Note 7. Changes in Fixed Assets

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

	Balance July 1, 1998	Additions	Retirements	Balance June 30, 1999
Land and buildings	$ 48,829	$ -	$ -	$ 48,829
Buildings	170,631	-	-	170,631
Improvements other than buildings	656,616	2,847	-	659,463
Furniture and equipment	13,385	2,297	-	15,682
Vehicles	21,188	-	-	21,188
	$ 910,649	$ 5,144	$ -	$ 915,793

NOTES TO FINANCIAL STATEMENTS

A summary of the Enterprise Fund fixed assets and depreciation at June 30, 1999, is as follows:

	Cost	Accumulated Depreciation	Net	Current Depreciation
Land	$ 4,250	$ -	$ 4,250	$ -
Water and sewer system	1,274,883	465,695	809,188	33,074
Equipment	695	602	93	-
Vehicles	4,400	3,455	945	627
Construction in progress	392,494	-	392,494	-
	$ 1,676,722	$ 469,752	$ 1,206,970	$ 33,701

Note 8. Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the Village for the year ended June 30, 1999:

	Capital Lease	Promissory Note	General Obligation Bonds	Waterworks Revenue Bonds	Sewer Revenue Bonds	Totals
Long-term debt payable - July 1, 1998	$ -	$ 12,145	$ 65,000	$ 88,000	$ 73,000	$ 238,145
Additions	2,220	-	-	-	-	2,220
Retirements	(50)	(1,485)	(2,000)	(5,000)	(3,000)	(11,535)
Long-term debt payable - June 30, 1999	$ 2,170	$ 10,660	$ 63,000	$ 83,000	$ 70,000	$ 228,830

NOTES TO FINANCIAL STATEMENTS

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

Capital lease:

The Village records items under capital lease as fixed assets and the related obligations in the General Long-Term Debt Account Group. At June 30, 1999, the Village had one equipment capital lease in effect with an original recorded amount of $2,220. The following is a schedule of future minimum lease payments together with the present value of the net minimum lease payments at June 30, 1999:

Year Ending June 30,	
2000	$ 918
2001	918
2002	841
Total minimum lease payments	$ 2,677
Less amounts representing interest	(507)
Present value of net minimum lease payments	$ 2,170

Promissory note:

Regions Bank - dated December 19, 1994, due in monthly installments of $200 through December 19, 2004, bears interest at 8%, principal and interest payable 19th of each month.

General obligation bonds:

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

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

Revenue bonds:

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

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

The annual requirements to amortize all long-term debt as of June 30, 1999, including interest payments of $96,563, are as follows:

Year Ending June 30,	Capital Lease	Promissory Note	General Obligation Bonds	Waterworks Revenue Bonds	Sewer Revenue Bonds	Totals
2000	$ 918	$ 2,403	$ 5,150	$ 10,150	$ 6,500	$ 25,121
2001	918	2,403	6,050	9,850	6,350	25,571
2002	841	2,403	5,900	9,550	7,200	25,894
2003	-	2,403	5,750	10,250	7,000	25,403
2004	-	2,403	5,600	9,900	6,800	24,703
Thereafter	-	1,201	66,900	60,400	70,200	198,701
Totals	$ 2,677	$ 13,216	$ 95,350	$ 110,100	$ 104,050	$ 325,393

At June 30, 1999, $63,000 is available in the Debt Service Funds to service the general obligation bonds.

Note 9. Fund Balance - Reserved

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

Note 10. Risk Management

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

The Village participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Village has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 1999, may be impaired. In the opinion of the Village's management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTES TO FINANCIAL STATEMENTS

Note 11. On-Behalf Payments for Salaries

For the year ended June 30, 1999, the Village recognized revenues and expenditures of $3,600 in salary supplements from the State of Louisiana paid directly to an employee of the police department.

Note 12. Subsequent Event

On July 17, 1999, a proposition for renewal of the sales tax being levied as of June 30, 1999, failed. Management is taking action, as of the date of this report, to have the proposition for renewal of the sales tax again placed on the ballot in a March, 2000, election.

Note 13. Commitment

As of the date of this report, $393,744 of the Louisiana Community Development Block Grant totaling $584,760 for sewer improvements had been expended and $118,285 had been obligated but unexpended.

SUPPLEMENTARY INFORMATION

VILLAGE OF BONITA, LOUISIANA

SCHEDULE OF COMPENSATION PAID BOARD MEMBERS
Year Ended June 30, 1999

The schedule of compensation paid to board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the board members is included in the general government expenditures of the General Fund.

Name and Title	Compensation
Michael Lytle, Mayor	$ 2,400
Floyd Baker, Alderman	90
Ada Sherer, Alderman	90
Faye L. Cook, Alderman	90
Raymond Conley, Jr., Alderman	90
Scott W. Travis, Alderman	180
Total compensation	$ 2,940

VILLAGE OF BONITA, LOUISIANA

YEAR 2000 ISSUE (UNAUDITED)
Year Ended June 30, 1999

The Year 2000 Issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Village's operations as early as fiscal year 1999.

Village of Bonita, Louisiana, has completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 Issue and that are necessary to conducting the Village's operations. Based on this inventory, the Village has, as of the date of this report, purchased from outside vendors, software believed to be year 2000 compliant for the financial reporting systems. Testing and validation of the systems has not been completed as of the date of this report.

Because of the unprecedented nature of the Year 2000 Issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Village is or will be year 2000 ready, that the Village's remediation efforts will be successful in whole or in part or that parties with whom the Village does business will be year 2000 ready.

VILLAGE OF BONITA, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 1999

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Expenditures
Department of Housing and Urban Development/ Community Development Block Grants/Small Cities Program	14.219	$ 332,325

See note to schedule of expenditures of federal awards.

VILLAGE OF BONITA, LOUISIANA

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
As of and For the Year Ended June 30, 1999

Note 1. Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Village of Bonita, Louisiana, and is being presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the general-purpose financial statements.

HILL, INZINA & COMPANY

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*

Honorable Michael J. Lytle, Mayor,
and Members of the Board of Aldermen
Village of Bonita, Louisiana

We have audited the general-purpose financial statements of Village of Bonita, Louisiana, as of and for the year ended June 30, 1999, and have issued our report thereon dated September 1, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's general-purpose financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-2 and 1999-3. We also noted certain immaterial instances of noncompliance that we have reported to management of Village of Bonita, Louisiana, in a separate letter dated September 1, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-1.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management, others within the organization, Board of Aldermen, and awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Hill, Magee & Co.

September 1, 1999

HILL, INZINA & COMPANY

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

Honorable Michael J. Lytle, Mayor,
and Members of the Board of Aldermen
Village of Bonita, Louisiana

Compliance

We have audited the compliance of Village of Bonita, 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 its major federal program for the year ended June 30, 1999. The Village's major federal program is identified in the summary of auditor's reports section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, Village of Bonita, Louisiana, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

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Internal Control Over Compliance

The management of Village of Bonita, Louisiana, 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 our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Village's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings as item 1999-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the 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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management, others within the organization, Board of Aldermen, and awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Hill, Inzina & Co.

September 1, 1999

VILLAGE OF BONITA, LOUISIANA

MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR FINDINGS
Year Ended June 30, 1999

We have audited the general-purpose financial statements of Village of Bonita, Louisiana, as of and for the year ended June 30, 1999, and have issued our report thereon dated September 1, 1999. We conducted our audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Our audit of the financial statements as of June 30, 1999, resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

a. Report on Compliance and Internal Control Material to the Financial Statements

Compliance
Compliance Material to Financial Statements ☒ Yes ☐ No

Internal Control
Material Weaknesses ☒ Yes ☐ No Reportable Conditions ☒ Yes ☐ No

b. Federal Awards

Internal Control
Material Weaknesses ☒ Yes ☐ No Reportable Conditions ☒ Yes ☐ No

Type of Opinion On Compliance For Major Programs	Unqualified ☒	Qualified ☐
	Disclaimer ☐	Adverse ☐

Are there findings required to be reported in accordance with Circular A-133, Section .510(a)?

☒ Yes ☐ No

c. Identification of Major Program:

CFDA Number 14.219 — Community Development Block Grants/ Small Cities Program

1. Dollar threshold used to distinguish between Type A and Type B programs $300,000

2. Is the auditee a 'low-risk' auditee, as defined by OMB Circular A-133? ☐ Yes ☒ No

Section II - Financial Statement Findings

1999-1 Inadequate Segregation of Duties
(see 1999-1 in Section III)

1999-2 Deficit Enterprise Fund Retained Earnings (initial citing in June 30, 1994, report on compliance with laws and regulations)

Criteria:	The Village's waterworks and sewer revenue bond resolutions require that the Village "fix and maintain rates and collect charges for all services and facilities to be rendered by the system sufficient to provide for the payment of the reasonable and necessary expenses of administration, operation, and maintenance of the system..." as well as other cash requirements.
Condition:	The Village's Enterprise Fund is in a deficit position and continues to incur operating losses.
Cause:	The water and sewer rate structure is not adequate to provide for all necessary expenses.
Effect:	The Village is in violation of the bond resolutions.
Recommendation:	We recommend that rates be analyzed and adjusted accordingly to provide for the necessary expenses.
Management's response and planned corrective action:	Management increased water and sewer rates in 1991 and again in 1995. An additional sewer rate increase is scheduled to coincide with the completion of a sewer expansion which is currently under construction.

1999-3 Deficit Bond Funding Requirements (initial citing in June 30, 1992, report on compliance with laws and regulations)

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

Condition: At June 30, 1999, only the deposit requirements of the waterworks and sewer revenue bonds' sinking accounts had been met.

Cause: The deposit requirements have not been met due to the financial burden imposed upon the Village by the spring flooding in 1991.

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

Recommendation: We recommend that such funding deficits be eliminated as funds become available.

Management's response and planned corrective action: Management is currently overfunding, on a monthly basis, the required amounts and has made the bondholders fully aware of their actions.

Section III - Federal Awards Findings

1999-1 Inadequate Segregation of Duties (finding was cited in first audit conducted by our firm as of and for the two years ended June 30, 1992)

Program: Community Development Block Grants/Small Cities Program

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

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

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

Effect: Not determined.

Recommendation: No action is recommended.

Management's response and planned corrective action:	We concur in the finding, but it is not economically feasible nor does space allow for corrective action to be taken.

VILLAGE OF BONITA, LOUISIANA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended June 30, 1999

Section I -Agreed-Upon Procedures

Procedures 5,6, and 7	Budgeting	
	Noncompliance with Local Government Budget Act.	No longer applicable.
Procedure Other	Violation of code of governmental ethics.	Resolved.

Section II - Management Letter

None issued.

HILL, INZINA & COMPANY

Honorable Michael J. Lytle, Mayor,
and Members of the Board of Aldermen
Village of Bonita, Louisiana

We have audited the general-purpose financial statements of Village of Bonita, Louisiana, as of and for the year ended June 30, 1999, and have issued our report thereon dated September 1, 1999. We conducted our audit in accordance with general accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

As part of our examination, we have issued our report on the general-purpose financial statements, dated September 1, 1999, and our report on internal control and compliance with laws, regulation, and contracts, dated September 1, 1999.

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

1999- 1 Individual Funds' Trial Balances

Criteria: "Uncategorized", interfund transactions, and revenues should be properly recorded so that trial balances for each fund can be readily obtained.

Condition: Undue time was spent by the auditor and Mayor to arrive at trial balances for each individual fund.

Cause: The accounting software currently used by the Village was not written specifically for nor is used appropriately for proper governmental fund accounting.

Effect: Individual fund's trial balances are not readily available for purposes of accounting, auditing, budget comparisons, etc.

Recommendation: Software more appropriately suited for proper governmental fund accounting should be purchased or the software currently being used by the Village for accounting purposes should be modified to better meet the Village's needs.

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Management's response and planned corrective action: Changes have and are continually being made to eliminate the problems.

1999- 2 Expending of Dedicated Funds

Criteria: Ad valorem taxes approved by the electorate can only be expended for purposes approved in the referendum and amounts collected for meter deposits should only be expended as refunds of deposits.

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

Cause: The financial burden imposed upon the Village by the spring flooding in 1991 has forced the Village to use dedicated and restricted funds to meet the financial obligations of the Enterprise Fund.

Effect: The Village is in violation of the general obligation bond resolutions and the use of restricted funds.

Recommendation: The interfund receivables and payables should be eliminated as monies are available.

Management's response and planned corrective action: We will reduce these amounts as funds become available.

1999- 3 Violation of State Statute

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

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

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

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

Recommendation:	We recommend that the Village adhere to the provision.
Management's response and planned corrective action:	We will publish the required proceedings in the official journal as funds become available.

Hill, Inzina & Co.

September 1, 1999