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FINANCIAL REPORT
OF THE
VILLAGE OF PINE PRAIRIE, LOUISIANA
FOR THE YEAR ENDED DECEMBER 31, 1998

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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 7-21-99

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INDEPENDENT AUDITOR'S REPORT

To the Board of Aldermen
Village of Pine Prairie, Louisiana

I have audited the accompanying general purpose financial statements of the Village of Pine Prairie, Louisiana, as of and for the year ended December 31, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village of Pine Prairie, 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Village of Pine Prairie, Louisiana, as of December 31, 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 June 25, 1999, on my consideration of the Village of Pine Prairie, Louisiana's internal control over financial reporting and my test of its compliance with certain provisions of laws, regulations, contracts and grants.

My audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Village of Pine Prairie, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

"Governmental Accounting Standards Board Technical Bulletin 98-1 requires disclosure of certain matters regarding year 2000 and its potential impact upon the computers and other electronic devices that may impact upon the performance of the Village of Pine Prairie, Louisiana. The Village of Pine Prairie has made disclosures intending to comply with that Technical Bulletin, in Note N. I have not audited the assertions made in that footnote, and I provide no assurance as to those assertions. In particular, I provide no assurance that the Village of Pine Prairie, Louisiana is or will be Year 2000 ready, that its Year 2000 efforts will be successful in whole or in part, or that parties with whom the Village of Pine Prairie, Louisiana does business will be Year 2000 ready. I have reviewed the Village of Pine Prairie, Louisiana's commitments including contractual obligations for future expenditures' and opine that the accompanying financial statements, taken as a whole, fairly present in all material respects, those commitments without expressing any opinion as to whether those commitments will be sufficient to resolve the year 2000 issue as that issue may impact upon the Village of Pine Prairie, Louisiana.

Michael W. Johnson

Michael W. Johnson
Certified Public Accountant

Eunice Louisiana
June 25, 1999

GENERAL PURPOSE FINANCIAL STATEMENTS

(Combined Statements - Overview)

VILLAGE OF PINE PRAIRIE
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 1998

	<u>Governmental</u>		<u>Proprietary</u>	<u>Account Group</u>
	<u>Fund Types</u>		<u>Fund Type</u>	
	<u>General</u>	<u>Special</u>	<u>Enterprise</u>	<u>General</u>
		<u>Revenue</u>	<u>Fund</u>	<u>Fixed</u>
				<u>Assets</u>
<u>ASSETS</u>				
Cash on Deposit-				
Operating Accounts	\$30,073	\$ 12,575	\$119,117	\$
Savings	15,887	81,855	300,000	
Property Taxes Receivable	3,288	16,503		
Sales Taxes Receivable		8,346		
A/R, Sewer Fees			5,256	
A/R, Other	970		190	
Due from Other Funds	7,623	40,481		
Restricted Assets, Savings			40,055	
Fixed Assets, Net of Allowance for Depreciation (1998, \$212,308)			<u>436,857</u>	<u>1,321,847</u>
TOTAL ASSETS	<u>\$57,841</u>	<u>\$159,760</u>	<u>\$901,475</u>	<u>\$1,321,847</u>
<u>LIABILITIES AND FUND EQUITY</u>				
<u>Liabilities:</u>				
Accounts Payable	\$ 961	\$ 729	\$ 527	\$
Withholding & Taxes Payable	2,073	1,174	201	
Accrued Interest Payable			12,236	
Security Deposits Payable			7,495	
Notes Payable - FmHA			296,757	
Note Payable - Case Credit Corp.				
Due to Other Funds	<u>34,224</u>	<u>-0-</u>	<u>13,880</u>	
Total Liabilities	<u>\$37,258</u>	<u>\$ 1,903</u>	<u>\$331,096</u>	<u>\$ -0-</u>
<u>Fund Equity:</u>				
Investment in General				
Fixed Assets	\$	\$	\$	\$1,321,847
Contribution from LCDBG (net of amortization for capital grants)			592,855	
Fund Balance/Retained Earnings:				
Reserved for Debt Retirement			36,086	
Unreserved (Deficit)	<u>20,583</u>	<u>157,857</u>	<u>(58,562)</u>	
Total Fund Balance/Retained Earnings (Deficit)	<u>\$20,583</u>	<u>\$157,857</u>	<u>\$(22,476)</u>	<u>\$ -0-</u>
Total Fund Equity	<u>\$20,583</u>	<u>\$157,857</u>	<u>\$570,379</u>	<u>\$1,321,847</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$57,841</u>	<u>\$159,760</u>	<u>\$901,475</u>	<u>\$1,321,847</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF PINE PRAIRIE
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998

	<u>Governmental Fund Types</u>		Total
	<u>General</u>	<u>Special</u> <u>Revenue</u>	<u>Memorandum</u> <u>Only)</u>
<u>Revenues:</u>			
Taxes: Property	\$ 18,764	\$ 21,616	\$ 40,380
Franchise	29,546		29,546
Sales		79,445	79,445
Licenses	18,403		18,403
Fines and Forfeits	98,438		98,438
Miscellaneous	13,346	805	14,151
Grants		3,582	3,582
Sales of Assets	546		546
Total Revenues	<u>\$179,043</u>	<u>\$105,448</u>	<u>\$284,491</u>
<u>Expenditures:</u>			
<u>Current:</u>			
General Government	\$ 47,357	\$ 2,987	\$ 50,344
Public Safety	97,717		97,717
Street Department	7,553	75,389	82,942
Capital Outlay	9,764	32,708	42,472
Debt Service		9,350	9,350
Total Expenditures	<u>\$162,391</u>	<u>\$120,434</u>	<u>\$282,825</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Interest Income	\$ 500	\$ 3,445	\$ 3,945
Operating Transfers In	12,366	16,102	28,468
Operating Transfers Out	<u>(10,458)</u>	<u>(23,025)</u>	<u>(33,483)</u>
Total Other Financing Sources/ (Uses)	<u>\$ 2,408</u>	<u>\$(3,478)</u>	<u>\$(1,070)</u>
<u>EXCESS (Deficiency) OF</u>			
<u>REVENUES AND OTHER FINANCING</u>			
<u>SOURCES OVER EXPENDITURES, AND</u>			
<u>OTHER FINANCING USES</u>			
	\$ 19,060	\$(18,464)	\$ 596
<u>FUND BALANCE, BEGINNING</u>			
<u>OF YEAR</u>			
	<u>1,523</u>	<u>176,321</u>	<u>177,844</u>
<u>FUND BALANCE, END OF YEAR</u>			
	<u>\$ 20,583</u>	<u>\$157,857</u>	<u>\$178,440</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF PINE PRAIRIE
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE (BUDGET AND ACTUAL) -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998

	<u>GENERAL FUND</u>		<u>SPECIAL REVENUE FUND</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
<u>Revenues:</u>				
Taxes: Property	\$ 18,642	\$ 18,764	\$ 21,351	\$ 21,616
Franchise	28,000	29,546		
Sales			98,000	79,445
Licenses	18,000	18,403		
Fines and Forfeits	115,000	98,438		
Miscellaneous	650	13,346	430	805
Grants				3,582
Sale of Assets		546		
Total Revenues	<u>\$180,292</u>	<u>\$179,043</u>	<u>\$119,781</u>	<u>\$105,448</u>
<u>Expenditures:</u>				
<u>Current:</u>				
General Government	\$ 43,250	\$ 47,357	\$	\$ 2,987
Public Safety	107,965	97,717		
Street Department	9,900	7,553	84,400	75,389
Capital Outlay	17,500	9,764	15,200	32,708
Debt Service			7,063	9,350
Total Expenditures	<u>\$178,615</u>	<u>\$162,391</u>	<u>\$106,663</u>	<u>\$120,434</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Interest Income	\$ 15,000	\$ 500	\$	\$ 3,445
Operating Transfers In		12,366		16,102
Operating Transfers Out		(10,458)		(23,025)
Total Other Financing Sources/ (Uses)	<u>\$ 15,000</u>	<u>\$ 2,408</u>	<u>\$ -0-</u>	<u>\$(3,478)</u>
<u>EXCESS (Deficiency) OF</u>				
<u>REVENUES AND OTHER FINANCING</u>				
<u>SOURCES OVER EXPENDITURES AND</u>				
<u>OTHER FINANCING USES</u>				
	<u>\$ 16,677</u>	\$ 19,060	<u>\$ 13,118</u>	\$(18,464)
<u>FUND BALANCE, BEGINNING</u>				
<u>OF YEAR</u>				
		<u>1,523</u>		<u>177,844</u>
<u>FUND BALANCE, END OF YEAR</u>				
		<u>\$ 20,583</u>		<u>\$157,857</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF PINE PRAIRIE
PROPRIETARY FUND TYPE
COMPARATIVE BALANCE SHEET
DECEMBER 31, 1998

<u>ASSETS</u>	<u>1998</u>	<u>1997</u>
<u>Current Assets:</u>		
Cash, Operating Accounts	\$119,117	\$ 9,255
Cash, CD's	300,000	
Accounts Receivable, Net of Allowance for Uncollectible (1998, \$-0-; 1997, \$-0-)	5,256	7,350
Accounts Receivable, NSF	<u>190</u>	
Total Current Assets	<u>\$424,563</u>	<u>\$ 16,605</u>
<u>Restricted Assets:</u>		
Cash on Deposit for:		
Note Sinking Fund	\$ 21,063	\$ 14,502
Note Reserve Fund	8,707	7,449
Note Contingency Fund	<u>10,285</u>	<u>8,794</u>
Total Restricted Assets	<u>\$ 40,055</u>	<u>\$ 30,745</u>
<u>Long-Term Assets:</u>		
Fixed Assets, Net of Accumulated Depreciation (1998, \$212,308; 1997, \$195,859)	<u>\$436,857</u>	<u>\$862,807</u>
Total Long-Term Assets	<u>\$436,857</u>	<u>\$862,807</u>
TOTAL ASSETS	<u>\$901,475</u>	<u>\$910,157</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>Current Liabilities:</u>		
(Payable from Current Assets)		
Accounts Payable	\$ 527	\$ 1,070
Withholding and Taxes Payable	201	
Accrued Interest Payable	12,236	12,352
Security Deposits Payable	<u>7,495</u>	<u>5,717</u>
Total	<u>\$ 20,459</u>	<u>\$ 19,139</u>
(Payable from Restricted Assets)		
Current Notes Payable	<u>3,969</u>	<u>3,778</u>
Total	<u>\$ 3,969</u>	<u>\$ 3,778</u>
Total Current Liabilities	<u>\$ 24,428</u>	<u>\$ 22,917</u>
<u>Long-Term Liabilities:</u>		
Note Payable - FHA	<u>\$292,788</u>	<u>\$296,797</u>
Total Long-Term Liabilities	<u>\$292,788</u>	<u>\$296,797</u>

(Continued)

VILLAGE OF PINE PRAIRIE
PROPRIETARY FUND TYPE
COMPARATIVE BALANCE SHEET
DECEMBER 31, 1998
(Continued)

	<u>1998</u>	<u>1997</u>
<u>Due to Other Funds:</u>		
Due to Sales Tax Fund	\$ 6,257	\$ 6,257
Due to General Fund	<u>7,623</u>	<u>7,623</u>
Total	<u>\$ 13,880</u>	<u>\$ 13,880</u>
 Total Liabilities	 <u>\$331,096</u>	 <u>\$333,594</u>
 <u>Fund Equity:</u>		
Contributions from LCDBG (net of amortization for capital grants)	\$592,855	\$611,576
Retained Earnings (Deficit)		
Reserved for Debt Retirement	36,086	26,967
Unreserved	<u>(58,562)</u>	<u>(61,980)</u>
Total Retained Earnings (Deficit)	<u>\$(22,476)</u>	<u>\$(35,013)</u>
 Total Fund Equity	 <u>\$570,379</u>	 <u>\$576,563</u>
 Total Liabilities and Fund Balance	 <u>\$901,475</u>	 <u>\$910,157</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF PINE PRAIRIE
PROPRIETARY FUND TYPE
ENTERPRISE FUND
COMPARATIVE STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1998

	<u>1998</u>	<u>1997</u>
<u>Revenues:</u>		
Sewer Fees	\$ 54,730	\$ 59,413
Miscellaneous Revenue	<u>114</u>	<u>150</u>
Total Revenues	<u>\$ 54,844</u>	<u>\$ 59,563</u>
<u>Operating Expenses:</u>		
Professional Fees	\$ 475	\$ 1,000
Dues & Fees	695	657
Depreciation Expense	16,449	26,687
Insurance	701	1,401
Office Expense	2,092	1,711
Repairs and Maintenance	4,413	9,457
Salaries	18,985	23,695
Taxes	1,444	1,813
Miscellaneous	9,675	1,053
Utilities	<u>5,741</u>	<u>5,032</u>
Total Operating Expenses	<u>\$ 60,670</u>	<u>\$ 72,506</u>
Operating Income (Loss)	\$ (5,826)	\$ (12,943)
<u>Non-Operating Revenues/(Expenses):</u>		
Interest Revenue	\$ 9,497	\$ 930
Interest Expense	(14,871)	(15,190)
Operating Transfers In	<u>5,015</u>	<u>-0-</u>
Total Non-Operating Revenues/ (Expenses)	<u>\$ (359)</u>	<u>\$ (14,260)</u>
Net Income (Loss)	\$ (6,185)	\$ (27,203)
Add: Depreciation on fixed assets acquired by grants externally restricted for capital acquisitions and construction that reduces contributed capital	<u>18,722</u>	<u>18,722</u>
Increase/ (Decrease) in Retained Earnings	\$ 12,537	\$ (8,481)
<u>RETAINED EARNINGS, BEGINNING OF YEAR</u>	<u>(35,013)</u>	<u>(26,532)</u>
<u>RETAINED EARNINGS, END OF YEAR</u>	<u>\$ (22,476)</u>	<u>\$ (35,013)</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF PINE PRAIRIE
COMPARATIVE STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 1998

	<u>1998</u>	<u>1997</u>
<u>Cash flows from operating activities:</u>		
Net income (loss) from operating activities	\$(5,826)	\$(12,943)
Adjustments to reconcile net income/(loss) to net cash provided (used) by operating activities:		
Depreciation/Amortization	\$ 16,449	\$ 26,687
(Increase)/Decrease in receivables	1,905	(2,572)
Increase/(Decrease) in accounts payable	(542)	145
Increase/(Decrease) in other accrued expenses	1,863	401
Increase/(Decrease) in loans from other funds		5,279
Operating Transfers In	<u>5,015</u>	<u>-0-</u>
Total adjustments	<u>\$ 24,690</u>	<u>\$ 29,940</u>
Net cash provided by operating activities	<u>\$ 18,864</u>	<u>\$ 16,997</u>
<u>Cash flows from capital and related financing activities:</u>		
Bonding Company Settlement (See Note O)	\$409,500	\$
Note principal payments	<u>(3,818)</u>	<u>(3,502)</u>
Net cash provided by (used for) capital and related financing activities	<u>\$405,682</u>	<u>\$(3,502)</u>
<u>Cash flows from investing activities:</u>		
Interest received	\$ 9,497	\$ 930
Interest paid	<u>(14,871)</u>	<u>(15,190)</u>
Net cash used for investing activities	<u>\$(5,374)</u>	<u>\$(14,260)</u>
Net increase (decrease) in cash and cash equivalents	\$419,172	\$(765)
Cash and cash equivalents at beginning of year	<u>40,000</u>	<u>40,765</u>
Cash and cash equivalents at end of year	<u>\$459,172</u>	<u>\$ 40,000</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF PINE PRAIRIE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Pine Prairie was incorporated in 1959 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 Pine Prairie, 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 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 the 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, the Village of Pine Prairie had no other significant managerial responsibility over any other governmental unit that is not included in the financial statements.

Fund Accounting - The accounts of the Village of Pine Prairie are organized on the basis of funds, which are considered 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 two governmental fund types, one proprietary fund type, and an account group as listed below:

VILLAGE OF PINE PRAIRIE
NOTES TO FINANCIAL STATEMENTS, CONT'D.

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.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for special purposes.

Proprietary Funds - Utility Fund - Utility Funds are used to account for the proceeds of sewer collection fees from the sewer system completed in 1990. These fees are used to operate and maintain the sewer system and pay the note from FHA.

Account Group - Fixed Assets - The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus.

All governmental fund type operations 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, and are recorded as expenditures in the governmental fund types when purchased. The Village has elected to capitalize public domain ("Infrastructure") fixed assets consisting of certain improvements. No depreciation has been provided on general fixed assets. All fixed assets are recorded at historical cost.

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:

Sewerage Utility:	
Disposal Plant	40 Years
Equipment	10 Years

VILLAGE OF PINE PRAIRIE
NOTES TO FINANCIAL STATEMENTS, CONT'D.

The 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.

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 and Agency 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. Franchise Taxes, Sales Taxes, 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. Gross Sales Taxes are considered "measurable" when collected and are recognized as revenue at that time.

Expenditures are generally recognized under the 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.

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

1. The Village clerk prepares a proposed budget 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 budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted. For the year ended December 31, 1998, the Village adopted the budgets for its General and Special Revenue Funds after the commencement of the year being budgeted for, a violation of state budget law. Management 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.

VILLAGE OF PINE PRAIRIE
NOTES TO FINANCIAL STATEMENTS, CONT'D.

5. 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.
6. The actual expenditures of the Village's Special Revenue Fund exceeded budgeted amounts by more than 5%. Management did not amend the budget accordingly, a violation of budget law. Management overlooked this requirement.

Investments - Investments are in bank savings accounts and in certificates of deposit.

Comparative Data - Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Village's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

Comparative data for the prior year is presented for the year ended December 31, 1997. All data for the current year is presented for the year ended December 31, 1998.

Total Columns on Financial Statements - Overview - Total columns on the financial statements - overview are captioned memorandum only to indicate that they are presented only to facilitate analysis.

Data in these columns do not present financial position and results of operations 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.

Deficits in Fund Balance/Retained Earnings - The Utility Fund had a deficit in retained earnings of \$(22,476) at December 31, 1998. The Village plans to remove this deficit through operating revenue.

NOTE B - AD VALOREM TAXES

Ad Valorem taxes attach as an enforceable lien on property as of March 16 of each year. Taxes are levied by the Village in September or October and are actually billed to the taxpayers in November. Billed taxes become delinquent on March 16 of the following year. Revenues from ad valorem taxes are recorded in the year billed.

VILLAGE OF PINE PRAIRIE
NOTES TO FINANCIAL STATEMENTS, CONT'D.

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

For the twelve months ended December 31, 1998, the 1998 tax roll taxes of 21.99 mills were levied on property with assessed valuations totaling \$1,841,210 and were dedicated as follows:

General Corporate Purposes	5.30 Mills
Street Maintenance	6.85 Mills
Street Construction	4.89 Mills
Police Protection	1.95 Mills
Recreation	<u>3.00 Mills</u>
Total	<u>21.99 Mills</u>

Total taxes levied were \$40,488.20.

NOTE C - DEDICATION OF PROCEEDS - 2% SALES AND USE TAX

Proceeds of the two percent (2%) sales and use tax are dedicated to the following purposes:

The Village of Pine Prairie renewed the two percent (2%) sales tax for a period of ten years, beginning January 1, 1998 and ending December 31, 2007.

After paying the necessary cost of collection and administration, for the purpose of construction, maintenance, and repairs of all public streets and roadways within the Village of Pine Prairie.

VILLAGE OF PINE PRAIRIE
 NOTES TO FINANCIAL STATEMENTS, CONT'D.

NOTE D - INTERFUND RECEIVABLES, PAYABLES

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>General Fund</u>		
Due to Street Maintenance	\$	\$ 3,466
Due to Sales Tax		28,197
Due to Street Construction		2,561
Due from Sewer Funds	7,623	
<u>Special Revenue Funds</u>		
<u>Street Maintenance Tax Fund</u>		
Due from General Fund	3,466	
Due to Sales Tax Fund		499
Due to Street Construction Fund		2,000
<u>Street Construction Fund</u>		
Due from General Fund	2,561	
Due from Street Maintenance Fund	2,000	
Due to Sales Tax		1,825
<u>Sales Tax Fund</u>		
Due from General Fund	28,197	
Due from Street Maintenance Fund	499	
Due from Sewer Fund	6,257	
Due from Street Construction	1,825	
<u>Enterprise Funds</u>		
<u>Sewer Fund</u>		
Due to Sales Tax Fund		6,257
Due to General Fund		<u>7,623</u>
TOTALS	<u>\$52,428</u>	<u>\$52,428</u>

NOTE E - LITIGATION

In the opinion of the Village attorney, the potential claims against the Village not covered by insurance would not materially affect the Financial Statements of the Village.

NOTE F - COMPENSATION OF MAYOR AND BOARD OF ALDERMEN

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

Terrel McCauley (Mayor)	\$2,700
John Deshotel	1,920
Kenneth Guillory	1,135
Artelon Chapman	480
Ricky Cole	1,600
Terry Savant	<u>748</u>
Total	<u>\$8,583</u>

VILLAGE OF PINE PRAIRIE
 NOTES TO FINANCIAL STATEMENTS, CONT'D.

NOTE G - LONG-TERM DEBT

Enterprise Fund - The Village borrowed \$320,000 on a Farmers Home Administration Note for the construction of a sewer system. The note is a forty year, five percent note with annual payments of \$18,806 beginning in 1992.

Principal Payments to maturity are as follows:

<u>Years</u>	<u>Amounts</u>
1999	\$ 3,969
2000	4,165
2001	4,378
2002	4,597
2003-2030	<u>279,648</u>
Total	<u>\$296,757</u>

General Long-Term Debt - The Village borrowed \$18,843 from Case Credit Corporation for the purchase of a tractor and attachments. The loan is a 3 year, 5.75 percent loan with monthly payments of \$586.06. This loan was paid in full as of December 31, 1998.

NOTE H - CHANGES IN GENERAL FIXED ASSETS ARE AS FOLLOWS

	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>	<u>Equipment</u>	<u>Totals</u>
<u>General Fixed Assets, Beginning of Year</u>	\$39,458	\$115,676	\$ 987,598	\$141,638	\$1,284,370
<u>Additions:</u>					
<u>Special Revenue Funds</u>					
Drainage Work	\$	\$	\$ 16,251	\$	\$ 16,251
Street Improvements			9,431		9,431
Other Improvements			2,986		2,986
Equipment				4,040	4,040
<u>General Fund</u>					
Land	\$ 8,100	\$	\$	\$	\$ 8,100
Equipment				784	784
Ball Park Improvements			880		880
Total Additions	<u>\$ 8,100</u>	<u>\$ -0-</u>	<u>\$ 29,548</u>	<u>\$ 4,824</u>	<u>\$ 42,472</u>
<u>Deductions:</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$(4,995)</u>	<u>\$(4,995)</u>
<u>General Fixed Assets, End of Year</u>	<u>\$47,558</u>	<u>\$115,676</u>	<u>\$1,017,146</u>	<u>\$141,467</u>	<u>\$1,321,847</u>

VILLAGE OF PINE PRAIRIE
 NOTES TO FINANCIAL STATEMENTS, CONT'D.

NOTE I - CHANGES IN LONG-TERM DEBT

The following is a summary of Notes Payable of the Village for the year ended December 31, 1998:

	Payable January 1, <u>1998</u>	<u>Additions</u>	<u>Deletions</u>	Payable December 31, <u>1998</u>
Case Credit	\$ 9,059	\$ -0-	\$(9,059)	\$ -0-
Farmers Home Administration	<u>300,575</u>	<u>-0-</u>	<u>(3,818)</u>	<u>296,757</u>
Total Long-Term Debt	<u>\$309,634</u>	<u>\$ -0-</u>	<u>\$(12,877)</u>	<u>\$296,757</u>

NOTE J - AMORTIZATION OF CONTRIBUTED CAPITAL FOR CONSTRUCTION PROJECTS

Under National Council in Governmental Accounting Statement 2, grants, entitlements, or shared revenues restricted for the acquisition or construction of capital assets should be recorded as contributed equity. The village received grants for the construction of a sewer system from the following:

LA Division of Administration	<u>\$748,869</u>
Total	<u>\$748,869</u>

Depreciation recognized on assets acquired or constructed through such resources externally restricted for capital acquisitions may be closed to the appropriate contributed capital account and reported in the operating statement under operating expenses. If this option is followed, the net income (loss), adjusted by the amount of depreciation on fixed assets acquired or constructed through such resources externally restricted for this purpose, is closed to Retained Earnings and reported after Net Income (Loss).

NOTE K - STATEMENT OF CASH FLOWS

Under Governmental Accounting Standards Board Statement No. 9, all governmental entities, whose fiscal year begins after December 15, 1989, must adopt a statement of cash flows to replace the statement of changes in financial position for all proprietary funds.

A statement of cash flows presents cash and cash equivalents at the beginning and end of the period. Cash equivalents are defined as short-term, highly liquid investments that are both:

- a. Readily convertible to known amounts of cash.

VILLAGE OF PINE PRAIRIE
NOTES TO FINANCIAL STATEMENTS, CONT'D.

- b. So near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

A statement of cash flows focuses on cash receipts and cash payments resulting from operating, noncapital financing, capital and related financing, or investing activities.

Operating activities generally result from providing services and producing and delivering goods, and include all transactions and other events that are not defined as capital and related financing, noncapital financing, or investing activities. Cash flows from operating activities generally are the cash effects of transactions and other events that enter into determination of operating income.

Noncapital financing activities include borrowing money for purposes other than to acquire, construct, or improve capital assets and repaying those amounts borrowed, including interest. This category includes proceeds from all borrowings (such as revenue anticipation notes) not clearly attributable to acquisition, construction or improvement of capital assets, regardless of the form of the borrowing. Also included are certain other interfund and intergovernmental receipts and payments.

Capital and related financing activities include (a) acquiring and disposing of capital assets used in providing services or producing goods, (b) borrowing money for acquiring, constructing, or improving capital assets and repaying the amounts borrowed, including interest, and (c) paying for capital assets obtained from vendors on credit.

Investing activities include making and collecting loans and acquiring and disposing of debt or equity instruments.

NOTE L - COLLATERALIZATION OF CASH

Bank Balances at December 31, 1998	\$ 599,562
Less Amount Insured by FDIC	(200,000)
Less Amount Collateralized with Securities Pledged in the Village's Name	<u>(110,886)</u>
Uninsured/Uncollateralized Bank Balances at December 31, 1998	<u>\$ 288,676</u>

The Village's cash was not adequately collateralized at December 31, 1998.

NOTE M - VIOLATIONS OF STATE BUDGET LAW

Actual expenditures of the Village's Special Revenue Fund exceeded budgeted amounts by more than 5%. Management did not amend the budget accordingly, a violation of state budget law. Management overlooked this requirement. Also, the Village adopted the budgets for its General and

VILLAGE OF PINE PRAIRIE
NOTES TO FINANCIAL STATEMENTS, CONT'D.

Special Revenue Funds after the commencement of the year being budgeted for, a violation of state budget law. Management overlooked this requirement.

NOTE N - "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 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.

NOTE O - SEWER SETTLEMENT RECEIVED

The Village received \$409,500.00 from the contractors and engineering bonding companies as a settlement for the faulty sewer system completed in 1990. The funds were placed in two certificates of deposit and a checking account to be held for corrections to the faulty sewer system. The sewer system asset account was decreased by the \$409,500.00 settlement.

NOTE P - FIVE YEAR, THREE MILLS PROPERTY TAX

Proceeds of the five year, three mills property tax approved by special election in May of 1997 are dedicated to the purpose of improving, maintaining, and operating the recreational facilities of the Village of Pine Prairie, including acquiring recreational equipment. The tax is in effect beginning with the year 1997 and ending with the year 2001.

SPECIAL REVENUE FUNDS

Street Maintenance Fund:

To account for the receipt and use of proceeds of the Village's 7.00 mill tax on all property subject to state taxation in the Village. The expenditures are for the purpose of maintaining streets in the Village.

Street Construction Fund:

To account for the receipt and use of proceeds of the Village's 5.00 mill tax on all property subject to state taxation in the Village. The expenditures are for the purpose of constructing streets in the Village.

Sales Tax Fund:

To account for the receipt and use of the Village's 2% sales and use tax. These taxes are dedicated for, after paying the necessary cost of collection and administration, the hard surfacing and re-sealing and maintaining of roads in the Village, and for the payment of bonds or other funded indebtedness of said Village incurred for said purposes.

Trees for the Village
Fund:

To account for the receipt and use of proceeds of the Village's grant and donations for a Village Beautification Project.

VILLAGE OF PINE PRAIRIE
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 1998

	<u>Street Maintenance Tax Fund</u>	<u>Street Construction Tax Fund</u>	<u>Sales Tax Fund</u>	<u>Trees for the Village Fund</u>	<u>Totals</u>
<u>ASSETS</u>					
Cash on Deposit	\$ 1,706	\$	\$ 4,535	\$6,334	\$ 12,575
Savings Account		48,920	32,935		81,855
Property Taxes Receivable	9,651	6,852			16,503
Sales Taxes Receivable			8,346		8,346
Due from General Fund	3,466	2,561	30,275		36,302
Due from Street Maintenance Fund		2,000	499		2,499
Due from Sewer Fund			6,257		6,257
Due from Street Construction			<u>1,825</u>		<u>1,825</u>
Total Assets	<u>\$14,823</u>	<u>\$60,333</u>	<u>\$84,672</u>	<u>\$6,334</u>	<u>\$166,162</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>Liabilities:</u>					
Accounts Payable	\$	\$	\$ 729	\$	\$ 729
Withholding & Payroll Taxes Payable			1,174		1,174
Due to General Fund			2,078		2,078
Due to Sales Tax Fund	499	1,825			2,324
Due to Street Construction Fund	<u>2,000</u>				<u>2,000</u>
Total Liabilities	<u>\$ 2,499</u>	<u>\$ 1,825</u>	<u>\$ 3,981</u>	<u>\$ -0-</u>	<u>\$ 8,305</u>
<u>Fund Balance:</u>					
Undesignated	<u>\$12,324</u>	<u>\$58,508</u>	<u>\$80,691</u>	<u>\$6,334</u>	<u>\$157,857</u>
Total Fund Balance	<u>\$12,324</u>	<u>\$58,508</u>	<u>\$80,691</u>	<u>\$6,334</u>	<u>\$157,857</u>
 Total Liabilities and Fund Balance	 <u>\$14,823</u>	 <u>\$60,333</u>	 <u>\$84,672</u>	 <u>\$6,334</u>	 <u>\$166,162</u>

VILLAGE OF PINE PRAIRIE
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 1998

	<u>Street</u> <u>Maintenance</u> <u>Tax Fund</u>	<u>Street</u> <u>Construction</u> <u>Tax Fund</u>	<u>Sales</u> <u>Tax</u> <u>Fund</u>	<u>Trees</u> <u>for the</u> <u>Village Fund</u>	<u>Totals</u>
<u>Revenue:</u>					
Tax: Sales	\$	\$	\$ 79,445	\$	\$ 79,445
Tax: Property	12,612	9,004			21,616
Miscellaneous			755	50	805
Grants	<u>582</u>			<u>3,000</u>	<u>3,582</u>
Total Revenues	<u>\$13,194</u>	<u>\$ 9,004</u>	<u>\$ 80,200</u>	<u>\$3,050</u>	<u>\$105,448</u>
<u>Expenditures</u>					
<u>Current:</u>					
General Government	\$	\$	\$	\$2,987	\$ 2,987
Street Department	13,453		61,936		75,389
Capital Outlays	3,212	1,825	27,671		32,708
Debt Service			<u>9,350</u>		<u>9,350</u>
Total Expenditures	<u>\$16,665</u>	<u>\$ 1,825</u>	<u>\$ 98,957</u>	<u>\$2,987</u>	<u>\$120,434</u>
<u>Other Financing Sources (Uses)</u>					
Interest Income	\$	\$ 1,695	\$ 1,750	\$	\$ 3,445
Operating Transfers Out		(9,000)	(14,025)		(23,025)
Operating Transfers In	<u>769</u>		<u>15,333</u>		<u>16,102</u>
Total Other Financing Sources (Uses)	<u>\$ 769</u>	<u>\$(7,305)</u>	<u>\$ 3,058</u>	<u>\$ -0-</u>	<u>\$(3,478)</u>
<u>EXCESS (Deficiency) OF REVENUES</u> <u>AND OTHER FINANCING SOURCES</u> <u>OVER EXPENDITURES AND OTHER</u> <u>FINANCING (USES)</u>					
	\$(2,702)	\$(126)	\$(15,699)	\$ 63	\$(18,464)
<u>FUND BALANCE, BEGINNING</u> <u>OF YEAR</u>					
	<u>15,026</u>	<u>58,634</u>	<u>96,390</u>	<u>6,271</u>	<u>176,321</u>
<u>FUND BALANCE, END OF YEAR</u>					
	<u>\$12,324</u>	<u>\$58,508</u>	<u>\$ 80,691</u>	<u>\$6,334</u>	<u>\$157,857</u>

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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 Board of Aldermen
Village of Pine Prairie, Louisiana

I have audited the general purpose financial statements of the Village of Pine Prairie, Louisiana, as of and for the year ended December 31, 1998, and have issued my report thereon dated June 25, 1999. 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 Pine Prairie, Louisiana's general purpose 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 as Finding No.'s 1998-2, 1998-3, and 1998-4.

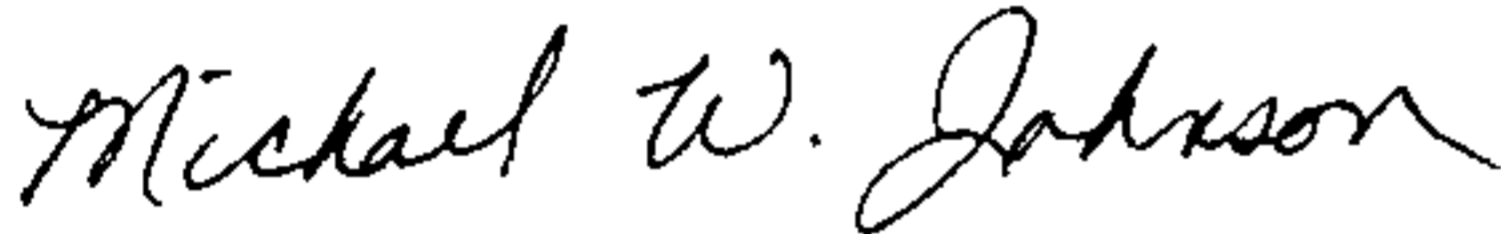
Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Village of Pine Prairie, Louisiana's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose 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 the Village of Pine Prairie, Louisiana's ability to record, process, summarize and report financial data consistent with the

assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings as Finding No.'s 1998-1, 1998-2, 1998-3, and 1998-4.

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. 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 Finding No.'s 1998-2, 1998-3, and 1998-4 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
Certified Public Accountant

Eunice, Louisiana
June 25, 1999

MICHAEL W. JOHNSON

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VILLAGE OF PINE PRAIRIE SCHEDULE OF FINDINGS For the Year Ended December 31, 1998

I have audited the financial statements of the Village of Pine Prairie, Louisiana of and for the year ended December 31, 1998, and have issued my report thereon dated June 25, 1999. 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 December 31, 1998 resulted in an unqualified 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. Cash Not Adequately Collateralized

Finding: The Village's cash was not adequately collateralized at December 31, 1998.

Cause: Management overlooked this requirement.

Recommendation: Management should establish procedures to ensure that the Village's cash is adequately collateralized at all times.

1998-3. Failure to Amend Budget

Finding: Actual expenditures and other uses of the Village's Special Revenue Fund exceeded budgeted amounts by more than 5% and management did not amend the budget accordingly, a violation of state budget law.

Cause: Management overlooked this requirement.

Recommendation: Management should monitor actual expenditures and other uses against budgeted amounts and amend the budget accordingly.

1998-4. Budget Not Timely Adopted

Finding: The Village adopted the budgets for its General and Special Revenue Funds for the year ended December 31, 1998 after the commencement of the year being budgeted for, a violation of state budget law.

Cause: Management overlooked this requirement.

Recommendation: The Village should adopt the budgets for its General and Special Revenue Funds for each year prior to the commencement of the year being budgeted for.

VILLAGE OF PINE PRAIRIE
SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 1998

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

- Finding No. 1997-3 Failure to make required monthly Sinking, Reserve, and Contingency Fund deposits: Resolved.
Management should make required monthly deposits into the Sinking, Reserve, and Contingency Funds.
- Finding No. 1997-4 Cash not adequately collateralized: Unresolved (See Finding No. 1998-2).
Management should establish procedures to ensure that the Village's cash is adequately collateralized at all times.

**VILLAGE OF PINE PRAIRIE
MANAGEMENT'S CORRECTIVE ACTION PLAN
For the Year Ended December 31, 1998**

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

- | | |
|--|--|
| <p>Finding No. 1998-2 Cash not Adequately Collateralized:
Management should establish procedures to ensure that the Village's cash is adequately collateralized at all times.</p> | <p>Management will establish procedures to ensure that the Village's cash is adequately collateralized at all times.</p> |
| <p>Finding No. 1998-3 Failure to Amend Budget:
Management should monitor actual expenditures and other uses against budgeted amounts and amend the budget accordingly.</p> | <p>Management will monitor actual expenditures and other uses against budgeted amounts and amend the budget accordingly.</p> |
| <p>Finding No. 1998-4 Budget Not Timely Adopted:
The Village should adopt the budgets for its General and Special Revenue Funds prior to the commencement of the year being budgeted for.</p> | <p>The Village will begin adopting budgets for its General and Special Revenue Funds prior to the commencement of the year being budgeted for.</p> |

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To the Board of Aldermen
Village of Pine Prairie, Louisiana

The audited financial statements of the Village of Pine Prairie, Louisiana and my report thereon is presented in the preceding section of this report. The financial information presented hereinafter was derived from the accounting records tested by me as part of the auditing procedures followed in my examination of the aforementioned financial statements, and in my opinion it is fairly presented in all material respects in relation to the financial statements taken as a whole; however, it is not necessary for a fair presentation of the financial position, results of operations, and cash flows of the Village of Pine Prairie, Louisiana.

Michael W. Johnson

Michael W. Johnson
Certified Public Accountant

Eunice, Louisiana
June 25, 1999

MICHAEL W. JOHNSON

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To the Board of Aldermen
Village of Pine Prairie, Louisiana

Supplemental Letter

I have audited the financial statements of the Village of Pine Prairie, Louisiana for the year ended December 31, 1998 and have issued my report thereon dated June 25, 1999. As part of my audit I made a study and evaluation of the Village of Pine Prairie, Louisiana's system of internal accounting control to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of my study and evaluation was necessary for expressing an opinion on the Village's financial statements. My study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of the Village of Pine Prairie, Louisiana is responsible for establishing and maintaining a system of internal accounting control. In fulfilling that responsibility, estimates, and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of the Village of Pine Prairie, Louisiana taken as a whole. However, my study and evaluation disclosed the following conditions that I believed to be material weaknesses:

Finding: The Village's cash was not adequately collateralized at December 31, 1998.

Cause: Management overlooked this requirement.

Recommendation: Management should establish procedures to ensure that the Village's cash is adequately collateralized at all times.

Finding: Actual expenditures and other uses of the Village's Special Revenue Fund exceeded budgeted amounts by more than 5% and management did not amend the budget accordingly, a violation of state budget law.

Cause: Management overlooked this requirement.

Recommendation: Management should monitor actual expenditures and other uses against budgeted amounts and amend the budget accordingly.

Finding: The Village adopted the budgets for its General and Special Revenue Funds for the year ended December 31, 1998 after the commencement of the year being budgeted for, a violation of state budget law.

Cause: Management overlooked this requirement.

Recommendation: The Village should adopt the budgets for its General and Special Revenue Funds for each year prior to the commencement of the year being budgeted for.

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. 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.

This report is intended solely for the use of management and Farmers Home Administration and should not be used for any other purpose.

The Village of Pine Prairie, Louisiana has insurance coverage of the following types, amounts, and expiration dates:

<u>TYPE</u>	<u>AMOUNT</u>	<u>EXPIRATION DATE</u>
Automobile Liability	\$500,000	5/1/01
Commercial General Liability	500,000	5/1/01
Law Enforcement Officer's Comprehensive Liability	500,000	5/1/01
Public Officials' Errors and Omissions Liability	500,000	5/1/01
Worker's Compensation	500,000	1/1/99
Commercial Property	106,900	1/14/99

Accounts Receivable were aged as follows:

0 - 30 days	\$4,315
31 - 60 days	752
61 - 90 days	186
Over 90 days	<u>3</u>
	<u>\$5,256</u>

Michael W. Johnson

Michael W. Johnson
Certified Public Accountant

Eunice, Louisiana
June 25, 1999