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**VILLAGE OF PROVENCAL, LOUISIANA**  
**ANNUAL FINANCIAL REPORT**  
**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 SEP 30 1998

Village of Provençal, Louisiana

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## INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

The Honorable Eulanee Parker, Mayor  
and Village Aldermen  
Village of Provencal, Louisiana

We have audited the general purpose financial statements of the Village of Provencal, Louisiana, as of and for the year ended June 30, 1998, as listed in the table of contents. These financial statements are the responsibility of the Village's 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, the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the U.S. General Accounting Office and the *Louisiana Governmental Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also 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 the 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.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Provencal, Louisiana, as of June 30, 1998, and the results of its operations and the cash flows of its proprietary fund for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as "Schedules" in the table of contents is presented for the purpose of additional analysis, and is not a required part of the financial statements of the Village of Provencal, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 17, 1998, on our consideration of the Village of Provencal's internal control structure and a report dated September 17, 1998, on its compliance with laws and regulations.

*Johnson, Thomas & Cunningham*  
Johnson, Thomas & Cunningham, CPA's

September 17, 1998  
Natchitoches, Louisiana

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

Village of Provençal, Louisiana

Combined Balance Sheet-All Fund Types and Account Group  
June 30, 1998

<u>Assets</u>	<u>Governmental Fund Types</u>		<u>Proprietary</u>	<u>Account Group</u>	<u>Totals</u> <u>(Memorandum Only)</u> <u>1998</u>
	<u>General</u>	<u>Capital</u> <u>Projects</u>	<u>Fund Type</u> <u>Enterprise</u>	<u>General</u> <u>Fixed Assets</u>	
Cash	\$36,426	\$0	\$ 38,107	\$ 0	\$ 74,533
Receivables	952	0	15,960	0	16,912
Restricted Assets-					
Meter Deposits	0	0	12,445	0	12,445
Bond Redemption Funds	0	0	16,550	0	16,550
Contingency Funds	0	0	8,208	0	8,208
Utility, Plant & Equipment	0	0	2,398,667	0	2,398,667
Less, Accumulated Depreciation	0	0	(283,493)	0	(283,493)
Furniture, Equipment & Land	<u>0</u>	<u>0</u>	<u>0</u>	<u>67,215</u>	<u>67,215</u>
Total Assets	<u>\$37,378</u>	<u>\$0</u>	<u>\$2,206,444</u>	<u>\$67,215</u>	<u>\$2,311,037</u>
<u>Liabilities</u>					
Accounts Payable	\$ 1,474	\$0	\$ 6,353	\$ 0	\$ 7,827
Accrued Liabilities Payable from Restricted Assets-					
Revenue Bonds	0	0	4,000	0	4,000
Customer's Deposits	0	0	12,102	0	12,102
Accrued Interest	0	0	2,575	0	2,575
Revenue Bonds Payable	<u>0</u>	<u>0</u>	<u>99,000</u>	<u>0</u>	<u>99,000</u>
Total Liabilities	<u>\$ 1,474</u>	<u>\$0</u>	<u>\$ 124,030</u>	<u>\$ 0</u>	<u>\$ 125,504</u>
<u>Fund Equity</u>					
Contributed Capital-Federal Grants	\$ 0	\$0	\$2,152,560	\$ 0	\$2,152,560
Investment in General Fixed Assets	0	0	0	67,215	67,215
Retained Earnings-					
Unreserved-(Deficit)	0	0	(70,146)	0	(70,146)
Fund Balances-					
Unreserved-Undesignated	<u>35,904</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>35,904</u>
Total Fund Equity	<u>\$35,904</u>	<u>\$0</u>	<u>\$2,082,414</u>	<u>\$67,215</u>	<u>\$2,185,533</u>
Total Liabilities & Fund Equity	<u>\$37,378</u>	<u>\$0</u>	<u>\$2,206,444</u>	<u>\$67,215</u>	<u>\$2,311,037</u>

See notes to financial statements.

Village of Provencal, Louisiana

Combined Statement of Revenues, Expenditures and Changes in Fund Balances-  
Governmental Fund Types  
Year Ended June 30, 1998

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u> <u>1998</u>
Revenues:			
Licenses, Fines & Permits	\$26,189	\$ 0	\$ 26,189
Intergovernmental	2,909	523,901	526,810
Miscellaneous	<u>8,497</u>	<u>0</u>	<u>8,497</u>
Total Revenues	<u>\$37,595</u>	<u>\$523,901</u>	<u>\$561,496</u>
Expenditures:			
Current-			
General Government	\$43,268	\$ 16,267	\$ 59,535
Public Safety	897	0	897
Public Works	<u>0</u>	<u>507,634</u>	<u>507,634</u>
Total Expenditures	<u>\$44,165</u>	<u>\$523,901</u>	<u>\$568,066</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (6,570)	\$ 0	\$ (6,570)
Other Financing Sources (Uses):			
Operating Transfers In	<u>16,385</u>	<u>0</u>	<u>16,385</u>
Excess (Deficiency) of Revenues and Other Sources Over Expen- ditures	\$ 9,815	\$ 0	\$ 9,815
Fund Balance-Beginning of Year	<u>26,089</u>	<u>0</u>	<u>26,089</u>
Fund Balance-End of Year	<u>\$35,904</u>	<u>\$ 0</u>	<u>\$ 35,904</u>

See notes to financial statements.

Village of Provençal, Louisiana

Combined Statement of Revenues, Expenditures and Changes in Fund Balances-  
Budget (GAAP Basis) and Actual  
General and Capital Projects Fund Types  
Year Ended June 30, 1998

	General Fund			Capital Projects		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Licenses & Permits	\$26,000	\$26,189	\$ 189	\$ 0	\$ 0	\$0
Intergovernmental	2,100	2,909	809	523,901	523,901	0
Miscellaneous	<u>2,400</u>	<u>8,497</u>	<u>6,097</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>\$30,500</u>	<u>\$37,595</u>	<u>\$ 7,095</u>	<u>\$523,901</u>	<u>\$523,901</u>	<u>\$0</u>
Expenditures:						
Current-						
General Government	\$28,100	\$43,268	\$(15,168)	\$ 16,267	\$ 16,267	\$0
Public Safety	2,400	897	1,503	0	0	0
Public Works	<u>0</u>	<u>0</u>	<u>0</u>	<u>507,634</u>	<u>507,634</u>	<u>0</u>
Total Expenditures	<u>\$30,500</u>	<u>\$44,165</u>	<u>\$(13,665)</u>	<u>\$523,901</u>	<u>\$523,901</u>	<u>\$0</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ (6,570)	\$ (6,570)	\$ 0	\$ 0	\$0
Other Financing Sources (Uses):						
Operating Transfers In (Out)	<u>0</u>	<u>16,385</u>	<u>16,385</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ 0	\$ 9,815	\$ 9,815	\$ 0	\$ 0	\$0
Fund Balance-Beginning of Year	<u>26,089</u>	<u>26,089</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance-End of Year	<u>\$26,089</u>	<u>\$35,904</u>	<u>\$ 9,815</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$0</u>

See notes to financial statements.



Village of Provençal, Louisiana

Statement of Revenues, Expenses and Changes in Retained Earnings-  
Proprietary Fund Type  
Enterprise Fund  
Year Ended June 30, 1998

	Totals <u>1998</u>
Operating Revenues:	
Utility Sales & Miscellaneous	<u>\$183,972</u>
Operating Expenses:	
Gas Purchased	\$ 42,605
Maintenance & Labor	46,818
Supplies, etc.	10,174
Electricity	<u>9,053</u>
Total	<u>\$108,650</u>
Administration:	
Office Expenses	\$ 3,950
Insurance	11,855
Taxes & Licenses	7,939
Legal & Accounting	500
Miscellaneous	<u>100</u>
Total	<u>\$ 24,344</u>
Depreciation	<u>\$ 42,156</u>
Total Operating Expenses	<u>\$175,150</u>
Operating Income (Loss)	<u>\$ 8,822</u>
Non-Operating Revenues (Expenses):	
Interest Income	\$ 1,102
Interest Expense	<u>(5,150)</u>
Total	<u>\$ (4,048)</u>
Other Financing Sources (Uses):	
Transfers (Out)	<u>\$ (16,385)</u>
NET INCOME (LOSS)	<u>\$ (11,611)</u>
Retained Earnings-Beginning	<u>(58,535)</u>
Retained Earnings-Ending	<u>\$ (70,146)</u>

See notes to financial statements.

Village of Provencal, Louisiana

Statement of Cash Flows  
Proprietary Fund Type-Enterprise Fund  
Year Ended June 30, 1998

	<u>1998</u>
Cash Flows from Operating Activities:	
Net Income (Loss) for the Year	\$ (11,611)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	42,156
(Increase) in Accounts Receivable	(4,995)
Decrease in Restricted Assets	279
Increase in Accounts Payable	861
Increase in Restricted Assets Payables	<u>1,169</u>
Net Cash Provided by (Used by) Operating Activities	<u>\$ 27,859</u>
Cash Flows from Investing Activities	
(Purchase) of Fixed Assets	\$(542,012)
Net Cash Used in Investing Activities	<u>\$(542,012)</u>
Cash Flows from Financing Activities:	
Contributed Capital	\$ 537,454
Repayment of Long-term Debt	<u>(4,000)</u>
Net Cash Provided (Used) by Financing Activities	<u>\$ 533,454</u>
Net Increase (Decrease) in Cash	\$ 19,301
Cash at Beginning of Year	<u>18,806</u>
Cash at End of Year	<u>\$ 38,107</u>

See notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Village of Provençal, Louisiana  
Notes to Financial Statements  
June 30, 1998

**1. Introduction:**

The Village of Provençal, Louisiana, is incorporated under the Lawrason Act with a Mayor-Board of Aldermen form of government. The executive branch of government is headed by the Mayor and a Legislative branch consisting of three Aldermen.

This report includes all funds and account groups which are controlled or dependent on the Village of Provençal's executive and legislative branches (the Mayor and Aldermen). Control by or dependence on the Village of Provençal was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of government body, and other general oversight responsibility.

The Village's operations include police, streets and drainage, and general and administrative services. In addition, the Village operates a Utility System which provides water, sewer and gas services.

**2. Summary of Significant Accounting Policies:**

A. Reporting Entity

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

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

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the municipality to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.

Village of Provençal, Louisiana  
Notes to Financial Statements  
June 30, 1998

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

As required by generally accepted accounting principles, these financial statements present the Village of Provençal as the primary government. The Village does not have any component units.

B. Fund Accounting

The accounts of the Village of Provençal are organized on the basis of funds and an account group, 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 purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into three generic funds types and two broad fund categories as follows:

Governmental Funds-

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

Capital Projects Funds-Capital Projects Funds are used to account for the acquisition or construction of major capital facilities.

Proprietary Fund-

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

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



Village of Provençal, Louisiana  
Notes to Financial Statements  
June 30, 1998

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

The account group is not a "fund". It is concerned only with the measurement of financial position, and is not involved with the measurement of results of operations.

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

Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against the operations. Depreciation has been provided over the estimated useful lives using the straight-line method. Assets are shown at historical cost less an allowance for depreciation. The allowance for depreciation at June 30, 1998 was \$283,493 and \$241,337 at June 30, 1997. The estimated useful lives are as follows:

Water System	40 years
Gas System	40 years
Sewer System	75 years

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by all governmental funds. The governmental funds use the following practices in recording revenues and expenditures:

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

Expenditures are recognized when the related fund liability is incurred.

Other Financing Sources (Uses)

Transfers between fund that are not expected to be repaid are accounted for as other financing sources (uses). These are recorded at the time of the transfer.

Village of Provencal, Louisiana  
Notes to Financial Statements  
June 30, 1998

All proprietary funds are accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet.

The proprietary funds use the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized at the time liabilities are incurred.

D. Budgets and Budgetary Accounting

The Village utilizes the following procedures in establishing the budgetary data reflected in the financial statements.

1. The Mayor prepares the budget which is to be submitted to the Board of Aldermen at the May meeting of the Board. The budget is to be voted on at the June meeting.
2. The budget can be amended after adoption by the Mayor submitting an amended budget to the Board, and adoption by the Board.
3. All budgetary appropriations lapse at the end of each fiscal year.
4. Budgets for the General fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

E. Inventories

Water, sewer and gas system supplies used in the proprietary fund are expensed when purchased since the amount on hand, if any, is not material in amount.

F. Retirement Commitments

The employees of the Village of Provencal are not covered by any pension system, other than the social security system.

G. Unpaid Accumulated Vacation and Sick Pay

At June 30, 1998 there was no unpaid accumulated vacation or sick pay.

H. Encumbrance Accounting

The Village of Provencal does not employ the use of "encumbrance" accounting methods.

Village of Provencal, Louisiana  
Notes to Financial Statements  
June 30, 1998

I. Bad Debts

Uncollectible amounts due for customer's utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. Allowance for bad debts at June 30, 1998, was \$400.

J. 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.

K. Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits. Under state law, the Village may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the Village may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. At June 30, 1998, the Village did not have any investments.

L. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. These covenants are more fully described in Note 6.

M. Fund Equity

Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants when such resources are restricted for the acquisition or construction of capital assets. Contributed capital is not amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such resources.



Village of Provençal, Louisiana  
Notes to Financial Statements  
June 30, 1998

Reserves

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

**3. Restricted Assets - Proprietary Fund Type:**

Restricted assets were applicable to the following at June 30, 1998:

	<u>1998</u>
Customer's Deposits	\$12,445
Bond Redemption Funds	16,550
Bond Contingency Fund	<u>8,208</u>
Total	<u>\$37,203</u>

**4. Changes in General Fixed Assets:**

A summary of changes in general fixed assets follows:

	<u>Balance at July 1, 1997</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 1998</u>
Land, Building & Equipment	<u>\$63,830</u>	<u>\$3,385</u>	\$0	<u>\$67,215</u>

**5. Certificate of Indebtedness:**

During the year ended June 30, 1998 the Village incurred debt on certificates of indebtedness issued for the purchase of a new vehicle totaling \$7,070 on May 22, 1998. The note is for 12 months and bears a rate of interest of 7.17%. Transactions related to this certificate of indebtedness for 1998 are as follows:

	<u>1998</u>
Beginning Balance	\$ 5,275
Payments made during year	<u>(5,275)</u>
Total	<u>\$ 0</u>

Village of Provencal, Louisiana  
Notes to Financial Statements  
June 30, 1998

**6. Changes in Long-Term Debt:**

The following is a summary of bond transactions of the Village for the year ended June 30, 1998:

	<u>Revenue Bonds</u>
Bonds Payable at July 1, 1997	\$107,000
Less, Bonds Retired	<u>(4,000)</u>
Bonds Payable at June 30, 1998	<u>\$103,000</u>

Bonds payable at June 30, 1998 are comprised of the following individual issues:

	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Rate</u>	<u>Total</u>
1975 Water Revenue Bonds	7-20-75	1-1-15	5%	<u>\$103,000</u>

The annual requirements to amortize all debt outstanding as of June 30, 1998 including interest payments of \$51,950 are as follows:

1999	\$ 9,150
2000	8,950
2001	9,750
2002	9,500
2003	9,250
2004 through 2015	<u>108,350</u>
Total	<u>\$154,950</u>

**7. Flow of Funds, Restriction on Use - Water Funds:**

On May 2, 1975, the Village of Provencal borrowed \$157,000 from the Farmers Home Administration for the development of a water system. The note was secured by a revenue bond in the amount of \$157,000 and pledge of revenues from the sale of water. The establishment of a Reserve Bond Fund was required. The amount required was five percent of the monthly payment of the revenue bond. This amount is to be deposited monthly into the fund until there is accumulated therein an amount equal to the highest annual debt service payable in any future year - \$10,250. General Electric Capital Corporation has purchased the note from the Farmers Home Administration.

The establishment of a depreciation and contingency fund was also required with an initial payment of \$2,000 into the fund. Monthly amounts of \$40 are to be set aside into this fund. The fund can be used for maintenance of the system.

Village of Provençal, Louisiana  
Notes to Financial Statements  
June 30, 1998

**8. Litigation:**

At June 30, 1998, the Village was not a party in any outstanding civil suit seeking damages against the Village.

**9. Cash and Investments:**

The Village's cash is held in separate cash accounts, and accounted for separately in each of the Village's funds. At June 30, 1998, the Village's cash totaled \$111,736. All of this cash is held by banks, and \$111,736 is covered by FDIC insurance.

The Village's cash is categorized below to give an indication of the level of risk assumed by the Village at June 30, 1998. Category 1 includes cash held by the Village which is insured and held in the Village's name. Category 2 would include cash and investments held in the Village's name which is uninsured or unregistered. Category 3 would include the Village's cash held by a trustee or other third party not in the Village's name and uninsured and unregistered.

	Category <u>1</u>	Category <u>2</u>	Category <u>3</u>	Carrying Value
Total Cash & Cash Equivalents	\$111,736	\$0	\$0	\$111,736
FDIC Insurance	<u>111,736</u>	<u>0</u>	<u>0</u>	<u>111,736</u>
Balance Uninsured	\$ <u>0</u>	\$0	\$0	\$ <u>0</u>

**10. A summary of proprietary fund property, plant and equipment at June 30, 1998, follows:**

Land	\$ 38,250
Gas System	68,746
Water System	846,965
Sewer System	<u>1,444,706</u>
Total	\$2,398,667
Less, Accumulated Depreciation	<u>(283,493)</u>
Net	<u>\$2,115,174</u>

**11. Proprietary Funds:**

Segment information disclosure for the different types of utility fund services provided is not available since these services are combined by the Village's accounting system.

Village of Provençal, Louisiana  
Notes to Financial Statements  
June 30, 1998

**12. Changes in Contributed Capital:**

Beginning Balance, July 1, 1997	\$1,615,106
Additions-	
Water System Improvements made by grant from Louisiana Division of Administration, LCDBG Funds	<u>537,454</u>
Ending Balance, June 30, 1998	<u>\$2,152,560</u>

**13. Per Diem Payments:**

<u>Name</u>	<u>Amount</u>
Eulanee Parker	\$ 600
Dody Campbell	600
Ruth Kay	600
Sherry Woodel	<u>600</u>
Total	<u>\$2,400</u>

# Johnson, Thomas & Cunningham

Certified Public Accountants

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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

The Honorable Eulanee Parker, Mayor  
and Village Aldermen  
Village of Provencal, Louisiana

We have audited the general purpose financial statements of the Village of Provencal as of and for the year ended June 30, 1998, and have issued our report thereon dated September 17, 1998. We conducted our audit 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 the "*Louisiana Governmental Audit Guide*".

### Compliance

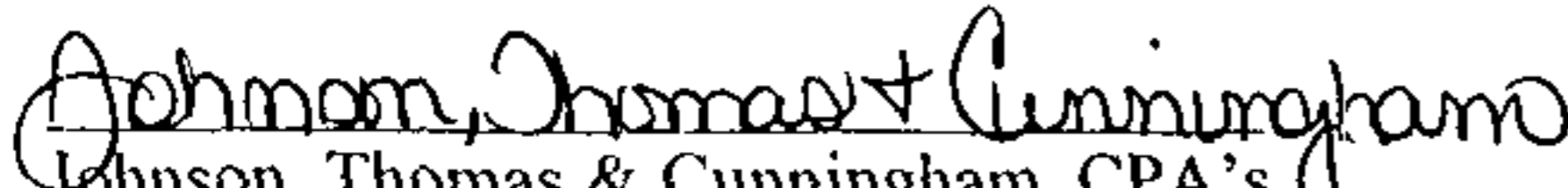
As part of obtaining reasonable assurance about whether the Village of Provencal's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financing Reporting

In planning and performing our audit, we considered the Village of Provencal's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting 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 financial reporting that, in our judgment, could adversely affect the Village of Provencal's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item number 1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control 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 management, 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

September 17, 1998  
Natchitoches, Louisiana



# Johnson, Thomas & Cunningham

Certified Public Accountants

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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

The Honorable Eulance Parker, Mayor  
and Village Aldermen  
Village of Provencal, Louisiana

### Compliance

We have audited the compliance of the Village of Provencal 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 year ended June 30, 1998. The Village of Provencal'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 Village of Provencal's management. Our responsibility is to express an opinion on the Village of Provencal'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 Village of Provencal'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 Village of Provencal's compliance with those requirements.

In our opinion, the Village of Provencal complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1998.

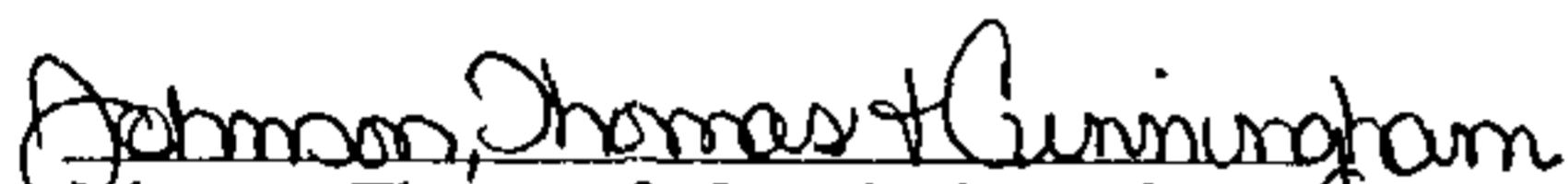
### Internal Control Over Compliance

The management of the Village of Provencal 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 Village of Provencal'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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level that 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management, 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

September 17, 1998  
Natchitoches, Louisiana



Village of Provencal, Louisiana

Schedule of Findings and Questioned Costs  
Year Ended June 30, 1998

**I. SUMMARY OF AUDITORS' RESULTS**

The following summarize the auditors' results in accordance with OMB Circular A-133:

1. An unqualified opinion was issued on the general purpose financial statements of the Village of Provencal as of and for the year ended June 30, 1998.
2. A reportable condition in internal control was disclosed by the audit of the financial statements and the condition was considered a material weakness.
3. The audit did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*.
4. The audit did not disclose reportable conditions in internal control over major programs.
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 programs were major for the year ended June 30, 1998:  
  
CDBG (CFDA #14.228)
8. \$300,000 was the threshold used to distinguish Type A from Type B programs.
9. The Village of Provencal did not qualify as a low-risk auditee.

**II. FINDINGS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The following finding relates to the financial statements and is required to be reported in accordance with *Government Auditing Standards*:

1. The accounting department of the Village of Provencal is too small to allow for a proper separation of duties necessary for strong internal control. However, it is not practicable for the Village to add employees to achieve this separation of duties.

Village of Provencal, Louisiana  
Supplementary Schedule of Expenditures of Federal Awards  
Year Ended June 30, 1998

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's ID Number</u>	<u>Total Current Year Expenditures</u>
U.S. Department of Housing & Urban Development-			
Louisiana Division of Administration/ Community Development Block Grant	14.228	107-700120	\$523,901