

GENERAL-PURPOSE FINANCIAL STATEMENTS
(COMBINED STATEMENTS - OVERVIEW)

VILLAGE OF MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Village of Mer Rouge, Louisiana, (the "Village") operates under a mayor-board of aldermen form of government in accordance with the provisions of the Louisiana Act.

The financial statements of the Village have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

Financial Reporting Entity:

The reporting entity for the Village includes Village of Mer Rouge, Louisiana, primary government, as well as component units which:

1. are accountable to the Village
2. are fiscally dependent upon the Village, or
3. if excluded, could cause the financial statements to be misleading.

Based on the previous criteria, the Village has determined that the following component unit is a part of the reporting entity:

Sewer District No. 1 of Village of Mer Rouge, Louisiana	<u>Fiscal Year End</u> 12-31
---	---------------------------------

Considered in the determination of component units of the reporting entity were Sixth Ward Fire Protection District No. 1 of Morehouse Parish, Louisiana, and Mer Rouge Volunteer Fire Department. It was determined that this governmental and volunteer entity are not component units of the Village's reporting entity.

VILLAGE OF MER ROUGE, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
Year Ended December 31, 1996

	General	Capital Projects	Totals - Memorandum Only
Revenues:			
Taxes	\$ 224,650	\$ -	\$ 224,650
Licenses and permits	44,683	-	44,683
Intergovernmental	14,821	11,025	25,846
Charges for services	679	-	679
Fines and forfeitures	60,729	-	60,729
Interest and miscellaneous	44,279	-	44,279
	<u>\$ 389,531</u>	<u>\$ 11,025</u>	<u>\$ 400,556</u>
Expenditures:			
Current:			
General government	\$ 103,854	\$ -	\$ 103,854
Sanitation	24,480	-	24,480
Public safety	71,450	-	71,450
Highways and streets	1,389	-	1,389
Capital outlay	32,438	11,025	43,463
	<u>\$ 233,611</u>	<u>\$ 11,025</u>	<u>\$ 244,636</u>
Excess of revenues over expenditures	\$ 155,920	\$ -	\$ 155,920
Fund balances - beginning	521,620	-	521,620
Fund balances - ending	<u>\$ 677,540</u>	<u>\$ -</u>	<u>\$ 677,540</u>

See notes to financial statements.

VILLAGE OF MER ROUGE, LOUISIANA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP

December 31, 1996

With Comparative Totals For December 31, 1995

	Governmental Fund Type	Proprietary Fund Type
	General	Enterprise
ASSETS		
Cash and cash equivalents (Notes 1 and 2)	\$ 48,462	\$ 52,651
Investments (Notes 1 and 2)	585,851	208,412
Receivables:		
Taxes (Notes 3)	5,718	-
Accounts	-	11,560
Accrued interest	1,126	764
Prepaid expenses	-	3,399
Due from other funds	-	-
Due from other governments	1,170	-
Restricted assets:		
Cash and cash equivalents (Notes 1 and 2)	-	24,148
Cash deposited with bondholder	-	28,250
Investments (Notes 1 and 2)	-	47,492
Accrued interest receivable	-	120
Fund assets - net (Notes 1 and 4)	<u> -</u>	<u> 967,422</u>
 Total assets	 \$ 640,330	 \$ 1,392,207

NOTES TO FINANCIAL STATEMENTS

Note 4. Changes in Fixed Assets

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

	Balance January 1, 1996	Additions	Balance December 31, 1996
Land and buildings	\$ 75,970	\$ 39,872	\$ 115,842
Improvements other than buildings	545,180	12,567	557,747
Equipment and vehicles	99,207	-	99,207
Construction in progress	-	11,025	11,025
	<u>\$ 720,357</u>	<u>\$ 63,464</u>	<u>\$ 783,821</u>

A summary of the Enterprise Fund fixed assets and depreciation at December 31, 1996, is as follows:

	Cost	Accumulated Depreciation	Net	Current Depreciation
Land	\$ 20,110	\$ -	\$ 20,110	\$ -
Water and sewer system	1,474,343	550,502	923,841	34,883
Equipment	62,873	43,481	19,392	8,363
	<u>\$ 1,547,326</u>	<u>\$ 593,983</u>	<u>\$ 953,343</u>	<u>\$ 43,246</u>

Note 5. Changes in Long-Term Debt

The following is a summary of bond transactions of the Village for the year ended December 31, 1996:

	General Bonds		
	1992	1996	Totals
Bonds payable - January 1, 1996	\$ 317,400	\$ 466,524	\$ 783,924
Bonds retired	12,400	3,501	15,901
Bonds payable - December 31, 1996	<u>\$ 305,000</u>	<u>\$ 463,023</u>	<u>\$ 768,023</u>

Account Group General Fund Assets	Totals - (Miscellaneous Only) December 31,	
	1992	1993
\$ -	\$ -	\$ 2,048
-	14,394	14,381
-	17,899	16,488
-	16,019	18,600
-	690,338	707,450
<u>\$ -</u>	<u>\$ 738,650</u>	<u>\$ 737,917</u>
\$ -	\$ 386,570	\$ 396,330
783,891	383,800	729,337
-	56,177	93,844
-	153,266	131,340
-	648,330	521,620
<u>\$ 783,891</u>	<u>\$ 2,032,084</u>	<u>\$ 1,843,011</u>
<u>\$ 783,891</u>	<u>\$ 2,725,608</u>	<u>\$ 2,608,730</u>

VILLAGE OF MER ROUGE, LOUISIANA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP
(Continued)

December 31, 1995

With Comparative Totals For December 31, 1993

	Governmental Fund Type	Proprietary Fund Type
	General	Enterprise
LIABILITIES, EQUITY AND OTHER CREDITS		
Liabilities:		
Due to other funds	\$ -	\$ -
Payable from restricted assets:		
Customers' deposits	-	14,194
Revenue bonds payable - current (Note 5)	-	17,685
Accrued interest payable	-	16,899
Revenue bonds payable - net of current portion (Note 5)	-	690,328
Total liabilities	<u>\$ -</u>	<u>\$ 738,706</u>
Equity and other credits:		
Contributed capital	\$ -	\$ 296,170
Investment in general fixed assets	-	-
Retained earnings:		
Reserved for revenue bond retirement (Note 5)	-	36,177
Unreserved	-	151,266
Fund balance - unreserved and undesignated	649,510	-
Total equity and other credits	<u>\$ 649,510</u>	<u>\$ 483,613</u>
Total liabilities, equity and other credits	<u>\$ 649,510</u>	<u>\$ 1,242,320</u>

See notes to financial statements.

VILLAGE OF MER ROUGE, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND

Year Ended December 31, 1995

With Comparative Actual Totals For the Year Ended December 31, 1994

	Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Taxes	\$ 216,475	\$ 224,610	\$ 8,135
Licenses and permits	48,754	44,683	3,829
Intra-governmental	5,491	10,821	5,330
Charges for services	1,306	675	(631)
Fines and forfeitures	20,000	68,725	48,725
Interest and miscellaneous	25,968	24,870	21,061
	<u>\$ 337,934</u>	<u>\$ 384,524</u>	<u>\$ 78,589</u>
Expenditures:			
Current:			
General government	\$ 118,816	\$ 103,854	\$ 6,963
Sanitation	28,673	26,480	2,193
Public safety	78,913	74,452	3,559
Highways and streets	15,508	1,389	14,119
Capital outlay	20,000	32,432	(12,432)
	<u>\$ 261,908</u>	<u>\$ 238,614</u>	<u>\$ 6,814</u>
Excess of revenues over expenditures	\$ 45,398	\$ 127,910	\$ 72,175
Other financing sources:			
Sale of fixed assets	-	-	-
Excess of revenues and other financing sources over expenditures	\$ 45,398	\$ 127,910	\$ 72,175
Fund balance - beginning	511,620	511,620	-
Residual equity transfer out	-	-	-
Fund balance - ending	\$ 557,018	\$ 639,530	\$ 72,175
See notes to financial statements.			

Totals -
 Memorandum
 Only
 Year Ended
 December 31,
 1959

\$ 220,815
 44,051
 27,019
 1,309
 23,688
29,981
 \$ 347,773

\$ 99,282
 22,318
 68,126
 1,516

 \$ 191,242

\$ 151,809

 800

\$ 152,609

274,019

 5,000

\$ 431,629

Account Group General Fund Assets	Totals - (Miscellaneous Only)	
	December 31, 1956	1955
\$ -	\$ 191,113	\$ 138,497
-	793,404	596,117
-	3,718	9,114
-	11,560	13,374
-	1,923	1,394
-	3,399	3,294
-	-	2,948
-	1,179	1,403
-	29,148	28,289
-	29,290	28,270
-	47,492	44,949
-	180	164
<u>783,801</u>	<u>1,751,321</u>	<u>1,733,612</u>
\$ 783,801	\$ 1,751,609	\$ 2,608,710

(continued)

VILLAGE OF MER ROUGE, LOUISIANA

STATEMENTS OF CASH FLOWS - PROPRIETARY FUND TYPE - ENTERPRISE FUND
 Years Ended December 31, 1996 and 1995

	Year Ended December 31,	
	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 14,468	\$ (8,531)
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities:		
Depreciation	45,246	40,317
(Increase) decrease in accounts receivable	1,714	(1,386)
(Increase) decrease in accrued interest receivable	(161)	345
(Increase) decrease in prepaid expenses	(185)	(278)
(Increase) decrease in due from other funds	1,687	-
(Increase) decrease in restricted assets	(4,348)	(1,448)
(Increase) decrease in accounts payable	-	(1,127)
Increase (decrease) in due to other funds	(1,261)	-
Increase (decrease) in liabilities payable from restricted assets	512	1,827
Net cash provided by operating activities	\$ 28,782	\$ 28,825

See notes to financial statements.

In accordance with Government Auditing Standards, we have also issued reports dated April 18, 1997, on Village of Newburgh's compliance with laws and regulations and on our consideration of its internal control structure which are presented on pages 19 and 20 through 22, respectively, of this document.

April 18, 1997

Bill, Morgan & Co.

NOTES TO FINANCIAL STATEMENTS

Fund Accounting:

The accounts of the Village are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenditures or expenses. The following funds and account group are used by the Village:

Governmental fund type:

General Fund:

The General Fund is the general operating fund of the Village. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Capital Projects Fund:

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Proprietary fund type:

Enterprise Fund:

The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing services to the general public on a continuing basis are financed through user charges.

General fund assets:

General Fixed Assets Account Group:

The General Fixed Assets Account Group is used to account for fixed assets used in governmental fund type operations for control purposes.

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.

NOTES TO FINANCIAL STATEMENTS

Comparative Data:

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Village's financial position and operations. However, presentation of prior year totals by fund type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

Basis of Accounting:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these fund types present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund type are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The proprietary fund type operating statement presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both 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. Expenditures are recorded when the related fund liability is incurred.

Those major revenues susceptible to accrual are ad valorem taxes and water and sewer fees. Licenses and permits, charges for services (other than water and sewer fees), fines and other revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by the proprietary fund type. Under this method, revenues are recorded when earned and expenses are recorded as the liabilities are incurred.

NOTES TO FINANCIAL STATEMENTS

Budgets and Budgetary Accounting:

The Mayor and Board of Aldermen adopt an annual budget for the General Fund. The annual budget is prepared in accordance with the basis of accounting utilized by that fund. The Village Clerk is authorized to transfer budgeted amounts within and among departments, however, any revisions that alter the total expenditures resulting from revenues exceeding amounts estimated must be approved by the Mayor and Board of Aldermen. Subsequent to year end, if necessary, the Mayor and Board of Aldermen adopt an amended budget approving such additional expenditures. All annual appropriations lapse at fiscal year end.

Cash and Cash Equivalents:

The Village considers all highly liquid investments, with a maturity of three months or less when purchased, to be cash equivalents.

Cash is reported at net book value - the December 31, 1986, 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 invest in obligations of the United States, deposit funds in state banks organized under state law or national banks having their principal office in Louisiana, or in mutual or trust institutions which have underlying investments consisting solely of securities of the U.S. government or its agencies.

Investments:

Investments consist of certificates of deposit which are carried at cost or cost plus interest earned and received to date.

Uncollectible Allowance:

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

Flood Assets:

Flood assets used in governmental fund type operations are accounted for in the General Flood Assets Account Group, rather than in governmental fund types. Public domain ("infrastructures") general fixed assets including roads, bridges, canals and gutters, streets and sidewalks, drainage systems and lighting systems, are capitalized along with other general fixed assets. No depreciation has been provided on such assets.

NOTES TO FINANCIAL STATEMENTS

The individual issues (including amounts due January 1, 1997) are as follows:

\$488,000 Water and Sewer Revenue Bonds - dated June 1, 1993, bear interest at 5%, payable January 1 of each year. Principal due January 1 of each year is as follows:

1997-1998	\$14,000	2007	\$21,000
1999-2000	15,000	2008	22,000
2001-2002	16,000	2009	23,000
2003	17,000	2010	24,000
2004	18,000	2011	25,000
2005	19,000	2012	26,000
2006	20,000		

\$413,000 Sewer Revenue Bonds - dated December 18, 1993, bear interest at 5.5%, payable monthly. Principal due each year is as follows:

1997	\$ 1,685	2000	\$ 4,337
1998	1,894	2001	4,603
1999	4,124	Thereafter	382,341

The proceeds of the later bond issue were used to renovate the Village's wastewater treatment facility so as to be in compliance with the requirements of the Environmental Protection Agency.

The annual requirements to amortize bonded debt as of December 31, 1996, including interest payments of \$688,640, are as follows:

Year Ending	
December 31,	
1997	\$ 55,021
1998	54,321
1999	54,621
2000	55,871
2001	54,121
Thereafter	<u>1,104,798</u>
	\$ 1,439,663

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits with Financial Institutions

At December 31, 1996, the carrying amount of the Village's deposits (checking, savings and certificates of deposit) was \$970,817 and the bank balance was \$1,807,828. Of the bank balance, \$200,000 was covered by federal depository insurance (Category 1) and \$887,828 was covered by the market value of collateral held by third party banks' trust departments in the Village's name (Category 2).

Under the provisions of Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), as amended, a security agreement, including a pledge of collateral for deposits, is not valid against the Federal Deposit Insurance Corporation (FDIC) unless it is (1) in writing, (2) approved by the depository institution's board of directors or loan committee, which approval must be reflected in the minutes of the board or committee and (3) an official record of the depository institution since it was executed.

Since the collateral pledge agreements do meet all of the conditions above, the Village's deposits with financial institutions in excess of the applicable FDIC coverage are deemed to be collateralized (Category 2).

There were no repurchase or reverse repurchase agreements at December 31, 1996.

Note 3. Ad Valorem Taxes

For the year ended December 31, 1996, taxes of 10.13 mills were levied on property with assessed valuations totaling \$1,417,540 as follows:

General corporate purposes	6.63 mills
Streets	3.50
	<u>10.13</u>

Total taxes levied were \$14,621. As of December 31, 1996, ad valorem taxes receivable was \$5,318.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Honorable T. J. Parker, Mayor,
and Members of the Board of Aldermen
Village of Met Rouge, Louisiana

We have audited the accompanying general-purpose financial statements of Village of Met Rouge, Louisiana, as of and for the year ended December 31, 1996, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Village's management. 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 Government Auditing Standards, issued by the Comptroller General of the United States. These 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 Met Rouge, Louisiana, as of December 31, 1996, 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.

Our audit was conducted for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying financial information listed as a supporting schedule 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 Met Rouge, 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 presented in all material respects in relation to the general-purpose financial statements taken as a whole.

VILLAGE OF MIR ROUGE, LOUISIANA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS -
 PROPRIETARY FUND TYPE - ENTERPRISE FUNDS

Years Ended December 31, 1999 and 2000

	Year Ended December 31,	
	1999	2000
Revenues:		
Water and sewer fees	\$ 138,215	\$ 169,475
Expenses:		
Depreciation	\$ 45,246	\$ 40,217
Insurance	9,588	9,425
Interest	38,184	38,321
Office	599	1,009
Payroll taxes	2,957	2,870
Repairs and maintenance	14,550	17,834
Salaries	37,683	38,464
Supplies	6,537	10,646
Utilities and fuel	15,013	13,475
Other	2,304	3,412
	<u>\$ 172,982</u>	<u>\$ 171,086</u>
Operating income (loss)	\$(34,767)	\$(9,511)
Nonoperating revenues:		
Interest and miscellaneous	17,827	16,707
Net income	\$ 3,060	\$ 7,196
Retained earnings - beginning	204,384	197,208
Retained earnings - ending	<u>\$ 207,444</u>	<u>\$ 204,404</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 6. Enterprise Fund Retained Earnings - Reserved for Revenue Bond Retirement

The revenue bond covenants require that the assets restricted for bond principal and interest payments in excess of the applicable liabilities payable from such restricted assets be reserved for bond retirement.

Note 7. Risk Management

The Village is exposed to various risks of loss related to theft, 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 and employee health and accident insurance. Settlements have not exceeded insurance coverage in any of the past three calendar years.

Note 8. Commitments

The Village was awarded a \$100,812 Louisiana Community Development Block Grant in October, 1996, for street improvements. As of December 31, 1996, only remaining costs of \$11,025 had been incurred and funded. The project is expected to be completed in 1997.

VILLAGE OF MBR, BOUCE, LOUISIANA

SCHEDULE OF MAYORS AND BOARD OF ALDERMEN'S COMPENSATION
 Year Ended December 31, 1996

<u>Name and Title</u>	<u>Compensation</u>
T.J. Parker, Mayor	\$ 5,400
John D. McAdams, III, Mayor Pro-Tem	1,180
Oreva C. Butler, Alderman	790
David R. Gilly, Alderman	_____ 825
Total compensation	\$_____7,325

HILL, INZINA & COMPANY

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Honorable T.J. Parker, Mayor,
and Members of the Board of Aldermen
Village of Mir Rouge, Louisiana

We have audited the general-purpose financial statements of Village of Mir Rouge, Louisiana, as of and for the year ended December 31, 1996, and have issued our report thereon dated April 18, 1997.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to Village of Mir Rouge, Louisiana, is the responsibility of the Village's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Village's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the general-purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

This report is intended for the information of management and the Board of Aldermen. However, this report is a matter of public record and its distribution is not limited.

April 18, 1997

Hill, Inzina & Co.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Honorable T. J. Parker, Mayor,
and Members of the Board of Aldermen
Village of Mir Rouge, Louisiana

We have audited the general-purpose financial statements of Village of Mir Rouge, Louisiana, as of and for the year ended December 31, 1996, and have issued our report thereon dated April 18, 1997.

We conducted our audit in accordance with generally accepted auditing standards and *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.

The management of Village of Mir Rouge, Louisiana, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are recorded in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general-purpose financial statements of the Village of Metairie, Louisiana, for the year ended December 31, 1998, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted a certain matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure 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 general-purpose financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities, if any, amount 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 structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following matter involving the internal control structure and its operation that we consider to be a material weakness as defined above. This condition was considered in determining the nature, timing and extent of the procedures to be performed in our audit of the general-purpose financial statements of Village of Metairie, Louisiana, for the year ended December 31, 1998.

• Critical:	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:

We concur in the finding.

This report is intended for the information of management and the Board of Advisors. However, this report is a matter of public record and its distribution is not limited.

April 18, 1997

Walter, Morgan & Co.

NOTES TO FINANCIAL STATEMENTS

All general fixed assets are valued at historical cost. Donated assets are valued at their estimated fair value on the date of donation. Repairs and maintenance are recorded as expenditures, renewals and betterments are capitalized.

Additions to proprietary fund type fixed assets are recorded at cost or, if contributed property, at their estimated fair value at the time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of proprietary fund type fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

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

Revenue Recognition - Taxes:

All 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 Woodhouse Parish. The Village's ad valorem tax revenues are recognized when levied.

Sales 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 December 31 for preceding months are recognized as revenues.

Accumulated Compensated Absences:

No liability is recorded for nonvesting accumulating rights to receive vacation or sick pay benefits.

2407

RECEIVED
LAW OFFICE
97127 16 21 8 59

DIGITAL
FILE COPY
NO COPY
NO COPY
NO COPY
NO COPY
NO COPY
NO COPY

VILLAGE OF MFR. ROUGE, LOUISIANA

FINANCIAL REPORT

December 31, 1998

under provisions of state law, this report is a public document. A copy of the report has been furnished to the Auditor, or employee, 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: 12/15/98

HILL, INZINA & COMPANY

Certified Public Accountants • A Professional Corporation
701 East Madison Avenue • P.O. Box 631 • Baton Rouge, Louisiana 71221-0631
Telephone 318-281-4480 • Fax 318-281-4887

CONTENTS

	Page(s)
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	1 and 2
GENERAL-PURPOSE FINANCIAL STATEMENTS (COMBINED STATEMENTS - OVERVIEW)	
Combined balance sheet - all fund types and account group	3 and 4
Combined statement of revenues, expenditures and changes in fund balances - all governmental fund types	5
Statement of revenues, expenditures and changes in fund balances - budget and actual - general fund	6
Statement of revenues, expenses and changes in retained earnings - proprietary fund type - enterprise fund	7
Statement of cash flows - proprietary fund type - enterprise fund	8
Notes to financial statements	9 - 17
SUPPORTING SCHEDULE	
Schedule of mayor's and board of aldermen's compensation	18
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS REQUIRED BY GOVERNMENT AUDITING STANDARDS	19
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE REQUIRED BY GOVERNMENT AUDITING STANDARDS	20 - 22

	Year Ended December 31,	
	1996	1995
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	\$(39,182)	\$(70,146)
Interest and miscellaneous revenues	<u>17,527</u>	<u>16,702</u>
Net cash provided (used) by investing activities	\$ <u>7,345</u>	\$ <u>13,689</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of equipment	\$ -	\$(30,000)
Repayment of long-term debt	(17,128)	(16,499)
Residual equity transfer	<u>-</u>	<u>3,008</u>
Net cash provided (used) by capital and related financing activities	\$ <u>(17,128)</u>	\$ <u>(14,491)</u>
Increase (decrease) in cash and cash equivalents	\$ 19,904	\$(13,162)
Cash and cash equivalents - beginning	<u>11,617</u>	<u>20,889</u>
Cash and cash equivalents - ending	\$ <u>32,451</u>	\$ <u>13,617</u>