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CITY OF NATCHITOCHEs, LOUISIANA

**PROGRAM AUDIT OF FEDERAL
FINANCIAL ASSISTANCE PROGRAMS
YEARS ENDED MAY 31, 1998 AND 1999**

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 NOV 24 1999

City of Natchitoches, Louisiana
 Program Audit of Federal
 Financial Assistance Programs
 Years Ended May 31, 1998 And 1999

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To the City Council
Natchitoches, Louisiana

We have audited the accompanying financial statements of the federal financial assistance programs of the City of Natchitoches, Louisiana, as of and for the years ended May 31, 1998 and 1999, as listed in the table of contents. These financial statements are the responsibility of City of Natchitoches, Louisiana, management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the federal financial assistance program financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the federal financial assistance program 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. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the federal financial assistance programs and are not intended to present fairly the financial position and results of operations of the City of Natchitoches, Louisiana, in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the federal financial assistance programs of the City of Natchitoches, Louisiana, as of May 31, 1998 and 1999, and the results of operations of such funds for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 1999, on our consideration of the City of Natchitoches, 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 federal financial assistance program financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the federal financial assistance program financial statements of the City of Natchitoches, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the

federal financial assistance program financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the federal financial assistance program financial statements taken as a whole.

Johnson, Thomas & Cunningham
Johnson, Thomas & Cunningham, CPA's
October 15, 1999

**GENERAL PURPOSE FINANCIAL STATEMENTS
(COMBINED STATEMENTS - OVERVIEW)**

City of Natchitoches, Louisiana
Federal Financial Assistance Programs
Combined Balance Sheet
May 31, 1999

	LCDBG Streets	LCDBG Alliance	LLEBG	Multi-Drug Task Force	STOP Grant	Totals (Memorandum Only)
<u>Assets</u>						
Cash	\$2,225	\$ 0	\$34,051	\$ 0	\$10,944	\$ 47,220
Revenue Receivable	0	0	0	2,389	6,971	9,360
Due from Other Funds	<u>0</u>	<u>20,073</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>20,073</u>
Total Assets	<u>\$2,225</u>	<u>\$ 20,073</u>	<u>\$34,051</u>	<u>\$ 2,389</u>	<u>\$17,915</u>	<u>\$ 76,653</u>
<u>Liabilities</u>						
Cash Overdraft	\$ 0	\$ 286,029	\$ 0	\$ 2,916	\$ 0	\$ 288,945
Accounts Payable	0	0	0	2,389	0	2,389
Due to Other Funds	<u>0</u>	<u>3,348</u>	<u>0</u>	<u>0</u>	<u>18,000</u>	<u>21,348</u>
Total Liabilities	<u>\$ 0</u>	<u>\$ 289,377</u>	<u>\$ 0</u>	<u>\$ 5,305</u>	<u>\$18,000</u>	<u>\$ 312,682</u>
<u>Fund Equity</u>						
Fund Balance- Unreserved- Undesignated Deficit	\$2,225 <u>0</u>	\$ 0 <u>(269,304)</u>	\$34,051 <u>0</u>	\$ 0 <u>(2,916)</u>	\$ 0 <u>(85)</u>	\$ 36,276 <u>(272,305)</u>
Total Fund Equity	<u>\$2,225</u>	<u>\$(269,304)</u>	<u>\$34,051</u>	<u>\$(2,916)</u>	<u>\$(85)</u>	<u>\$(236,029)</u>
Total Liabilities & Fund Equity	<u>\$2,225</u>	<u>\$ 20,073</u>	<u>\$34,051</u>	<u>\$ 2,389</u>	<u>\$17,915</u>	<u>\$ 76,653</u>

See notes to financial statements.

City of Natchitoches, Louisiana
Federal Financial Assistance Programs
Combined Balance Sheet
May 31, 1998

	LCDBG Streets	LCDBG Alliance	LLEBG	Multi-Drug Task Force	STOP Grant	Coalition for Drug-Free Grant	Totals (Memorandum Only)
<u>Assets</u>							
Cash	\$17,104	\$ 0	\$26,029	\$ 0	\$18,085	\$3,259	\$ 64,477
Revenue Receivable	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,048</u>	<u>0</u>	<u>0</u>	<u>2,048</u>
Total Assets	<u>\$17,104</u>	<u>\$ 0</u>	<u>\$26,029</u>	<u>\$ 2,048</u>	<u>\$18,085</u>	<u>\$3,259</u>	<u>\$ 66,525</u>
<u>Liabilities</u>							
Cash Overdraft	\$ 0	\$ 246,339	\$ 0	\$ 4,006	\$ 0	\$ 0	\$ 250,345
Accounts Payable	17,104	54,183	0	2,048	0	0	73,335
Due to Other Funds	<u>0</u>	<u>3,348</u>	<u>9,340</u>	<u>0</u>	<u>18,000</u>	<u>0</u>	<u>30,688</u>
Total Liabilities	<u>\$17,104</u>	<u>\$ 303,870</u>	<u>\$ 9,340</u>	<u>\$ 6,054</u>	<u>\$18,000</u>	<u>\$ 0</u>	<u>\$ 354,368</u>
<u>Fund Equity</u>							
Fund Balance- Unreserved- Undesignated	\$ 0	\$ 0	\$16,689	\$ 0	\$ 85	\$3,259	\$ 20,033
Deficit	<u>0</u>	<u>(303,870)</u>	<u>0</u>	<u>(4,006)</u>	<u>0</u>	<u>0</u>	<u>(307,876)</u>
Total Fund Equity	<u>\$17,104</u>	<u>\$(303,870)</u>	<u>\$16,689</u>	<u>\$(4,006)</u>	<u>\$ 85</u>	<u>\$3,259</u>	<u>\$(287,843)</u>
Total Liabilities & Fund Equity	<u>\$17,104</u>	<u>\$ 0</u>	<u>\$26,029</u>	<u>\$ 2,048</u>	<u>\$18,085</u>	<u>\$3,259</u>	<u>\$ 66,525</u>

See notes to financial statements.

City of Natchitoches, Louisiana
Federal Financial Assistance Programs
LCDBG-Streets Fund
Statement of Revenues, Expenditures and Changes in Fund Balance-
Budget (GAAP Basis) and Actual
Years Ended May 31, 1998 and 1999

	<u>Year Ended May 31, 1998</u>			<u>Year Ended May 31, 1999</u>		
	<u>Total Program Budget</u>	<u>1998 Transactions</u>	<u>Remaining Budget</u>	<u>Budget for 5-31-99</u>	<u>1999 Transactions</u>	<u>Remaining Budget</u>
REVENUES:						
Intergovernmental- Louisiana Division of Administration	<u>\$339,731</u>	<u>\$17,104</u>	<u>\$322,627</u>	<u>\$322,627</u>	<u>\$279,348</u>	<u>\$43,279</u>
EXPENDITURES:						
Current- Finance & Administration	\$ 35,000	\$ 4,725	\$ 30,275	\$ 30,275	\$ 23,821	\$ 6,454
Streets- Capital Expenditures	<u>304,731</u>	<u>12,379</u>	<u>292,352</u>	<u>292,352</u>	<u>253,302</u>	<u>39,050</u>
Total Expenditures	<u>\$339,731</u>	<u>\$17,104</u>	<u>\$322,627</u>	<u>\$322,627</u>	<u>\$277,123</u>	<u>\$45,504</u>
Excess (Deficiency) of Revenues over Expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,225	\$ (2,225)
Fund Balance- Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,225</u>
Fund Balance- End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,225</u>	<u>\$ 0</u>

See notes to financial statements.

City of Natchitoches, Louisiana
Federal Financial Assistance Programs
LCDBG-Alliance Fund
Statement of Revenues, Expenditures and Changes in Fund Balance-
Budget (GAAP Basis) and Actual
Years Ended May 31, 1998 and 1999

	<u>Total Program Budget</u>	<u>Transactions for Year Ended</u>		<u>Total Prior Years Transactions</u>	<u>Remaining Budget</u>	<u>Transactions for Year Ended 5-31-98</u>
		<u>May 31, 1996</u>	<u>May 31, 1997</u>			
REVENUES:						
Intergovernmental- Louisiana Division of Administration Less, Grant Funds Returned	\$1,035,000	\$ 377,812	\$ 541,372	\$ 919,184	\$ 115,816	\$ 291,403
Miscellaneous- Refunds of Expenditures	0	0	0	0	0	(432,509)
Miscellaneous	0	0	2,491	2,491	(2,491)	0
Total Revenues	<u>\$1,035,000</u>	<u>\$ 377,812</u>	<u>\$ 543,863</u>	<u>\$ 921,675</u>	<u>\$ 113,325</u>	<u>\$ 399,357</u>
EXPENDITURES:						
Current- Finance & Administration	\$ 35,000	\$ 113,345	\$ 16,564	\$ 129,909	\$ (94,909)	\$ 65,608
Economic Development- Capital Expenditures	<u>1,000,000</u>	<u>449,636</u>	<u>631,998</u>	<u>1,081,634</u>	<u>(81,634)</u>	<u>347,751</u>
Total Expenditures	<u>\$1,035,000</u>	<u>\$ 562,981</u>	<u>\$ 648,562</u>	<u>\$1,211,543</u>	<u>\$(176,543)</u>	<u>\$ 413,359</u>
Excess (Deficiency) of Revenues over Expenditures	\$ 0	\$(185,169)	\$(104,699)	\$(289,868)	\$ 289,868	\$ (14,002)
Fund Balance (Deficit)- Beginning of Year	<u>0</u>	<u>0</u>	<u>(185,169)</u>	<u>0</u>	<u>(289,868)</u>	<u>(289,868)</u>
Fund Balance (Deficit)- End of Year	<u>\$ 0</u>	<u>\$(185,169)</u>	<u>\$(289,868)</u>	<u>\$(289,868)</u>	<u>\$ 0</u>	<u>\$(303,870)</u>

See notes to financial statements.

Remaining Budget	Transactions for Year Ended May 31, 1999	Remaining Budget	Summary of Grant Transactions		
			Total Program Budget	Transactions for All Years	Remaining Budget
\$(256,922)	\$ 63,285	\$(193,637)	\$1,035,000	\$1,273,872	\$ 238,872
0	0	0	0	(432,509)	(432,509)
540,463	0	540,463	0	540,463	540,463
<u>2,491</u>	<u>0</u>	<u>2,491</u>	<u>0</u>	<u>2,491</u>	<u>2,491</u>
<u>\$ 286,032</u>	<u>\$ 63,285</u>	<u>\$ 349,317</u>	<u>\$1,035,000</u>	<u>\$1,384,317</u>	<u>\$ 349,317</u>
\$(160,517)	\$ 7,973	\$(168,490)	\$ 35,000	\$ 203,490	\$(168,490)
<u>(429,385)</u>	<u>20,746</u>	<u>(450,131)</u>	<u>1,000,000</u>	<u>1,450,131</u>	<u>(450,131)</u>
<u>\$(589,902)</u>	<u>\$ 28,719</u>	<u>\$(618,621)</u>	<u>\$1,035,000</u>	<u>\$1,653,621</u>	<u>\$(618,621)</u>
\$(303,870)	\$ 34,566	\$(269,304)	\$ 0	\$ (269,304)	\$(269,304)
<u>303,870</u>	<u>(303,870)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ 0</u>	<u>\$(269,304)</u>	<u>\$(269,304)</u>	<u>\$ 0</u>	<u>\$(269,304)</u>	<u>\$(269,304)</u>

City of Natchitoches, Louisiana
Federal Financial Assistance Programs
Local Law Enforcement Block Grant
Statement of Revenues, Expenditures and Changes in Fund Balance-
Budget (GAAP Basis) and Actual
Years Ended May 31, 1998 and 1999

	<u>Year Ended May 31, 1998 - Grant #96-LB-VX-2741</u>		<u>Year Ended May 3, 1999 - Grant #98-LB-VX-2234</u>		Variance- Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	
REVENUES:					
Intergovernmental-					
U. S. Dept. of Justice	\$25,915	\$25,915	\$ 49,628	\$45,113	\$ (4,515)
Miscellaneous-					
Interest	<u>0</u>	<u>114</u>	<u>0</u>	<u>767</u>	<u>767</u>
Total Revenues	\$25,915	\$26,029	\$ 49,628	\$45,880	\$ (3,748)
EXPENDITURES:					
Current-					
Public Safety-					
Capital Expenditures	<u>25,915</u>	<u>9,340</u>	<u>66,317</u>	<u>28,518</u>	<u>37,799</u>
Excess of Revenues over Expenditures	\$ 0	\$16,689	\$(16,689)	\$17,362	\$34,051
Fund Balance-Beginning of Year	<u>0</u>	<u>0</u>	<u>16,689</u>	<u>16,689</u>	<u>0</u>
Fund Balance-End of Year	\$ <u>0</u>	\$ <u>16,689</u>	\$ <u>0</u>	\$ <u>34,051</u>	\$ <u>34,051</u>

See notes to financial statements.

City of Natchitoches, Louisiana
Federal Financial Assistance Programs
Multi-Drug Task Force
Statement of Revenues, Expenditures and Changes in Fund Balance-
Budget (GAAP Basis) and Actual
Years Ended May 31, 1998 and 1999

	Year Ended May 31, 1998 - Project #B96-1-017			Year Ended May 31, 1999 - Project #B98-1-003		
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)
REVENUES:						
Intergovernmental-						
Federal Grant	\$26,863	\$16,472	\$(10,391)	\$25,976	\$21,590	\$ (4,386)
State Match	8,954	2,288	(6,666)	8,659	4,671	(3,988)
Parish Sheriff	<u>0</u>	<u>4,477</u>	<u>4,477</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>\$35,817</u>	<u>\$23,237</u>	<u>\$(12,580)</u>	<u>\$34,635</u>	<u>\$26,261</u>	<u>\$ (8,374)</u>
EXPENDITURES:						
Current-						
Public Safety-						
General Operating	\$22,673	\$27,243	\$ (4,570)	\$34,635	\$17,543	\$ 17,092
Capital Expenditures	<u>13,144</u>	<u>0</u>	<u>13,144</u>	<u>0</u>	<u>11,958</u>	<u>(11,958)</u>
Total Expenditures	<u>\$35,817</u>	<u>\$27,243</u>	<u>\$ 8,574</u>	<u>\$34,635</u>	<u>\$29,501</u>	<u>\$ 5,134</u>
Excess (Deficiency) of Revenues over Expenditures	\$ 0	\$ (4,006)	\$ (4,006)	\$ 0	\$ (3,240)	\$ (3,240)
OTHER FINANCING SOURCES:						
Operating Transfer From-						
Police Sales Tax Fund	3,724	3,724	0	0	0	0
Drug Recovery Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,006</u>	<u>4,330</u>	<u>324</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures	\$ 3,724	\$ (282)	\$ (4,006)	\$ 4,006	\$ 1,090	\$ (2,916)
Fund Balance (Deficit)-Beginning of Year	<u>(3,724)</u>	<u>(3,724)</u>	<u>0</u>	<u>(4,006)</u>	<u>(4,006)</u>	<u>0</u>
Fund Balance (Deficit)-End of Year	<u>\$ 0</u>	<u>\$(4,006)</u>	<u>\$(4,006)</u>	<u>\$ 0</u>	<u>\$(2,916)</u>	<u>\$(2,916)</u>

See notes to financial statements.

City of Natchitoches, Louisiana
Federal Financial Assistance Programs
Stop Grant
Statement of Revenues, Expenditures and Changes in Fund Balance-
Budget (GAAP Basis) and Actual
Years Ended May 31, 1998 and 1999

	<u>Year Ended May 31, 1998</u>			<u>Year Ended May 31, 1999</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable Unfavorable)</u>
REVENUES:						
Intergovernmental- Highway Safety Commission	\$ 32,000	\$ 32,885	\$ 885	\$45,113	\$32,236	\$(12,877)
EXPENDITURES:						
Current- Public Safety	<u>20,360</u>	<u>21,160</u>	<u>(800)</u>	<u>45,198</u>	<u>32,406</u>	<u>12,792</u>
Excess (Deficiency) of Revenues over Expenditures	\$ 11,640	\$ 11,725	\$ 85	\$ (85)	\$ (170)	\$ (85)
Fund Balance- Beginning of Year	<u>(11,640)</u>	<u>(11,640)</u>	<u>0</u>	<u>85</u>	<u>85</u>	<u>0</u>
Fund Balance- End of Year	\$ <u>0</u>	\$ <u>85</u>	\$ <u>85</u>	\$ <u>0</u>	\$ <u>(85)</u>	\$ <u>(85)</u>

See notes to financial statements.

City of Natchitoches, Louisiana
Federal Financial Assistance Programs
Coalition for Drug Free Grant
Statement of Revenues, Expenditures and Changes in Fund Balance-
Budget (GAAP Basis) and Actual
Year Ended May 31, 1998

	<u>Year Ended May 31, 1998</u>		
	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
REVENUES:			
Intergovernmental- State of Louisiana	\$25,538	\$25,538	\$ 0
EXPENDITURES:			
Current- Public Safety	<u>25,538</u>	<u>22,279</u>	<u>3,259</u>
Excess of Revenues over Expenditures	\$ 0	\$ 3,259	\$3,259
Fund Balance-Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance-End of Year	\$ <u>0</u>	\$ <u>3,259</u>	<u>\$3,259</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

City of Natchitoches, Louisiana
Federal Financial Assistance Programs

Notes to Financial Statements
May 31, 1998 and 1999

1. Summary of Significant Accounting Policies:

The financial statements of the Federal Financial Assistance Programs of the City of Natchitoches, 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. The more significant of the City's accounting policies are described below.

Reporting Entity-

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" establishes criteria for determining which entities should be considered a component unit and, as such, part of the reporting entity for financial reporting purposes. The basic criteria are described below.

1. A potential component unit must have separate corporate powers that distinguish it as being legally separate from the primary government. These include the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued in its own name without recourse to a state or local government, and the right to buy, sell, lease and mortgage property in its own name.
2. The primary government must be financially accountable for a potential component unit. Financial accountability may exist as a result of the primary government appointing a voting majority of the potential component unit's governing body; their ability to impose their will on the potential component unit by significantly influencing the programs, projects, activities, or level of services performed by or provided by the potential component unit; or the existence of a financial benefit or burden. In addition, financial accountability may also exist as a result of a potential component unit being fiscally dependent on the primary government.

In some instances, the potential component unit should be included in the reporting entity (even when the criteria in No. 2 above are not met), if exclusion would render the reporting entity's financial statements incomplete or misleading.

City of Natchitoches, Louisiana
Federal Financial Assistance Programs

Notes to Financial Statements
May 31, 1998 and 1999

Primary government-

City of Natchitoches-The City operates under an elected Mayor/Council (5 members) administrative/legislative form of government. The City's operations include police and fire protection, streets and drainage, parks and recreation, certain social services, and general administration services. The City owns and operates one enterprise activity, a utilities system which generates and distributes electricity and provides water and sewer services. As required by GASB, the City issues annual financial statements which include the activities of all of its funds, accounts groups, and component units.

These financial statements present only the financial activities of those funds which receive federal funds, and are not a substitute for the reporting entity's financial statements. These financial statements are not intended to and do not report on the reporting entity as a whole.

Fund Accounting-The accounts of the City of Natchitoches 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 the individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. Funds are classified into three categories: governmental, proprietary and fiduciary. The funds reported in these financial statements are governmental funds.

Fixed Assets and Long-Term Liabilities-

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund is determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus and only current assets and current liabilities are generally included on their balance sheets.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. These assets are recorded as expenditures in the governmental fund types when purchased. The City has elected to not capitalize certain improvements other than buildings, including roads, bridges, sidewalks, and drainage improvements. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost.

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.

City of Natchitoches, Louisiana
Federal Financial Assistance Programs

Notes to Financial Statements
May 31, 1998 and 1999

The two account groups are not "funds". They are concerned only with the measurement of financial position and are not involved with measurement of results of operations.

Basis of Accounting-

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement 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. Sales taxes are considered as "measurable" when in the hands of the Sales Tax Collector, and are recognized as revenue at that time. Ad valorem taxes are recognized as revenue in the year for which budgeted, that is, in the year in which such taxes are billed and collected. Other major revenues that are considered susceptible to accrual include earned grant revenues, charges for services, and interest earned on investments. Franchise fees, licenses and permits, and court fines are recognized when received because they are not objectively measurable.

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

Budgets and Budgetary Accounting-

Annual budgets are adopted and recorded in the accounting records for all governmental type funds. The City follows these procedures in establishing the budgetary data reflected in these financial statements:

1. At least forty-five days prior to the beginning of each fiscal year, the Mayor submits to the City Council a proposed budget in the form required by the City's Charter.
2. At the meeting of the Council at which the operating budget is submitted, the Council orders a public hearing on the budget, and orders the official journal to publish at least ten days prior to such meeting, the time and place thereof, a general summary of the proposed budget, and the times and places where copies of the proposed budget are available for public inspection.
3. Adoption of the budget is required no later than the last regular meeting of the last month of the fiscal year prior to the fiscal year for which the budget pertains.

City of Natchitoches, Louisiana
Federal Financial Assistance Programs

Notes to Financial Statements
May 31, 1998 and 1999

4. Formal budgetary integration is employed as a management control tool during the year. Funds in excess of the budgetary amounts cannot be obligated without the Finance Director's approval. Funds in excess of those budgeted for an entire department (or fund) cannot be obligated without the Mayor's approval. These procedures render control at the departmental/fund level.
5. The budget can be amended after adoption by the Mayor submitting an amended budget to the Council, and the adoption of the amended budget by the Council.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets are adopted on a basis consistent with generally accepted accounting principles as applied to governmental units.

Budget amounts shown in the financial statements are as originally adopted, or as amended with procedures required by the City's Charter.

Encumbrances-

Encumbrance accounting is not employed by the City of Natchitoches, Louisiana.

Cash and Cash Investments-

The City has deposits in several types of highly liquid investment vehicles such as certificates of deposit. Since all of the City's cash is readily available, these deposits are listed in these statements as "Cash".

Total Columns on Combined Statements - Overview-

Total columns on the combined statements - overview 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.

2. Cash:

Cash is accounted for separately by each of the City's federal financial assistance program funds. At May 31, 1998, cash totaled \$47,220 and cash overdrafts totaled \$288,945. At May 31, 1999, cash totaled \$64,477 and cash overdrafts totaled \$250,345. All of the City's cash is held in a consolidated

City of Natchitoches, Louisiana
Federal Financial Assistance Programs

Notes to Financial Statements
May 31, 1998 and 1999

bank account. At May 31, 1998 and May 31, 1999, all of the City's cash was adequately secured from risk by federal deposit insurance and by the pledge of securities.

3. Deficits in Individual Funds:

The LCDBG Alliance Fund had deficit fund balances for both 1998 and 1999. The City Council is aware of these deficits and will make transfers from other City funds to clear these deficits at the conclusion of the program. The Multi-Drug Task Force and Stop Grant funds also had fund deficits which will be cleared by spending adjustments in future years.

4. Receivables:

Receivables consist of amounts requested from grantors at year end that have not yet been received. At May 31, 1998, receivables were \$9,360 and \$2,048 at May 31, 1999. All amounts are considered to be collectible, and an allowance for bad debts is not used.

5. Year 2000 Issue:

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

The City of Natchitoches has inventoried all systems, and replaced those found not to be year 2000 compliant. However, the City cannot guarantee that its efforts have been successful, and cannot guarantee that parties with whom the City conducts business will be year 2000 compliant.

COMPLIANCE, INTERNAL CONTROL AND
OTHER GRANT INFORMATION

Johnson, Thomas & Cunningham

Certified Public Accountants

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Exhibit I-1

Eddie G. Johnson, C.P.A. A Professional Corporation (1968-1996)

Mark D. Thomas, C.P.A. A Professional Corporation

Roger M. Cunningham, C.P.A. A Professional Corporation

J. Paul Sklar, C.P.A. A Professional Corporation

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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 City Council
Natchitoches, Louisiana

We have audited the financial statements of the federal financial assistance programs of the City of Natchitoches, Louisiana, as of and for the years ended May 31, 1998 and 1999, and have issued our report thereon dated October 15, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Natchitoches, 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 engagement and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as item 98-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Natchitoches, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the federal financial assistance program 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 judgment, could adversely affect the City of Natchitoches, Louisiana's ability to record, process, summarize and report financial data consistent with the assertions of management in the federal financial assistance program financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 98-2.

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 federal financial assistance program 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 structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

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


Johnson, Thomas & Cunningham, CPA's

October 15, 1999
Natchitoches, Louisiana

reporting that, in our

Johnson, Thomas & Cunningham

Certified Public Accountants

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Exhibit I-2

Eddie G. Johnson, C.P.A. - A Professional Corporation (1968-1996)

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the City Council
Natchitoches, Louisiana

Compliance

We have audited the compliance of the City of Natchitoches, Louisiana with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended May 31, 1998 and 1999. The City of Natchitoches, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Natchitoches, Louisiana's management. Our responsibility is to express an opinion on the City of Natchitoches, Louisiana's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Natchitoches, Louisiana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Natchitoches, Louisiana's compliance with those requirements.

In our opinion, the City of Natchitoches, Louisiana complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended May 31, 1998 and 1999.

Internal Control Over Compliance

The management of the City of Natchitoches, Louisiana is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Natchitoches, Louisiana's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 98-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the above referenced reportable condition is a material weakness.

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


Johnson, Thomas & Cunningham, CPA's

October 15, 1999
Natchitoches, Louisiana

City of Natchitoches, Louisiana
Program Audit of Federal Financial Assistance Programs
Schedule of Findings and Questioned Costs
Years Ended May 31, 1998 and 1999

I. SUMMARY OF AUDIT RESULTS

The following summarizes the audit results in accordance with OMB Circular A-133:

1. An unqualified opinion was issued on the federal financial assistance program financial statements of the City of Natchitoches, Louisiana as of and for the years ended May 31, 1998 and 1999.
2. A reportable condition in internal control was disclosed by the audit of the financial statements for the year ended May 31, 1998, and the condition was considered a material weakness.
3. The audit disclosed an instance of noncompliance for the year ended May 31, 1998, that is required to be reported under *Government Auditing Standards*.
4. A reportable condition in internal control over major programs was disclosed by the audit for the year ended May 31, 1998, and the condition was considered to be a material weakness.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit did not disclose findings related to federal awards that are required to be reported under OMB Circular A-133.
7. The following program was major for the years ended May 31, 1998 and 1999 -

Community Development Block Grant	#14.228
-----------------------------------	---------
8. \$100,000 was the threshold used to distinguish Type A from Type B programs.
9. The City of Natchitoches, Louisiana, did not qualify as a low-risk auditee.

II. FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Compliance-

98-1 Untimely Completion and Filing of Audit Report

Condition-Louisiana Statutes require the City of Natchitoches to submit its audit report to the Louisiana Legislative Auditor within six months of its fiscal year. For the year ended May 31, 1998, the report was not submitted within the six month time frame. This condition is corrected for the year ended May 31, 1999.

City of Natchitoches, Louisiana
Program Audit of Federal Financial Assistance Programs
Schedule of Findings and Questioned Costs
Years Ended May 31, 1998 and 1999
(continued)

Recommendation-This finding is cleared in the 1999 year, no recommendation is needed.

Internal Control-

98-2 Reconciliations of Accounts

Condition-For the year ended May 31, 1998, many of the general ledger accounts that should be reconciled to third party sources; such as bank accounts, accounts receivable accounts, and accounts payable accounts; were not being reconciled. As a result, material errors were occurring within the City's accounting system. These reconciliations were made for the year ended May 31, 1999, and accounting personnel also went back over the records for the year ended May 31, 1998, and performed these procedures.

Recommendation-This finding is cleared in the 1999 year, no recommendation is needed.

III. FINDINGS IN ACCORDANCE WITH OMB CIRCULAR A-133

Internal Control-

98-3 Federal Financial Reports

Condition-For the year ended May 31, 1998, the City's bank accounts were not being reconciled to the general ledger. Since reports prepared for grantors used the amounts shown in the general ledgers, the reports had the potential to include material error. Accounting personnel have gone back to the 1998 year and made the necessary reconciliations, and have carried these procedures through the 1999 year.

Recommendation-This finding is cleared in the 1999 year, no recommendation is needed.

City of Natchitoches, Louisiana
 Supplementary Schedule of Expenditures of Federal Awards
 Years Ended May 31, 1998 and 1999

Federal Grantor/ Pass-Through Grantor/ <u>Program Title</u>		Federal CFDA <u>Number</u>	Assistance ID <u>Number</u>
DIRECT PROGRAMS:			
U.S. Department of Justice- Local Law Enforcement Block Grant	1998 1999	16.592 16.592	96-LB-VX-2741 98-LB-VX-2234
PASS-THROUGH PROGRAMS:			
U. S. Department of Justice- Louisiana Commission on Law Enforcement- Multi-Drug	1998 1999	16.579 16.579	B96-1-017 B98-1-003
Drug Free	1998	16.548	
Louisiana Highway Safety Commission- STOP Grant	1998 1999	16.579 16.579	
U. S. Department of Housing and Urban Development- Community Development Block Grant*		14.228	107-800240
Community Development Block Grant*		14.228	780-0303/101-6023
PROGRAMS NOT IN THIS REPORT:			
U. S. Department of Justice - COPS FAST			95-CF-WX-1648
Division of Historic Preservation		15.904	
LOAN GUARANTEES:			
Department of Environmental Quality		66.458	
Totals			

<u>Year Ended May 31, 1998</u>		<u>Year Ended May 31, 1999</u>		<u>Loan Guarantee Amounts</u>
<u>Current Year Revenues</u>	<u>Current Year Expenditures</u>	<u>Current Year Revenues</u>	<u>Current Year Expenditures</u>	
\$ 25,915 0	\$ 9,340 0	\$ 0 45,113	\$ 0 28,518	\$ 0 0
16,472 0 25,538	16,472 0 22,279	0 21,590 0	0 21,590 0	0 0 0
32,885 0	21,160 0	0 32,236	0 32,406	0 0
17,104 291,403	17,104 413,359	279,348 63,285	277,123 28,719	0 0
23,750	23,750	0	0	0
8,000	8,000	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>17,669,135</u>
<u>\$441,067</u>	<u>\$531,464</u>	<u>\$441,572</u>	<u>\$388,356</u>	<u>\$17,669,135</u>