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# Village of Varnado, Louisiana

## Annual Financial Report

December 31, 1999

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 08-110-00

**Village of Varnado, Louisiana**  
**Annual Financial Report**  
**Year Ended December 31, 1999**

**Table of Contents**

	Statement	Schedule	Page
Independent Auditor's Report .....			3
Combined Balance Sheet All Fund Types and Account Groups .....	A		5
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Fund Type .....	B		6
Notes to the Financial Statements .....			8
Supplemental Information:			
Schedule of General Fixed Assets .....		1	16
Schedule of Compensation Paid Elected Officials .....		2	17
Schedule of Expenditures of Federal Awards .....		3	18
Summary Schedule of Prior Audit Findings .....		4	19
Corrective Action Plan for Current Year Audit Findings .....		5	20
Report on Compliance and on Internal Control Structure Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....			28

## BRUCE HARRELL & CO.

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James D Rabalais, CPA

### Independent Auditor's Report

The Honorable Mayor Dennis Magee  
and Members of the Board of Aldermen  
Village of Varnado, Louisiana

We have audited the accompanying general purpose financial statements that do not include a combined statement of revenues, expenditures, and changes in fund balance - budget (GAAP basis) and actual, for the general fund and special revenue fund type of the Village of Varnado, Louisiana, as of and for the year ended December 31, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village of Varnado, Louisiana's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following three paragraphs, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental 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.

The Village of Varnado, Louisiana did not legally adopt a budget for its general fund and special revenue fund type for the year ended December 31, 1999 in violation of Louisiana Revised Statutes § 39:1308, and is therefore unable to present a combined statement of revenues, expenditures, and changes in fund balance - budget (GAAP basis) and actual, for the general fund and special revenue fund type for the year ended December 31, 1999. Presentation of such statements for those governmental funds for which budgets are legally required or have been legally adopted is required by generally accepted accounting principles.

The Village of Varnado, Louisiana was unable to produce adequate documentation in support of expenditures of \$4,550 in violation of Louisiana Revised Statute § 24:515. We were unable to satisfy ourselves as to the proper classification of these expenditures by other auditing procedures, and these expenditures are included on the combined statement of revenues, expenditures, and changes in fund balance as uncategorized expenses of the general fund.

The Village of Varnado, Louisiana was unable to produce adequate documentation in support of police fine revenues of \$1,111 and occupational license revenues of \$4,213 in violation of Louisiana Revised Statute § 24:515. We were unable to satisfy ourselves as to the reason the police fine revenues decreased 72% and the occupational license revenues decreased 37% from the year ended December 31, 1998 by other auditing procedures, and these revenue decreases remain unexplained.

**BRUCE HARRELL & CO.**  
CERTIFIED PUBLIC ACCOUNTANTS  
A Professional Accounting Corporation

The Honorable Mayor Dennis Magee  
and Members of the Board of Aldermen  
Village of Varnado, Louisiana

Page 2

In our opinion, except for the omission of the combined statement of revenues, expenditures, and changes in fund balance - budget (GAAP basis) and actual, the uncategorized expenditures of the general fund, and the unexplained decrease in police fine and occupational license revenues, which result in an incomplete presentation as explained in the three preceding paragraphs, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Village of Varnado, Louisiana, as of December 31, 1999, and the results of its operations 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 June 30, 2000 on our consideration of the Village of Varnado, Louisiana'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 of the Village of Varnado, Louisiana taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis. Also, the individual fund and account group financial statements, schedules, and supplementary information listed in the table of contents are presented for purposes of additional analysis. Neither are a required part of the general purpose financial statements of the Village of Varnado, Louisiana. Such information 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.

  
Bruce Harrell & Company, CPAs  
A Professional Accounting Corporation

June 30, 2000

Village of Varnado, Louisiana

Statement A

Combined Balance Sheet  
All Fund Types And Accounts Groups  
December 31, 1999

	Governmental Fund Type		Account Group	Total (Memo Only)
	General Fund	Special Revenue Fund	General Fixed Assets	
<b>Assets</b>				
Cash and Cash Equivalents	\$ 46,553	\$ 1,220	\$ -	\$ 47,773
Taxes Receivable:				
Ad Valorem Tax Receivable	648	-	-	648
Franchise Tax Receivable	1,249	-	-	1,249
Occupational Licenses Receivable	263	-	-	263
Due From Other Governments:				
State of Louisiana:				
Louisiana Beer Tax Receivable	711	-	-	711
Louisiana Tobacco Tax Receivable	319	-	-	319
Washington Parish Council:				
Garbage Tax Receivable	6,966	-	-	6,966
Washington Parish Tax Collector:				
Sales Tax Receivable	-	1,544	-	1,544
Accrued Interest Receivable	112	-	-	112
Property, Plant, and Equipment	-	-	72,032	72,032
<b>Total Assets</b>	<b>\$ 56,821</b>	<b>\$ 2,764</b>	<b>\$ 72,032</b>	<b>\$ 131,617</b>
<b>Liabilities and Equity</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 752	\$ -	\$ -	\$ 752
Accrued Liabilities	480	-	-	480
<b>Total Liabilities</b>	<b>1,232</b>	<b>-</b>	<b>-</b>	<b>1,232</b>
<b>Equity:</b>				
Investment in General Fixed Assets	-	-	72,032	72,032
<b>Fund Balance:</b>				
Unreserved and Undesignated	55,589	2,764	-	58,353
<b>Total Equity</b>	<b>55,589</b>	<b>2,764</b>	<b>72,032</b>	<b>130,385</b>
<b>Total Liabilities &amp; Equity</b>	<b>\$ 56,821</b>	<b>\$ 2,764</b>	<b>\$ 72,032</b>	<b>\$ 131,617</b>

The accompanying notes are an integral part of these statements.

Village of Varnado, Louisiana

Statement B

Combined Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Governmental Fund Type  
 For the Year Ended December 31, 1999

	General Fund	Special Revenue Fund	Total (Memo Only)
<b>Revenues</b>			
Fines	\$ 1,111	\$ -	\$ 1,111
Franchise Fees	1,249	-	1,249
Occupational Licenses	4,213	-	4,213
Ad Valorem Taxes	2,461	-	2,461
Beer Taxes	3,837	-	3,837
Tobacco Taxes	1,276	-	1,276
Garbage Taxes	6,966	-	6,966
Emergency Assistance	1,637	-	1,637
Interest	2,273	-	2,273
Sales Taxes	622	21,611	22,233
Total Revenues	<u>25,645</u>	<u>21,611</u>	<u>47,256</u>
<b>Expenditures</b>			
General and Administrative:			
Salaries, Mayor & Aldermen	1,380	-	1,380
Salaries, Administrative	150	-	150
Utilities	109	-	109
Office Supplies	478	-	478
Advertising	187	-	187
Professional Services	4,065	-	4,065
Telephone	1,233	-	1,233
Miscellaneous	86	-	86
Uncategorized Expenses (Note 9)	4,550	-	4,550
Total General and Administrative	<u>12,238</u>	<u>-</u>	<u>12,238</u>
Public Safety:			
Salaries, Police Officers	5,773	-	5,773
Vehicle Expense	4,329	-	4,329
Repairs & Maintenance	570	-	570
Supplies	1,106	-	1,106
Insurance	1,477	-	1,477
Total Public Safety	<u>13,255</u>	<u>-</u>	<u>13,255</u>

(Continued)

The accompanying notes are an integral part of these statements.

Village of Varnado, Louisiana

Statement B

Combined Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Governmental Fund Type  
 For the Year Ended December 31, 1999

	General Fund	Special Revenue Fund	Total (Memo Only)
Streets and Sanitation:			
Salaries, Street Maintenance	\$ -	\$ 26,980	\$ 26,980
Repairs & Maintenance	-	4,236	4,236
Vehicle Expense	-	3,176	3,176
Utilities, Street Lights	-	6,349	6,349
Bank Charges	-	76	76
Total Streets & Sanitation	-	40,817	40,817
Total Expenditures	25,493	40,817	66,310
<b>Excess Revenues (Expenditures)</b>	<u>152</u>	<u>(19,206)</u>	<u>(19,054)</u>
<b>Other Financing Sources (Uses)</b>			
Operating Transfers In (Out)	(19,468)	19,468	-
Total Other Financing Sources (Uses)	<u>(19,468)</u>	<u>19,468</u>	<u>-</u>
<b>Excesss Revenues and Other Financing Sources (Expenditures and Other Financing Uses)</b>	(19,316)	262	(19,054)
<b>Fund Balance, Beginning of Year</b>	74,905	941	75,846
<b>Prior Period Adjustment (Note 10)</b>	-	1,561	1,561
<b>Fund Balance, End of Year</b>	<u>\$ 55,589</u>	<u>\$ 2,764</u>	<u>\$ 58,353</u>

(Concluded)

The accompanying notes are an integral part of these statements.

Village of Varnado, Louisiana

Notes to the Financial Statements  
As of and for the Year Ended December 31, 1999

**INTRODUCTION**

The Village of Varnado, Louisiana is the governing authority for the Village of Varnado, Louisiana and is a political subdivision of the State of Louisiana. The Village is operated under a Mayor - Board of Alderman form of government. The Mayor and Aldermen serve four-year terms that expire on January 1, 2001.

Louisiana Revised Statute 33:321 gives the Village various powers in regulating and directing affairs of the Village and its inhabitants. The more notable of these is the power to make regulations for its own government; to regulate the construction and maintenance of roads, bridges, and drainage systems; to regulate the sale of alcoholic beverages; and to provide for the health and welfare of the poor, disadvantaged, and unemployed in the Village. Funding to accomplish these tasks is provided by ad valorem taxes, fines, beer and alcoholic beverage permits, state revenue sharing, and various other state and federal grants.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The accompanying financial statements of the Village of Varnado, Louisiana 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.

**B. REPORTING ENTITY**

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

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

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the Village 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 village.
2. Organizations for which the Village does not appoint a voting majority but are fiscally dependent on the Village.



**Village of Varnado, Louisiana**

**Notes to the Financial Statements  
As of and for the Year Ended December 31, 1999**

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

Based on the previous criteria, the Village has determined that there are no component units.

**C. FUND ACCOUNTING**

The Village uses funds and account groups to report on 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 of Varnado, Louisiana are classified into one category, *Governmental*. 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 municipality'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:

- 1. General Fund - the General Operating Fund of the municipality and accounts for all financial resources, except those required to be accounted for in other funds.
- 2. Special Revenue Fund - used to account for proceeds of the sales tax that are legally restricted to expenditures for specified purposes.

**D. 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 governmental funds use the following practices in recording revenues and expenditures:

**Revenues**

Revenues are recognized when they become measurable and available as current assets.

**Village of Varnado, Louisiana**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 1999**

**Expenditures**

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

**Other Financing Sources (Uses)**

Transfers between funds that are not expected to be repaid are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

**E. BUDGETS**

For the fiscal year ended December 31, 1999, the Village did not legally adopt a budget for its General and Special Revenue Funds in violation of Louisiana Revised Statute § 39:1308.

**F. CASH AND CASH EQUIVALENTS**

Cash includes amounts in demand deposits and interest-bearing demand deposits. Cash equivalents include amounts in *time deposits and those investments with original maturities of 90 days or less*. 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.

**G. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES**

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

**H. INVENTORIES**

Purchase of various operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year.

**I. 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 are not capitalized. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost or estimated cost if historical cost is not available.

**Village of Varnado, Louisiana**

**Notes to the Financial Statements  
As of and for the Year Ended December 31, 1999**

**J. FUND EQUITY**

**Reserves**

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

**Designated Fund Balance**

*Designated fund balance represents tentative plans for future use of financial resources.*

**K. INTERFUND TRANSACTIONS**

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursement 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 non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers of the Village of Varnado, Louisiana are reported as operating transfers.

**L. SALES TAXES**

The Village levies a permanent one percent sales and use tax dedicated to the purpose of constructing and improving streets and street lighting and acquiring equipment necessary for the maintenance thereof.

**M. USE OF ESTIMATES**

The preparation of financial statements in conformance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**N. TOTAL COLUMN ON COMBINED STATEMENTS**

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 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.

Village of Varnado, Louisiana

Notes to the Financial Statements  
As of and for the Year Ended December 31, 1999

2. LEVIED TAXES

On July 7, 1999, the Village renewed its 3.70 mill ad valorem operating tax on the assessed valuation of all property subject to taxation within the Village for the year 1999. This is a permanent tax per constitutional authority and is subject to annual renewal by the Village. The proceeds of this tax are dedicated to general corporate purposes.

The following is a summary of authorized and levied ad valorem taxes for the year ended December 31, 1999:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
Operating Tax	3.70 mill	3.70 mill	Permanent

3. CASH AND CASH EQUIVALENTS

At December 31, 1999, the village has cash and cash equivalents (book balances) totaling \$47,773, as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Demand Deposits	\$ 8,106	\$ 1,220	\$ 9,326
Time Deposits	38,447	-	38,447
	<u>\$ 46,553</u>	<u>\$ 1,220</u>	<u>\$ 47,773</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or 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. 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. At December 31, 1999, the Village has \$48,680 in deposits (collected bank balances). Demand deposit accounts and time deposit accounts have collected bank balances at December 31, 1999 in the amount of \$10,233 and \$38,447, respectively. Each group is secured from risk by \$100,000 of federal deposit insurance.

Village of Varnado, Louisiana

Notes to the Financial Statements  
As of and for the Year Ended December 31, 1999

4. RECEIVABLES

The following is a summary of receivables at December 31, 1999:

	General Fund	Special Revenue Fund
Taxes:		
Ad Valorem Tax	\$ 648	\$ -
Franchise	1,249	-
Intergovernmental:		
State of Louisiana:		
Beer Tax	711	-
Tobacco Tax	319	-
Washington Parish Council:		
Garbage Tax	6,966	-
Washington Parish Tax Collector:		
Sales Tax	..	1,544
Other:		
Occupational Licenses	263	-
Accrued Interest	112	-
	<u>\$ 10,268</u>	<u>\$ 1,544</u>

5. FIXED ASSETS

The changes in general fixed assets follow:

	Balance 01/01/99	Additions	Deletions	Balance 12/31/99
Land	\$ 1,128	\$ -	\$ -	\$ 1,128
Building & Parking Area	4,000	-	-	4,000
Vehicles & Equipment	66,904	-	-	66,904
	<u>\$ 72,032</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,032</u>

6. ACCOUNTS, SALARIES, AND OTHER PAYABLES

The following is a summary of payables at December 31, 1999:

	General Fund	Special Revenue Fund	Total
Accounts Payable	\$ 752	\$ -	\$ 752
Accrued Liabilities	480	-	480
	<u>\$ 1,232</u>	<u>\$ -</u>	<u>\$ 1,232</u>

**Village of Varnado, Louisiana**

**Notes to the Financial Statements  
As of and for the Year Ended December 31, 1999**

**7. RELATED PARTY TRANSACTIONS**

For the year ended December 31, 1999, the Village maintained an account at a local convenience store, payable monthly, for the purchase of fuel for the Village's police and street department vehicles. During the same period, the Mayor's spouse was employed at the convenience store where the Village's fuel account was maintained. The Village's payments on the fuel account for the year ended December 31, 1999 totaled \$5,708.

**8. CONTINGENT LIABILITIES**

It is the Village's policy to classify its employees as independent contractors and not report amounts paid to these employees to appropriate government agencies. It is also the Village's policy not to withhold income taxes or payroll taxes from its employees, nor to pay the employer's portion of the payroll taxes in violation of U.S. Treasury Regulation 31.3102. As a result of this policy, the Village may be held liable for past unpaid payroll taxes should it later be determined that the Village misclassified its employees as independent contractors. The amount of this contingent liability, if any, has not been estimated and no accrual has been made.

**9. UNCATEGORIZED EXPENSES**

During the year ended December 31, 1999, the Village expended funds totaling \$4,550 for which it could produce no supporting documentation in violation of Louisiana Revised Statute § 24:515. The \$4,550 consists of eighteen expenditures of even dollar amounts made payable to a local convenience store. Because documentation supporting the classification of these expenditures could not be produced by the Village or the convenience store, the expenditures remain unclassified.

**10. PRIOR PERIOD ADJUSTMENT**

For the year ended December 31, 1998, the Village failed to accrue \$1,561 sales taxes receivable from the Washington Parish Tax Collector in its Special Revenue Fund, resulting in a \$1,561 understatement of assets on December 31, 1998 and a \$1,561 understatement of revenues for the year ended December 31, 1998.

**11. SUBSEQUENT EVENTS**

Subsequent to December 31, 1999, the Village was approved for a \$15,000 Rural Development Grant from the State of Louisiana for a street improvement project on Jones Creek and Washington Streets.

## Supplemental Information

Village of Varnado, Louisiana

Schedule 1

Schedule of General Fixed Assets  
December 31, 1999

**General Fixed Assets, at Cost**

Land	\$	1,128
Building and Parking Area		4,000
Furniture and Fixtures		-
Vehicles and Equipment		66,904
Total General Fixed Assets	\$	<u>72,032</u>

**Investment in General Fixed Assets**

General Fund	\$	62,985
Special Revenue Fund		9,047
Total Investment in General Fixed Assets	\$	<u>72,032</u>

The accompanying notes are an integral part of these statements.



Village of Varnado, Louisiana

Schedule 2

Schedule of Compensation Paid Elected Officials  
For the Year Ended December 31, 1999

<u>Name, Title, Address, Telephone</u>	<u>Term of Office</u>	<u>Compensation</u>
Dennis Magce, Mayor 25515 Freeman Lane Angie, LA 70426 (504) 735-0162	01/01/97 - 12/31/00	\$ 480
Carl Fornea, Alderman 63329 Fornea Road Angie, LA 70426 (504) 735-8028	01/01/97 - 12/31/00	300
George Jones, Alderman 63377 Fornea Road Angie, LA 70426 (504) 732-4995	01/01/97 - 12/31/00	300
Rhonda Gunnell, Alderwoman 63260 Fornea Road Angie, LA 70426 (504) 732-2986	01/01/97 - 08/31/99	150
Timothy Dillon, Alderman 25559 Freeman Lane Angie, LA 70426 (504) 735-7186	09/01/99 - 01/31/00	150
Sally Law, Alderwoman 25505 Coleman Street Angie, LA 70426 (504) 732-3877	02/01/00 - 12/31/00	-
Leroy Seal, Police Chief (Address Unlisted) Angie, LA 70426 (Telephone Unlisted)	01/01/97 - 12/31/00	2,250
		<u>\$ 3,630</u>

The accompanying notes are an integral part of these statements.

Village of Varnado, Louisiana

Schedule 3

Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 1999

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Federal Emergency Management Agency Passed Through Louisiana Military Department Office of Emergency Preparedness Disaster Public Assistance	83.544	-	\$ 1,637
			<u>\$ 1,637</u>

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Village of Varnado, Louisiana and is presented on the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

The accompanying notes are an integral part of these statements.

**Village of Varnado, Louisiana**

**Schedule 4**

**Summary Schedule of Prior Audit Findings  
For the Year Ended December 31, 1999**

**Section I - Internal Control and Compliance Material to the Financial Statements**

No section I findings.

**Section II - Internal Control and Compliance Material to Federal Awards**

No section II findings.

**Section III - Management Letter**

No section III findings.

Corrective Action Plan for Current Year Audit Findings  
For the Year Ended December 31, 1999

Section I - Internal Control and Compliance Material to the Financial Statements

Reference Number: 99-1

Description of Finding: For the year ended December 31, 1999, the Village was unable to produce adequate supporting documentation for police fine revenues of \$1,111, occupational license revenues of \$4,213, and unclassified expenditures totaling \$4,550 in violation of Louisiana Revised Statute § 24:515.

Corrective Action Planned: Invoices, receipts, tickets, licenses, and other documentation of the Village's revenues and expenditures will be kept on file in support of all revenues received and expenditures made by the Village and will be made available to our independent auditor as required by Louisiana Revised Statute § 24:515.

Anticipated Completion Date: August 31, 2000

Name of Contact Person: Dennis S. Magee, Mayor  
Village of Varnado, Louisiana  
25515 Freeman Lane  
Angie, Louisiana 70426  
(504) 735-0162

Reference Number: 99-2

Description of Finding: For the year ended December 31, 1999, the Village failed to adopt a budget for its General Fund and Special Revenue Fund in violation of Louisiana Revised Statute § 39:1308.

Corrective Action Planned: Budgets for the Village's General Fund and Special Revenue Fund will be prepared and adopted in accordance with Louisiana Revised Statutes § 39:1301 through § 39:1314.

Anticipated Completion Date: August 31, 2000

Name of Contact Person: Dennis S. Magee, Mayor  
Village of Varnado, Louisiana  
25515 Freeman Lane  
Angie, Louisiana 70426  
(504) 735-0162

(Continued)

Village of Varnado, Louisiana

Schedule 5

Corrective Action Plan for Current Year Audit Findings  
For the Year Ended December 31, 1999

Reference Number: 99-3

Description of Finding: For the year ended December 31, 1999 the Village did not present a combined statement of revenues, expenditures, and changes in fund balance - budget (GAAP basis) and actual, for its General Fund and Special Revenue Fund, which is a departure from generally accepted accounting principles and a violation of Louisiana Revised Statute § 24:514.

Corrective Action Planned: As discussed in finding 99-2, the Village did not adopt a budget for the year ended December 31, 1999, and was therefore unable to present a combined statement of revenues, expenditures, and changes in fund balance - budget (GAAP basis) and actual, for its General Fund and Special Revenue Fund as required by generally accepted accounting principles and Louisiana Revised Statute § 24:514. Budgets for the Village's General Fund and Special Revenue Fund will be prepared and adopted in accordance with Louisiana Revised Statutes § 39:1301 through § 39:1314 and combined statements of revenues, expenditures, and changes in fund balance - budget (GAAP basis) and actual, for its General Fund and Special Revenue Fund will be presented as required by generally accepted accounting principles and Louisiana Revised Statute § 24:514.

Anticipated Completion Date: August 31, 2000

Name of Contact Person: Dennis S. Magee, Mayor  
Village of Varnado, Louisiana  
25515 Freeman Lane  
Angie, Louisiana 70426  
(504) 735-0162

(Continued)

Village of Varnado, Louisiana

Schedule 5

Corrective Action Plan for Current Year Audit Findings  
For the Year Ended December 31, 1999

Reference Number: 99-4

Description of Finding: For the year ended December 31, 1999, the Village failed to prepare monthly financial statements and present them to the Board of Aldermen in violation of Louisiana Revised Statute § 33:425.

Corrective Action Planned: Monthly financial statements will be prepared and presented to the Board of Aldermen as required by Louisiana Revised Statute § 33:425.

Anticipated Completion Date: August 31, 2000

Name of Contact Person: Dennis S. Magee, Mayor  
Village of Varnado, Louisiana  
25515 Freeman Lane  
Angie, Louisiana 70426  
(504) 735-0162

Reference Number: 99-5

Description of Finding: For the year ended December 31, 1999, the Village failed to conduct an annual inventory of its general fixed assets and failed to maintain an up-to-date master file of its general fixed assets in violation of Louisiana Revised Statute § 39:324.

Corrective Action Planned: An inventory of the Village's general fixed assets will be conducted, and a master file of its general fixed assets will be established and maintained as required by Louisiana Revised Statute § 39:324.

Anticipated Completion Date: August 31, 2000

Name of Contact Person: Dennis S. Magee, Mayor  
Village of Varnado, Louisiana  
25515 Freeman Lane  
Angie, Louisiana 70426  
(504) 735-0162

(Continued)

**Village of Varnado, Louisiana**

**Schedule 5**

**Corrective Action Plan for Current Year Audit Findings  
For the Year Ended December 31, 1999**

**Reference Number: 99-6**

Description of Finding: For the year ended December 31, 1999, the Village failed to make daily deposits of its funds in violation of Louisiana Revised Statute § 39:1212.

Corrective Action Planned: All of the Village's funds will be deposited on a daily basis, whenever practicable, as required by Louisiana Revised Statute § 39:1212.

Anticipated Completion Date: August 31, 2000

Name of Contact Person: Dennis S. Magee, Mayor  
Village of Varnado, Louisiana  
25515 Freeman Lane  
Angie, Louisiana 70426  
(504) 735-0162

**Reference Number: 99-7**

Description of Finding: For the year ended December 31, 1999, the Village failed to keep complete and legible written minutes of all meetings of the Board of Aldermen as required by Louisiana Revised Statute § 42:7.

Corrective Action Planned: Complete and legible written minutes will be kept of all of the Village's open meetings as required by Louisiana Revised Statute § 42:7.

Anticipated Completion Date: August 31, 2000

Name of Contact Person: Dennis S. Magee, Mayor  
Village of Varnado, Louisiana  
25515 Freeman Lane  
Angie, Louisiana 70426  
(504) 735-0162

(Continued)

Village of Varnado, Louisiana

Schedule 5

Corrective Action Plan for Current Year Audit Findings  
For the Year Ended December 31, 1999

Reference Number: 99-8

Description of Finding: For the year ended December 31, 1999, the Village paid all of its employees as if they were independent contractors with no withholding of taxes and with no reporting of the wages paid in violation of U.S. Treasury Regulation 31.3102.

Corrective Action Planned: Employee wages will be made subject to withholding by the Village and reported to the appropriate agencies as required by U.S. Treasury Regulation 31.3102.

Anticipated Completion Date: August 31, 2000

Name of Contact Person: Dennis S. Magee, Mayor  
Village of Varnado, Louisiana  
25515 Freeman Lane  
Angie, Louisiana 70426  
(504) 735-0162

Reference Number: 99-9

Description of Finding: For the fiscal year ended December 31, 1999, the Village failed to procure bonds for persons responsible for money in violation of Louisiana Revised Statute § 33:714.

Corrective Action Planned: A bond will be procured for employees responsible for money as required by Louisiana Revised Statute § 33:714.

Anticipated Completion Date: August 31, 2000

Name of Contact Person: Dennis S. Magee, Mayor  
Village of Varnado, Louisiana  
25515 Freeman Lane  
Angie, Louisiana 70426  
(504) 735-0162

(Continued)



Village of Varnado, Louisiana

Schedule 5

Corrective Action Plan for Current Year Audit Findings  
For the Year Ended December 31, 1999

Reference Number: 99-10

Description of Finding: For the year ended December 31, 1999, the Village did not deliver its annual financial report to the Louisiana Legislative Auditor within six months of the close of their fiscal year in violation of Louisiana Revised Statute § 33:463.

Corrective Action Planned: A new accounting system will be put in place by the Village to improve its financial accounting and reporting and enable it to deliver timely annual financial reports to the Louisiana Legislative Auditor as required by Louisiana Revised Statute § 33:463.

Anticipated Completion Date: August 31, 2000

Name of Contact Person: Dennis S. Magee, Mayor  
Village of Varnado, Louisiana  
25515 Freeman Lane  
Angie, Louisiana 70426  
(504) 735-0162

(Continued)

Corrective Action Plan for Current Year Audit Findings  
For the Year Ended December 31, 1999

Reference Number: 99-11

Description of Finding: A lack of internal controls over cash and cash disbursements was noted for the year ended December 31, 1999:

Four different individuals signed the Mayor's name to checks from the Village's account throughout the year, one of which was the Mayor's signature, and three of which were false signatures.

Checks written to two employees throughout the year were falsely endorsed with the employees' names on the back of the checks by the same person who wrote the checks and falsely signed the Mayor's name to the checks.

Several checks made payable to "Cash" were written from the Village's account throughout the year.

Bank account balances were not reconciled to monthly bank statements.

Corrective Action Planned: The approval and signature of two elected officials will be required on all checks written from the Village's account. The Village's signature card will be updated at its bank, and all persons authorized to sign checks will sign with his or her own name. Checks will be made payable to a specific vendor, and employees will endorse their own paychecks.

Anticipated Completion Date: August 31, 2000

Name of Contact Person: Dennis S. Magee, Mayor  
Village of Varnado, Louisiana  
25515 Freeman Lane  
Angie, Louisiana 70426  
(504) 735-0162

(Continued)

Village of Varnado, Louisiana

Schedule 5

**Corrective Action Plan for Current Year Audit Findings  
For the Year Ended December 31, 1999**

**Reference Number: 99-12**

Description of Finding: For the year ended December 31, 1999, receipts and disbursements of the General Fund and Special Revenue Fund were routinely commingled, causing a major reclassification of the revenues and expenditures in each fund, with the net amount of the commingled transactions reclassified as an interfund transfer from the General Fund to the Special Revenue Fund.

Corrective Action Planned: Receipts and disbursements of the General Fund and Special Revenue Fund will not be commingled between the funds.

Anticipated Completion Date: August 31, 2000

Name of Contact Person: Dennis S. Magee, Mayor  
Village of Varnado, Louisiana  
25515 Freeman Lane  
Angie, Louisiana 70426  
(504) 735-0162

**Section II - Internal Control and Compliance Material to Federal Awards**

No section II findings.

**Section III - Management Letter**

Management findings for the Village of Varnado, Louisiana are included in a separate letter dated June 30, 2000.

(Concluded)

## **BRUCE HARRELL & CO.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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Society of Louisiana CPAs

### **Report on Compliance and on Internal Control Structure Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

The Honorable Mayor Dennis Magee  
and Members of the Board of Aldermen  
Village of Varnado, Louisiana

We have audited the general purpose financial statements of the Village of Varnado, Louisiana, as of and for the year ended December 31, 1999, and have issued our report thereon dated June 30, 2000, which was qualified because of the omission of the combined statement of revenues, expenditures, and changes in fund balance - budget (GAAP basis) and actual, uncategorized expenditures of the general fund, and unexplained decreases in police fine and occupational license revenues. Except as discussed in the preceding sentence, 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 of Varnado, Louisiana'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 such an opinion. The results of our tests disclosed ten instances of noncompliance that are required to be reported under *Governmental Auditing Standards* which are described in the accompanying schedule of Corrective Action Plan for Current Year Audit Findings as items 99-1 through 99-10.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village of Varnado, Louisiana'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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 judgement, could adversely affect the Village of Varnado, Louisiana's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of Corrective Action Plan for Current Year Audit Findings as items 99-11 and 99-12.

**BRUCE HARRELL & CO.**  
CERTIFIED PUBLIC ACCOUNTANTS  
A Professional Accounting Corporation

The Honorable Mayor Dennis Magee  
and Members of the Board of Aldermen  
Village of Varnado, Louisiana

Page 2

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 99-11 to be a material weakness.

In addition to the internal control and compliance findings noted above, we are including a separate management letter dated June 30, 2000. This management letter details possible courses of action that may be required if the Village of Varnado, Louisiana does not correct the above-referenced findings.

This report is intended for the information of the management of the Village of Varnado, Louisiana and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.



Bruce Harrell and Company, CPAs  
A Professional Accounting Corporation

June 30, 2000

Bruce C. Harrell, CPA

Warren A. Wool, CPA  
Michael P. Estay, CPA  
Dale H. Jones, CPA  
Charles P. Hebert, CPA  
James D. Rabalais, CPA

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**Management Letter**

June 30, 2000

The Honorable Mayor Dennis Magee  
and Members of the Board of Aldermen  
Village of Varnado, Louisiana

We have examined the general purpose financial statements of the Village of Varnado, Louisiana as of and for the year ended December 31, 1999. In planning and performing our audit, we considered the internal control structure 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 structure. In our audit report we listed numerous internal control and compliance findings that if not corrected will seriously limit the ability of the Village to comply with legal reporting and record-keeping requirements. This compliance is mandatory if the Village is to continue as a separate legal entity of the State of Louisiana. If the Village does not correct the reported internal control and compliance findings or if the Village determines that it is not economically feasible to provide the level of accountability required for a local governmental entity, other alternatives should be considered. The format below references the reported weaknesses in internal controls and noncompliance to laws and regulations, lists our audit recommendation, and includes management's response to the recommendation. Any recommendation specifically related to compliance to laws and regulations is listed separately in applicable auditor's reports.

**Weaknesses in Internal Controls and Noncompliance to Laws and Regulations**

Twelve instances of weaknesses in internal controls and/or noncompliance to laws and regulations are detailed in Section I of the Schedule of Corrective Action Plan for Current Year Audit Findings in the Village's Annual Financial Report for the year ended December 31, 1999. These are findings that severely limit the ability of the Village's management to record, process, summarize, and report financial data in accordance with applicable laws and regulations. Compliance with these recommendations requires a specific course of action directed toward improved record-keeping, reporting, and accountability for all funds received and expended by the Village. If a specific plan of improvement is not adopted and implemented immediately, it is probable that additional legal remedies will be taken by local law enforcement and state regulatory agencies.

**Audit Recommendation**

The numerous findings referenced above are indicative of the Village's general inability to provide for the most basic financial accounting data. We recommend that the Village immediately develop and implement a corrective plan of action to correct these deficiencies. If the Village cannot or does not undertake this recommendation immediately, we recommend that the Village unincorporate itself and allow the Washington Parish Council and the Washington Parish Sheriff to assume the responsibilities and services currently furnished to the public by the Village.

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The Honorable Mayor Dennis Magee  
and Members of the Board of Aldermen  
Village of Varnado, Louisiana

Page 2

**Management Response**

The Village will attempt to correct the twelve findings mentioned above as soon as possible.

It has been our pleasure to perform this financial audit for you. We will be glad to meet with you in trying to provide assistance in implementing the above recommendations.

Respectfully Submitted,

A handwritten signature in black ink that reads "Bruce Harrell & Co." in a cursive style.

Bruce Harrell & Company, CPAs  
A Professional Accounting Corporation