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FINANCIAL REPORT
OF THE
VILLAGE OF TURKEY CREEK, LOUISIANA
FOR THE YEAR ENDED
JUNE 30, 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 1.20.99

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Village Aldermen
Village of Turkey Creek
State of Louisiana

I have audited the accompanying general-purpose financial statements of the Village of Turkey Creek, Louisiana, as of and for the year ended June 30, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village of Turkey Creek, Louisiana's, management. My responsibility is to express an opinion on these general-purpose financial statements based on my audit.

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. 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.

The Village did not adopt budgets for the general and special revenue fund types for the year ended June 30, 1998, as required by state law, and, as a result, is not presenting these fund types in statements of revenues, expenditures, and changes in fund balance - budget and actual as is required by generally accepted accounting principles.

In my opinion, except for the omission of the statements of revenue, expenditures, and changes in fund balance - budget and actual for the general and special revenue fund types that results in an incomplete presentation as explained in the preceding paragraph, the general purpose financial statements referred to

above present fairly, in all material respects, the financial position of the Village of Turkey Creek, Louisiana, as of June 30, 1998, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated December 21, 1998 on my consideration of the Village of Turkey Creek's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Michael W. Johnson

Michael W. Johnson
Certified Public Accountant

December 21, 1998

GENERAL PURPOSE FINANCIAL STATEMENTS

(Combined Statements-Overview)

VILLAGE OF TURKEY CREEK
COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1998

	Governmental Fund Types		Proprietary Fund Type	Account Group
	General <u>Fund</u>	Special Revenue <u>Fund</u>	<u>Enterprise Fund</u>	General <u>Fixed Assets</u>
<u>ASSETS</u>				
Cash	\$17,391	\$21,133	\$ 129,043	\$
Accounts Receivable			41,056	
Prepaid Insurance			6,737	
Sales Tax Receivable		2,392		
Accrued Interest			603	
Fixed Assets (net of accumulated depreciation)	_____	_____	<u>1,753,761</u>	<u>224,046</u>
TOTAL ASSETS	<u>\$17,391</u>	<u>\$23,525</u>	<u>\$1,931,200</u>	<u>\$224,046</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 755	\$	\$ 12,758	\$
Accrued Expenses	304		16,447	
Employee Withholdings	576		3,110	
Certificates of Indebted- ness	_____	_____	<u>565,000</u>	_____
TOTAL LIABILITIES	<u>\$ 1,635</u>	<u>\$ -0-</u>	<u>\$ 597,315</u>	<u>\$ -0-</u>
<u>FUND EQUITY</u>				
Contributed Capital	\$	\$	\$ 989,524	\$
Investment in General Fixed Assets				224,046
Retained Earnings:				
Unreserved			344,361	
Fund Balances:				
Unreserved	<u>15,756</u>	<u>23,525</u>	_____	_____
Total Retained Earnings/ Fund Balance	<u>\$15,756</u>	<u>\$23,525</u>	<u>\$ 344,361</u>	<u>\$ -0-</u>
TOTAL FUND EQUITY	<u>\$15,756</u>	<u>\$23,525</u>	<u>\$1,333,885</u>	<u>\$224,046</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$17,391</u>	<u>\$23,525</u>	<u>\$1,931,200</u>	<u>\$224,046</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF TURKEY CREEK
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 1998

	<u>General</u>	<u>Special Revenue</u>
<u>Revenues:</u>		
Taxes	\$ 7,910	\$26,023
Licenses and Permits	7,039	
Franchise Fees	9,728	
Park Reservations	870	
Fines and Forfeits	1,977	
Grant Revenue	15,000	
Miscellaneous	1,499	
Interest	<u>293</u>	<u>311</u>
Total Revenue	<u>\$ 44,316</u>	<u>\$26,334</u>
<u>Expenditures:</u>		
Current:		
General Government	\$ 61,557	\$
Culture and Recreation	5,283	
Public Safety - Police	<u>1,034</u>	<u> </u>
Total Expenditures	<u>\$ 67,874</u>	<u>\$ -0-</u>
<u>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</u>	<u>\$(23,558)</u>	<u>\$26,334</u>
<u>OTHER FINANCING SOURCES OR (USES)</u>		
Operating Transfers Out	\$ -0-	\$(9,982)
Operating Transfers In	29,194	
Sale of Assets	<u>775</u>	<u> </u>
Total Other Financing Sources or (Uses)	<u>\$ 29,969</u>	<u>\$(9,982)</u>
<u>EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)</u>	<u>\$ 6,411</u>	<u>\$16,352</u>
<u>FUND BALANCE, BEGINNING OF YEAR</u>	<u>9,345</u>	<u>\$ 7,172</u>
<u>FUND BALANCE, END OF YEAR</u>	<u>\$ 15,756</u>	<u>\$23,524</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF TURKEY CREEK
ENTERPRISE FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 129,043	\$ 92,018
Accounts Receivable	41,056	31,806
Prepaid Insurance	6,737	4,235
Interest Receivable	<u>603</u>	<u>535</u>
Total Current Assets	<u>\$ 177,439</u>	<u>\$ 128,594</u>
Fixed Assets:		
Utility Plant in Service, Net of Accumulated Depreciation, (1998, \$591,994; 1997, \$532,770)	<u>\$1,753,761</u>	<u>\$1,549,018</u>
TOTAL ASSETS	<u>\$1,931,200</u>	<u>\$1,677,612</u>
<u>LIABILITIES</u>		
Current Liabilities		
Accounts Payable	\$ 12,758	\$ 502
Accrued Expenses	16,447	9,605
Employee Withholdings	3,110	2,539
Current Portion of Certificates of Indebtedness	<u>55,000</u>	<u>30,000</u>
Total Current Liabilities	<u>\$ 87,315</u>	<u>\$ 42,646</u>
Long-Term Liabilities:		
Certificates of Indebtedness	<u>\$ 510,000</u>	<u>\$ 275,000</u>
Total Long-Term Liabilities	<u>\$ 510,000</u>	<u>\$ 275,000</u>
TOTAL LIABILITIES	<u>\$ 597,315</u>	<u>\$ 317,646</u>
<u>FUND EQUITY</u>		
Contributed Capital	\$ 989,524	\$ 989,524
Retained Earnings:		
Unreserved	<u>344,361</u>	<u>370,442</u>
Total Retained Earnings	<u>\$ 344,361</u>	<u>\$ 370,442</u>
TOTAL FUND EQUITY	<u>\$1,333,885</u>	<u>\$1,359,966</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$1,931,200</u>	<u>\$1,677,612</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF TURKEY CREEK
PROPRIETARY FUND
ENTERPRISE FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS
YEARS ENDED JUNE 30, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
<u>Operating Revenues:</u>		
Charges for Services -		
Water Sales	\$275,368	\$213,516
Connection Fees	14,300	9,250
Membership Fees	6,650	6,575
Delinquent Charges	8,934	7,244
Miscellaneous	2,757	6,994
Sewerage Revenue	<u>17,184</u>	<u>17,880</u>
Total Operating Revenues	<u>\$325,193</u>	<u>\$261,459</u>
<u>Operating Expenses:</u>		
Salaries	\$ 87,464	\$ 67,406
Retirement Expense	4,583	5,003
Gas & Oil	5,676	2,601
Insurance	18,566	13,181
Advertising	1,539	1,476
Utilities & Telephone	27,535	17,043
Repairs and Maintenance	46,137	25,039
Supplies and Parts	25,652	18,098
Office Expense	5,517	5,750
Depreciation Expense	59,225	47,782
Professional Fees	16,323	17,069
Taxes & Permits	1,850	1,171
Miscellaneous	10,762	3,255
Sewerage Expense	<u>1,937</u>	<u>1,701</u>
Total Operating Expenses	<u>\$312,766</u>	<u>\$226,579</u>
Operating Income	\$ 12,427	\$ 34,880
<u>Nonoperating Revenues (Expenses):</u>		
Interest Income	\$ 6,995	\$ 5,296
Interest Expense	<u>(26,291)</u>	<u>(29,705)</u>
Total Nonoperating Revenues (Expenses)	<u>\$(19,296)</u>	<u>\$(24,409)</u>
Net Income (Loss) Before Operating Transfers	\$(6,869)	\$ 10,471
<u>Operating Transfers:</u>		
Transfers (to) from General Fund	<u>\$(19,212)</u>	<u>\$(21,167)</u>
Total Operating Transfers	<u>\$(19,212)</u>	<u>\$(21,167)</u>
Net Income (Loss)	\$(26,081)	\$(10,696)
<u>RETAINED EARNINGS, BEGINNING OF YEAR</u>	<u>370,442</u>	<u>381,138</u>
<u>RETAINED EARNINGS, END OF YEAR</u>	<u>\$344,361</u>	<u>\$370,442</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF TURKEY CREEK, LOUISIANA
COMPARATIVE STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
YEARS ENDED JUNE 30, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
<u>Cash Flows from Operating Activities:</u>		
Net Income (Loss) from operating activities	\$ 12,427	\$ 34,880
Adjustments to Reconcile Operating Income/ (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	59,225	47,782
(Increase)/Decrease in Receivables	(9,318)	2,804
(Increase)/Decrease in Prepaid Expenses	(2,502)	514
Increase/(Decrease) in Payables	<u>19,669</u>	<u>2,193</u>
Net Cash Provided by Operating Activities	<u>\$ 79,501</u>	<u>\$ 88,173</u>
<u>Cash Flows from Noncapital Financing Activities:</u>		
Payments (to) from Other Funds	<u>\$(19,212)</u>	<u>\$(21,167)</u>
Net Cash from Noncapital Financing Activities	<u>\$(19,212)</u>	<u>\$(21,167)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Proceeds of Certificates of Indebtedness, Series 1997	\$ 290,000	\$ -0-
Sewer Grant Funds	-0-	9,974
Payments for Property, Plant, and Equipment	(263,968)	(45,722)
Note Principal Payments	(30,000)	(30,000)
Interest Paid	<u>(26,291)</u>	<u>(29,705)</u>
Net Cash Flows from Capital and Related Financing Activities	<u>\$(30,259)</u>	<u>\$(95,453)</u>
<u>Cash Flows from Investing Activities:</u>		
Interest Received	<u>\$ 6,995</u>	<u>\$ 5,296</u>
Net Cash Flows from Investing Activities	<u>\$ 6,995</u>	<u>\$ 5,296</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>\$ 37,025</u>	<u>\$(23,151)</u>
<u>CASH AND CASH EQUIVALENTS, JUNE 30, 1997</u>	<u>92,018</u>	<u>115,169</u>
<u>CASH AND CASH EQUIVALENTS, JUNE 30, 1998</u>	<u>\$ 129,043</u>	<u>\$ 92,018</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF TURKEY CREEK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998

Note A-Summary of Significant Accounting Policies

The Village of Turkey Creek, Louisiana was incorporated December 18, 1956, under the provisions of the Lawrason Act. The Village operates under a Mayor-Board of Aldermen form of government.

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

Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, all possible components are included in the reporting entity.

VILLAGE OF TURKEY CREEK
NOTES TO FINANCIAL STATEMENTS, CONTINUED.

Fund Accounting

The Accounts of the Village 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 allocated to and accounted for in individual funds based upon the purpose 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 Governmental Fund Types and broad fund categories as follows:

Governmental Funds

General Fund - The General Fund is the General Operating Fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund

Special Revenue Fund - The Special Revenue Fund is used to account for the receipt and use of the two percent (2%) sales and use tax levied by the Village for the purpose of acquiring, constructing, improving, maintaining, and operating a community center for the Village and improving and maintaining public streets and drainage works in the Village.

Proprietary Funds

Enterprise Fund - The Utility Fund is used to account for the operation of the Water Department. Enterprise Funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose.

VILLAGE OF TURKEY CREEK
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. All Governmental Funds are accounted for on spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental Fund Operating Statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "Available Spendable Resources" during a period.

Fixed assets used in Governmental Fund Type Operations and infrastructure assets such as roads, etc. (General Fixed Assets) are accounted for in the General Fixed Assets Account Group, rather than in Governmental Funds. No depreciation has been provided on General Fixed Assets.

All Fixed Assets are valued at historical cost.

The General Fixed Asset Account Group is not a "fund". It is concerned only with measurement of financial position. It is not involved with measurement of results of operations.

Long-Term Liabilities expected to be financed from Governmental Funds are accounted for in the General Long-Term Debt Account Group not in the governmental funds.

The General Long-Term Debt Account Group is not a "fund." It is concerned only with measurement of financial position. It is not involved with measurement of results of operations.

Because of their spending measurement focus, expenditure recognition for Governmental Fund Types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as Governmental Fund Type Expenditures or Fund Liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

All Proprietary Funds are accounted for on a cost of service or "capital maintenance" measurement focus. This means that

VILLAGE OF TURKEY CREEK
NOTES TO FINANCIAL STATEMENTS, CONTINUED

all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. The reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary Fund Type Operating Statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by Proprietary Funds is charged as an expense against their operations, accumulated depreciation is reported on Proprietary Fund Balance Sheets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Utility System and Improvements	40 - 60 Years
Equipment	3 - 20 Years

Basis of Accounting

Basis of Accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the Financial Statements. Basis of Accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds are accounted for using the Modified Accrual Basis of Accounting. Their revenues are recognized when they become measurable and available as net current assets. Property taxes are recorded as revenue when levied even though a portion of the taxes may be collected in subsequent years. Miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Sales Tax, Franchise Fees, Inter-Governmental Revenue, and Interest Income are accrued, when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available.

Expenditures are generally recognized under Modified Accrual Basis of Accounting when the related fund liability is incurred.

All Proprietary Funds are accounted for using the Accrual Basis of Accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

VILLAGE OF TURKEY CREEK
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Budgets and Budgetary Accounting - The Village follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The Village Treasurer prepares proposed budgets and submits same to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. The budgets are adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budgets are being adopted.

The Village did not formally adopt budgets for the General and Special Revenue funds for the year ended June 30, 1998 as the board overlooked this requirement.

3. 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.
4. All budgetary appropriations lapse at the end of each fiscal year.
5. The budgets for the General and Special Revenue Funds 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.

Unbilled Services - Unbilled services are not reported as receivables due to immateriality.

Inventory - Inventories are not recorded in the financial statements or the funds due to immateriality.

Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Village in September or October and are actually billed to the taxpayers in November or December. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

VILLAGE OF TURKEY CREEK
NOTES TO FINANCIAL STATEMENTS, CONTINUED

The Village bills and collects its own property taxes using the assessed values determined by the tax assessor of Evangeline Parish.

For the year ended June 30, 1998 taxes of 6.46 Mills were levied on property with assessed valuations totaling \$833,690.00

Total taxes levied were \$5,385.64.

Municipal Employees Retirement System (MERS)

Plan Description and Provisions:

Employees of the Village of Turkey Creek were members of the MERS, a multiple-employer, cost-sharing pension plan.

The payroll for the employees covered by the MERS for the year ended June 30, 1998 was \$92,492.00; the Village's total payroll was \$116,506.00. A census of the group is not available at June 30, 1998.

Employees may retire at any age with 30 or more years of creditable service, at age 55 with 25 years of creditable service, at age 60 with a minimum of 10 years of creditable service, or under age 60 with 5 years of creditable service eligible for disability benefits. Survivor's benefits require 5 years creditable service at death of member.

Generally, the monthly amount of the retirement allowance for any member shall consist of an amount equal to 3% of the member's final compensation multiplied by his years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Description of Funding Policy:

Covered employees are required by state statute to contribute 9.25% of their salary to MERS. The Village is required by this statute to contribute 5.75% of covered salaries to the system. The system also receives 1/4 of 1% of ad valorem taxes collected by the parish and state revenue sharing funds received.

VILLAGE OF TURKEY CREEK
 NOTES TO FINANCIAL STATEMENTS, CONTINUED

The PBO is a standardized disclosure measure of the present value of pension benefits. The pension benefit obligation is not available at June 30, 1998. Future deficits in the system will be financed by the State and the Village has no further liability to the system, other than required current contributions.

Compensated Absences

Vacation and sick leave are recorded as expenditures of the period in which paid. Although sick leave accumulates and is available for employees when needed, it does not vest, nor is it payable at termination of employment. Vacation must be taken in the year accrued and cannot be carried over. Although generally accepted accounting principles (GAAP) require accrual, no accrual amount was recorded as of June 30, 1998, due to immateriality.

Bad Debts

Uncollectible amounts due for ad valorem taxes and customers' utility receivables are charged off at the time information becomes available which would indicate the uncollectibility of the particular receivable. Although the specific charge-off method is not in conformity with generally accepted accounting principles (GAAP), no allowance for uncollectible receivables were recorded at June 30, 1998 due to immateriality.

Note B-Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance</u> <u>6/30/97</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/98</u>
Land	\$ 36,000	\$	\$	\$ 36,000
Buildings	38,977			38,977
Improvements other than buildings	64,450	12,539		76,989
Equipment	<u>72,855</u>	<u> </u>	<u>(775)</u>	<u>72,080</u>
Total general fixed assets	<u>\$212,282</u>	<u>\$12,539</u>	<u>\$ (775)</u>	<u>\$224,046</u>

VILLAGE OF TURKEY CREEK
 NOTES TO FINANCIAL STATEMENTS, CONTINUED

A summary of proprietary fund type property, plant and equipment at June 30, 1998, is as follows:

Real Estate	\$ 14,400
Buildings & Improvements	28,841
Furniture and fixtures	12,021
Transportation equipment	37,141
Machinery	146,075
Plant, equipment and extensions - (water system)	1,210,261
Sewer System	<u>897,016</u>
Total	\$2,345,755
Less: accumulated depreciation	<u>591,994</u>
Net	<u>\$1,753,761</u>

Note C-Long-Term Debt

Enterprise Fund Debt:

Certificates of Indebtedness, Series 1995 - consists of a 10 year, 6.5% Certificate of Indebtedness payable in semi-annual installments with interest payable on August 1, and February 1, and principal payable each February 1.

The annual requirements to amortize debt outstanding as of June 30, 1998, are as follows:

<u>Year Ending</u> <u>June 30, 1998</u>	<u>Water</u> <u>System</u>
1999	\$ 30,000
2000	35,000
2001	35,000
2002	40,000
2003	40,000
2004 and after	<u>95,000</u>
Total	<u>\$275,000</u>

Certificates of Indebtedness, Series 1997 - consists of \$290,000 of Certificates dated August 1, 1997, bearing interest at the rate of 5.75% per annum payable on August 1st and February 1st of each year with principal payments due on August 1st of each year.

VILLAGE OF TURKEY CREEK
 NOTES TO FINANCIAL STATEMENTS, CONTINUED

The annual requirements to amortize debt outstanding as of June 30, 1998 are as follows:

<u>Year Ending</u> <u>June 30, 1998</u>	<u>Water</u> <u>System</u>
1999	\$ 20,000
2000	25,000
2001	25,000
2002	25,000
2003	30,000
2004 and after	<u>165,000</u>
Total	<u>\$290,000</u>

Note D-Litigation

According to the Village's attorney, the Village is not involved in any litigation.

Note E-Compensation of Mayor and Board of Aldermen

A schedule of compensation paid to the Mayor and Board of Aldermen is as follows:

	<u>Compensation</u>
Blaine Janet	\$ 4,800
Walter M. Johnson	2,400
Kurry Stewart	2,400
W. L. Chapelle	<u>2,400</u>
Total	<u>\$12,000</u>

Note F - Collateralization of Cash

A schedule of cash collateralized is as follows:

Cash on Hand and on deposit at American Security Bank	<u>\$167,567</u>
Amount collateralized by American Security Bank	\$330,715
Amount insured by FDIC	<u>100,000</u>
Total	<u>\$430,715</u>

VILLAGE OF TURKEY CREEK
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Cash is adequately insured/collateralized at June 30, 1998.

NOTE G - STATEMENT OF CASH FLOWS

Cash and Cash Equivalents referred to in the statement of cash flows relates to cash in banks.

NOTE H - CAPITALIZATION OF CONSTRUCTION PERIOD INTEREST

The Village follows the policy of capitalizing interest as a component of the cost of property, plant, and equipment constructed for its own use. In the year ended June 30, 1998, total interest incurred was \$34,628.34, of which \$26,290.84 was charged to operations.

NOTE I - FAILURE TO ADOPT BUDGETS FOR GENERAL AND SPECIAL REVENUE FUNDS

The Village did not formally adopt budgets for its General and Special Revenue Funds for the year ended June 30, 1998 as required by the State budget law and by its Certificates of Indebtedness, Series 1995 and Series 1997 debt agreements.

NOTE J - FAILURE TO MAKE REQUIRED SINKING FUND DEPOSITS

The Village did not make monthly deposits into the Certificates of Indebtedness, Series 1995 Sinking Fund as required by the debt agreement.

NOTE K - STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL NOT PRESENTED.

The Village is not presenting Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual for the General and Special Revenue Funds as required by generally accepted accounting principles. Since budgets were not formally adopted for these funds, preparation of such statements is not possible.

NOTE L - "YEAR 2000" ISSUE

The "Year 2000" problem is the result of computer programs being written using two digits rather than four to define the applicable year. The Village has begun the awareness stage of implementing a "Year 2000" compliant system. This stage involves establishing a budget and project plan for

VILLAGE OF TURKEY CREEK
NOTES TO FINANCIAL STATEMENTS, CONTINUED

dealing with the "Year 2000" issue. The Village has yet to enter the assessment, remediation, and validation/testing stages. The Village has not estimated the cost of addressing the "Year 2000" issue nor has it committed a significant amount of resources to make computer systems and other electronic equipment "Year 2000" - compliant. The impact on the Village's operations of failing to make its systems "Year 2000" - compliant in a timely manner cannot presently be determined.

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

To the Mayor and Board of Aldermen
Village of Turkey Creek, Louisiana

I have audited the financial statements of the Village of Turkey Creek, Louisiana as of and for the year ended June 30, 1998, and have issued my report thereon dated December 21, 1998. 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 Turkey Creek, Louisiana's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs as items 1998-2, 1998-3, 1998-4, and 1998-5.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Village of Turkey Creek, Louisiana's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control

over financial reporting that, in my judgment, could adversely affect Village of Turkey Creek, Louisiana's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 1998-1, 1998-2, 1998-3, 1998-4, and 1998-5.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider items 1998-2, 1998-3, 1998-4, and 1998-5 to be material weaknesses.

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

Michael W. Johnson

Michael W. Johnson
Certified Public Accountant

December 21, 1998

MICHAEL W. JOHNSON

Certified Public Accountant

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VILLAGE OF TURKEY CREEK, LOUISIANA SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 1998

I have audited the financial statements of the Village of Turkey Creek, Louisiana as of and for the year ended June 30, 1998, and have issued my report thereon dated December 21, 1998. 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. My audit of the financial statements as of June 30, 1998 resulted in a qualified opinion.

Section I Summary of Auditor's Reports

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

Internal Control

Material Weaknesses Yes No Reportable Conditions Yes No

Compliance

Compliance Material to Financial Statements Yes No

Section II Financial Statement Findings

1998-1. Inadequate Segregation of Duties

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

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

Recommendation: No action is recommended.

1998-2. Failure to Adopt Budgets for the General and Special Revenue Funds.

Finding: The Village did not formally adopt budgets for its General and Special Revenue Funds for the year ended June 30, 1998 as required by state law and by its Certificates of Indebtedness Series 1995 and Series 1997 debt agreements.

Cause: Management overlooked this requirement.

Recommendation: The Village should formally adopt budgets for its General and Special Revenue Funds each fiscal year at least 15 days prior to the beginning of the fiscal year for which the budgets are being adopted and submit such budgets to the paying agents of its Certificates of Indebtedness, Series 1995 and Series 1997 within 30 days after the budgets are adopted.

1998-3. Failure to make Required Sinking Fund Deposits.

Finding: The Village failed to make monthly deposits into the Certificates of Indebtedness, Series 1995, Sinking Fund as required by the debt agreement.

Cause: Management overlooked this requirement.

Recommendation: The Village should make required deposits into the necessary sinking funds.

1998-4. Delinquent Utility Customers Not Disconnected.

Finding: Delinquent utility bills (water and sewerage) were allowed for some residents of the Village without disconnecting them from service.

Cause: Lack of implementation of the Village's policies.

Recommendation: Policies for all delinquent utility bills should be enforced for all residents. Delinquent residents should have all utilities cut-off on the designated cut-off date and should be required to pay the balance in full and the reconnect fee before reconnecting the utilities.

1998-5. Failure to present Statements of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual for the General and Special Revenue Funds.

Finding: The Village is not presenting Statements of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual for the General and Special Revenue Funds as required by generally accepted accounting principles.

Cause: The Village did not formally adopt budgets for the General and Special Revenue Funds for the year ended June 30, 1998 and, therefore, is not able to prepare such statements.

Recommendation: The Village should present Statements of Revenues, Expenditures, and changes in Fund Balance-Budget and Actual for its General and Special Revenue Funds as part of its financial statements.

**VILLAGE OF TURKEY CREEK, LOUISIANA
MANAGEMENT'S CORRECTIVE ACTION PLAN
For the Year Ended June 30, 1998**

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENT

**1998-2. Failure to Adopt Budgets
for the General and Special Revenue
Funds:**

The Village should adopt budgets for the General and Special Revenue Funds as required by state law and by its debt agreements.

Management is in the process of establishing procedures to ensure that budgets are adopted for the General and Special Revenue Funds as required by state law and by applicable debt agreements.

**1998-3. Failure to Make Required
Sinking Fund Deposits:**

The Village should make required deposits into the necessary sinking funds.

Management is in the process of establishing procedures to ensure that required deposits are made into the necessary sinking funds.

**1998-4. Delinquent Utility
Customers Not Disconnected:**

The Village should enforce its policies applicable to delinquent utility bills for all customers.

Management is working toward being able to disconnect utilities for customers who do not pay.

**1998-5. Failure to Present
Statements of Revenues,
Expenditures, and Changes in
Fund Balance-Budget and Actual
for the General and Special
Revenue Funds:**

The Village should present the required statements in the future.

Management is in the process of establishing procedures to ensure that budgets are adopted for the General and Special Revenue Funds, thereby enabling preparation of the required statements.

VILLAGE OF TURKEY CREEK, LOUISIANA
SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended June 30, 1998

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

Failure to make required sinking fund deposits	Unresolved.
Failure to adopt budgets for the General and Special Revenue Funds prior to the beginning of the fiscal year as required by state budget law.	Unresolved.
Failure to adopt a budget for the Special Revenue Fund as required by state budget law.	Unresolved.
Delinquent utility customers not disconnected.	Unresolved.