

2 1100

VILLAGE OF CONVERSE
TABLE OF CONTENTS

	<u>EXHIBIT</u>	<u>SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	-	-	1
GENERAL PURPOSE FINANCIAL STATEMENTS			
Combined Balance Sheet - All Fund Types and Account Groups	A	-	2
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Fund Type - General Fund	B	-	3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP basis) and Actual	C	-	4
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings - Proprietary Fund Type	D	-	5
Combined Statement of Cash Flows - Proprietary Fund Type	E	-	6
Notes to Financial Statements	-	-	7
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	-	-	14

OFFICIAL
FILE COPY
DO NOT SEND OUT
(Xerox necessary)
copies from this
copy and RETURN
BACK TO FILE

RECEIVED
LEGISLATIVE AUDITOR
2009 JUL -5 AM 11:13

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 08 02 00

INDEPENDENT AUDITOR'S REPORT

The Board of Alderman
Village of Converse
Converse, Louisiana

I have audited the accompanying general purpose financial statements of the Village of Converse, Converse, Louisiana, as of December 31, 1999 and for the year then ended. These financial statements are the responsibility of the Village of Converse's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the general purpose financial statements referred above present fairly, in all material respects, the financial position of the Village of Converse, Converse, Louisiana, as of December 31, 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, I have also issued a report dated June 5, 2000 on my consideration of the Village of Converse, Converse, Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.



EUGENE W. FREMAUX II, CPA

June 5, 2000

VILLAGE OF CONVERSE
 CONVERSE, LOUISIANA
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 December 31, 1999

	Governmental	Proprietary	Account	Memo
	Fund Types	Fund Types	Groups	
	General	Enterprise	General Fixed Assets	Totals 1999
ASSETS				
Cash	\$64,566	\$0	\$0	\$64,566
Receivables:				
Taxes	6,454	0	0	6,454
Accounts	0	4,369	0	4,369
Other	1,382	2,429	0	3,811
Due from Enterprise Fund	1,874	0	0	1,874
Prepaid insurance	1,955	990	0	2,945
Restricted assets - cash	0	30,635	0	30,635
Fixed assets	0	906,921	116,416	1,023,337
Accumulated depreciation	0	(285,233)	0	(285,233)
TOTAL ASSETS	\$76,231	\$660,111	\$116,416	\$852,758
LIABILITIES AND EQUITY				
Liabilities:				
Accounts payable	\$2,368	\$1,791	\$0	\$4,159
Payroll taxes payable	1,234	0	0	1,234
Due to General Fund	0	1,874	0	1,874
Meter deposits	0	7,675	0	7,675
Note payable	0	16,893	0	16,893
Total liabilities	3,602	28,233	0	31,835
Equity:				
Investment in General Fixed Assets	0	0	116,416	116,416
Retained earnings-				
Reserved	0	22,960	0	22,960
Unreserved	0	608,918	0	608,918
Fund balance:				
Reserved - Street Fund	16,722	0	0	16,722
Unreserved	55,907	0	0	55,907
Total equity	72,629	631,878	116,416	820,923
TOTAL LIABILITIES & EQUITY	\$76,231	\$660,111	\$116,416	\$852,758

The notes to the financial statements are an integral part of the financial statements.

VILLAGE OF CONVERSE
 CONVERSE, LOUISIANA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 ALL GOVERNMENTAL FUND TYPES
 GENERAL FUND
 Year ended December 31, 1999

Revenues:	
Taxes	\$58,140
Fines	19,316
Interest	268
Other	<u>4,831</u>
Total revenues	<u>82,555</u>
Expenditures:	
Current:	
General government	34,940
Public safety - police	31,886
Capital outlay - police	1,997
Streets	<u>5,447</u>
Total expenditures	<u>74,270</u>
Excess of revenues over expenditures	8,285
Fund balance, beginning of year	<u>64,344</u>
Fund balance, end of year	<u>\$72,629</u>

The notes to the financial statements are an integral part of the financial statements.

VILLAGE OF CONVERSE
 CONVERSE, LOUISIANA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET (GAAP BASIS) AND ACTUAL
 GENERAL FUND
 Year ended December 31, 1999

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$54,650	\$58,140	\$3,490
Fines	18,500	19,316	816
Interest	550	268	(282)
Other	3,263	4,831	1,568
	<u>76,963</u>	<u>82,555</u>	<u>5,592</u>
Total revenues			
Expenditures:			
Current:			
General government	33,536	34,940	(1,404)
Public safety - police	32,085	31,886	199
Capital outlay - police	2,000	1,997	
Streets	8,050	5,447	2,603
	<u>75,671</u>	<u>74,270</u>	<u>1,401</u>
Total expenditures			
Excess of revenues over expenditures	<u>\$1,292</u>	8,285	<u>\$6,993</u>
Fund balance, beginning of year		<u>64,344</u>	
Fund balance, end of year		<u>\$72,629</u>	

The notes to the financial statements are an integral part of the financial statements.

VILLAGE OF CONVERSE
 CONVERSE, LOUISIANA
 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
 PROPRIETARY FUND TYPES
 Year ended December 31, 1999

Operating revenues:	
Water sales	\$26,112
Sewer usage fees	22,966
Other	<u>3,764</u>
Total operating revenues	<u>52,842</u>
Operating expenses:	
General and administrative expenses	44,441
Depreciation	<u>25,187</u>
Total operating expenses	<u>69,628</u>
Net operating loss	<u>(16,786)</u>
Nonoperating revenues (expenses)	
Interest income	546
Interest expense	<u>(726)</u>
Total nonoperating revenues (expenses)	<u>(180)</u>
Net income (loss)	(16,966)
Retained earnings, beginning of year	<u>648,844</u>
Retained earnings, end of year	<u>\$631,878</u>

The notes to the financial statements are an integral part of the financial statements.

VILLAGE OF CONVERSE
 CONVERSE, LOUISIANA
 COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES
 ENTERPRISE FUND
 Year ended December 31, 1999

Cash flows from operating activities:	
Cash received from water & sewer customers	\$49,955
Cash paid to suppliers and employees	(43,776)
Customers' deposits received	1,800
Customers' deposits refunded	<u>(1,125)</u>
Net cash provided by operating activities	<u>6,854</u>
Cash flows from capital & related financing activities:	
Cash paid on principal amount of bonds payable	(4,010)
Interest on bonds payable paid	<u>(726)</u>
Net cash used for capital & related financing activities	<u>(4,736)</u>
Cash flows from investing activities:	
Interest received	<u>546</u>
Net increase (decrease) in cash	2,664
Cash, beginning of year	<u>27,971</u>
Cash, end of year	<u>\$30,635</u>
Reconciliation of operating income to net cash provided by operations:	
Operating income (loss)	(\$16,786)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	25,187
(Increase) decrease in receivables	(2,887)
(Increase) in prepaids	119
(Decrease) increase in accounts payable	656
(Decrease) increase in meter deposits	675
(Decrease) increase in payable to General Fund	<u>(110)</u>
Total adjustments to operating loss	<u>23,640</u>
Net cash provided by operating activities	<u>\$6,854</u>

The notes to the financial statements are an integral part of the financial statements.

**VILLAGE OF CONVERSE
CONVERSE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
December 31, 1999**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Converse was incorporated under the provision of the Lawrason Act and operates under a Mayor - Board of Alderman form of government.

The accounting and reporting policies of the Village of Converse conform to generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard - setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Governmental Audit Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

The following is a summary of certain significant accounting policies.

Financial reporting entity

The Village of Converse is a public corporation, legally separate and fiscally independent. As required by generally accepted accounting principles, the financial statements present the financial position and results of operation of the Village of Converse, a primary government. There are no component units to be included in the financial statements, however the financial statements do include all funds, account groups, and *programs which are controlled by the Village of Converse*.

Fund accounting

The accounts of the Village of Converse are organized on the basis of funds and account groups, 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 all 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 broad fund categories as follows:

Governmental Fund Types -

General Fund

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

Proprietary Fund -

**VILLAGE OF CONVERSE
CONVERSE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
December 31, 1999**

Enterprise Fund

The Enterprise Fund is used to account for operations of the Village's water and sewer system, which are 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 the periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fixed assets and long-term liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus.

All governmental fund type operations are accounted for on a spending or "financial flow" measurement focus and only current assets and current liabilities are generally included on their balance sheets.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, and are recorded as expenditures in the governmental fund types when purchased. The Village has elected to capitalize public domain ("infrastructure") fixed assets consisting of certain improvements other than buildings, including roads, bridges, sidewalks, and drainage improvements. No depreciation has been provided on general fixed assets. All fixed assets are stated at historical cost or estimated historical cost if actual historical cost is not available.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group.

The proprietary fund is accounted for on a cost of services or "capital maintenance" measurement focus, and all assets and all liabilities (whether current or non-current) associated with its activity are included on its balance sheet.

Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows: water and sewer system, 40 years; water and sewer equipment, 5 years.

Basis of accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and

**VILLAGE OF CONVERSE
CONVERSE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
December 31, 1999**

reported in the financial statements. Basis of accounting also relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Village considers ad valorem taxes as available if they are collected within 60 days after year end. Ad valorem taxes are recorded as revenue when levied because they are considered to be both measurable and available. Those revenues susceptible to accrual are ad valorem taxes, franchise taxes, sales taxes, interest revenue, licenses, intergovernmental revenues, and charges for services. Fines, permits, penalties and interest, and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash. Anticipated refunds of taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred except that principal and interest on general long-term debt is recognized when due. Purchase of various operating supplies are regarded as expenditures at the time purchased.

All proprietary funds are accounted for by using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Budgets and budgetary accounting

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

1. The Village Clerk prepares a proposed budget and submits same to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen.

VILLAGE OF CONVERSE
CONVERSE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
December 31, 1999

6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended from time to time by the Board of Aldermen.

Cash and cash equivalents

Consistent with GASB Statement 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, the Village defines cash and cash equivalents as follows:

Cash - includes not only currency on hand but also demand deposits with banks or other financial institutions and other kinds of accounts that have the general characteristics of demand deposits in that the customer may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty.

Cash equivalents - short term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of interest rates. Generally, only investments with original maturities of three months or less qualify under this definition.

Prepaid items

Payments made to vendors for services that will benefit periods beyond December 31, 1998, are recorded as prepaid items.

Total columns on combined statements - overview

Total columns on the general purpose financial 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 changes in financial position, 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 - AD VALOREM TAXES

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied in September and are payable upon receipt of notice. All ad valorem tax revenues are recognized in compliance with NCGA Interpretation - 3 and GASB Codification Section P70 (Revenue Recognition - Property Taxes) which states that such revenue is recorded when it becomes measurable and available. Available means due, or past due and receivable within the current period and collected no longer than 60

**VILLAGE OF CONVERSE
CONVERSE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
December 31, 1999**

days after the close of the current period. Revenues from ad valorem taxes are budgeted in the year billed.

For the year ended December 31, 1999, taxes of 17.35 mills were levied on property with assessed valuations totaling \$786,980 and were dedicated as follows:

General corporate purposes	7.28 mills
Street Fund	10.07 mills

Total taxes levied were \$13,654.

NOTE 3 - CASH

Louisiana revised Statutes authorize the Village to invest in United States bonds, treasury notes or certificates, or to deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

The Village had no investments at December 31, 1999. The Village's cash on deposit with financial institutions was fully secured by FDIC insurance at December 31, 1999, as well as at all times during the year then ended.

NOTE 4 - FIXED ASSETS

General fixed assets at December 31, 1999 are comprised of the following:

	Balance December 31, <u>1998</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>1999</u>
Land	\$ 3,140	\$	\$	\$ 3,140
Buildings	49,278			49,278
Equipment	<u>62,001</u>	<u>1,997</u>	_____	<u>63,998</u>
Total	<u>\$ 114,419</u>	<u>\$ 1,997</u>	<u>\$</u>	<u>\$ 116,416</u>

Proprietary fixed assets during at December 31, 1999 are as follows:

**VILLAGE OF CONVERSE
CONVERSE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
December 31, 1999**

	BEGINNING BALANCE	ADDITIONS	DELETIONS	ENDING BALANCE
Land	\$120,000	\$ 0	0	\$120,000
Equipment	36,921	0	0	36,921
Building	750,000	0	0	750,000
Accumulated depreciation	<u>(260,046)</u>	<u>(25,187)</u>	<u>0</u>	<u>(285,233)</u>
Total	<u>\$646,875</u>	<u>\$(25,187)</u>	<u>\$ 0</u>	<u>\$621,688</u>

NOTE 5 - LONG-TERM DEBT

The Village is indebted to the USDA Rural Economic and Community Development Agency on a mortgage secured by certain real estate owned by the Village and being used by the Enterprise Fund (water system). The note is dated June 2, 1966 in the original amount of \$77,000, bearing interest at the rate of 3.75%, and matures June 2, 2006. The monthly payment is \$316, including interest. Amounts due under this note are as follows:

	Interest	Principal	Total
2000	\$577	\$3,212	\$3,789
2001	456	3,333	3,789
2002	329	3,460	3,789
2003	197	3,592	3,789
2004	<u>60</u>	<u>3,295</u>	<u>3,355</u>
Totals	<u>\$ 1,619</u>	<u>\$ 16,892</u>	<u>18,511</u>

NOTE 6 - RESTRICTED ASSETS

Resources generated by the Village's Enterprise Fund are classified as restricted assets on the balance sheet because their use is limited by applicable Resolution, which requires that the Village establish and maintain a (1) Waterworks Operation and Maintenance Fund, (2) Waterworks Revenue Fund, and (3) Waterworks Depreciation Fund. Retained earnings has been restricted in the amount of these funds.

**VILLAGE OF CONVERSE
CONVERSE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
December 31, 1999**

NOTE 7 - CONTINGENCIES

The Village is subject to possible examinations made by federal and state regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the Village in current and prior years. These examinations may result in required refunds by the Village to grantors and/or program beneficiaries.

NOTE 8 - COMPENSATION PAID TO MAYOR AND ALDERMEN

In accordance with the requirements of the Office of the Legislative Auditor, State of Louisiana, the following reflects compensation paid to the Mayor and member of the Board of Aldermen for the year ended December 31, 1998:

Mayor C. B. Autrey	\$1,050
Mayor Roy Cates	2,550
Aldermen:	
E. J. McCullor	900
Mary Spillyards	900
Dean Graham	900

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

The Honorable Mayor
and Board of Aldermen
Village of Converse
Converse, Louisiana

I have audited the general purpose financial statements of the Village of Converse, Louisiana, for the year ended December 31, 1999, and have issued my report thereon dated June 5, 2000. I conducted my 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 of Converse, 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 provision was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*:

Internal Control Over Financial Reporting

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

This report is intended for the information of management, Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read 'Eugene W. Fremaux II', with a stylized flourish at the end.

EUGENE W. FREMAUX II, CPA
June 5, 2000