

**VILLAGE OF NATCHEZ, LOUISIANA**  
**FINANCIAL REPORT**  
**JUNE 30, 2003**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 6-16-04



The CPA. Never Underestimate The Value.<sup>SM</sup>

**Eugene W. Fremaux II**

Certified Public Accountant

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**INDEPENDENT AUDITOR'S REPORT**

The Honorable Lloyd Benjamin, Sr., Mayor  
and Board of Aldermen  
Village of Natchez, Louisiana

I have audited the accompanying general purpose financial statements and the combining, individual fund and account group financial statements of the Village of Natchez, Louisiana, as of June 30, 2003 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Village of Natchez's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

The general purpose and account group financial statements referred to in the first paragraph include the financial activities of the general fixed assets account group. The Village has not maintained a complete record of its general fixed assets. Therefore, the general fixed asset account group was not audited by me and I express no opinion on it. Those financial activities of the general fixed assets account group, which are included in the general purpose financial statements, represent 12% of the assets of the general purpose financial statements.

In my opinion, except for the effect on the financial statements of the matter described in the preceding paragraph, if any, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Village of Natchez, Louisiana, as of June 30, 2003, the results of its operations and the cash flows of its proprietary fund type for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Also, in my opinion, except for the effect on the financial statements of the matter described in the preceding paragraph, if any, the combining, individual fund, and account group financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of each of the individual funds and account groups of the Village of Natchez at June 30, 2003, and the results of operations of such funds and the cash flows of the individual proprietary fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued a report dated May 29, 2003 on my consideration of the Village of Natchez, Louisiana's internal control over financial reporting and my tests on its compliance with certain provision of laws, regulations and contracts.

The financial statements for the year ended June 30, 2002, which are included for comparative purposes, were taken from the financial report for that year in which I expressed a qualified opinion dated May 29, 2003, on the general purpose, combining, individual fund, and account group financial statements of the Village of Natchez, Louisiana.



EUGENE W. FREMAUX II, CPA  
June 10, 2004

EXHIBIT A

VILLAGE OF NATCHEZ, LOUISIANA  
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 2003 AND 2002

	GOVERNMENTAL FUND TYPE	PROPRIETARY FUND TYPE	ACCOUNT GROUP GENERAL FIXED ASSETS (Unaudited)	TOTALS (MEMORANDUM ONLY)	
				2003	2002
<b>ASSETS</b>					
Cash and cash equivalents	\$45,424	\$6,316		\$51,740	\$29,721
Receivables	4,676	6,500		11,176	9,823
Due from Utility Fund	11,323			11,323	11,884
Deposits	50			50	50
General fixed assets		1,567,820	\$169,264	169,264	160,384
Utility plant and equipment		(443,502)		1,567,820	1,565,685
Accumulated depreciation				(443,502)	(404,258)
<b>Total assets</b>	<b>\$61,473</b>	<b>\$1,137,134</b>	<b>\$169,264</b>	<b>\$1,367,871</b>	<b>\$1,373,289</b>
<b>LIABILITIES AND FUND EQUITY</b>					
Liabilities:					
Accounts payable	\$6,326	\$5,383		\$11,709	\$6,465
Payroll taxes payable	1,231	503		1,734	5,183
Accrued payroll	0	231		231	1,570
Due to General Fund		11,323		11,323	11,884
<b>Total liabilities</b>	<b>7,557</b>	<b>17,440</b>	<b>0</b>	<b>24,997</b>	<b>25,102</b>
Fund Equity:					
Contributed capital		1,760,014		1,760,014	1,760,014
Investments in general fixed assets		(640,320)	\$169,264	169,264	160,384
Retained earnings (deficit) - unreserved				(640,320)	(603,504)
Fund balances:					
Unreserved & undesignated	53,916			53,916	31,293
Total retained earnings/fund balances	53,916	1,119,694	169,264	1,342,874	1,348,187
Total fund equity (deficit)	53,916	1,119,694	169,264	1,342,874	1,348,187
<b>Total liabilities and fund equity</b>	<b>\$61,473</b>	<b>\$1,137,134</b>	<b>\$169,264</b>	<b>\$1,367,871</b>	<b>\$1,373,289</b>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF NATCHEZ, LOUISIANA  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 GENERAL FUND TYPES  
 YEARS ENDED JUNE 30, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
	GENERAL	GENERAL
<b>Revenues:</b>		
Taxes	\$24,807	\$20,247
<i>Intergovernmental</i>	19,922	36,699
Fines and forfeits	78,916	42,582
Miscellaneous	4,419	50,235
 Total revenues	 <u>128,064</u>	 <u>149,763</u>
<b>Expenditures:</b>		
<b>Current:</b>		
General government	49,783	51,370
Public safety	53,542	40,688
Streets	2,116	729
 Total expenditures	 <u>105,441</u>	 <u>92,787</u>
 Excess (deficiency) of revenues over expenditures	 22,623	 56,976
 Other financing sources (uses):		
Transfers out to grantor agency	<u>0</u>	<u>0</u>
 Excess (deficiency) of revenues and other financing sources over (under) expenditures	 22,623	 56,976
 Fund balances, beginning of year	 <u>31,293</u>	 <u>(25,683)</u>
 Fund balances, end of year	 <u>\$53,916</u>	 <u>\$31,293</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF NATCHEZ, LOUISIANA  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 BUDGET (GAAP BASIS) AND ACTUAL - GENERAL REVENUE FUND TYPES  
 YEAR ENDED JUNE 30, 2002

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>Revenues:</b>			
Taxes	\$14,382	\$24,807	\$10,425
Intergovernmental	31,965	19,922	(12,043)
Fines and forfeits	30,500	78,916	48,416
Miscellaneous	0	4,419	4,419
<b>Total revenues</b>	<u>76,847</u>	<u>128,064</u>	<u>51,217</u>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	47,211	49,783	(2,572)
Public safety	39,248	53,542	(14,294)
Streets	0	2,116	(2,116)
<b>Total expenditures</b>	<u>86,459</u>	<u>105,441</u>	<u>(18,982)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(9,612)	22,623	2,068
<b>Other financing sources (uses):</b>			
Transfers out to grantor agency	<u>0</u>	<u>0</u>	<u>0</u>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures</b>	(9,612)	22,623	2,068
<b>Fund balances, beginning of year</b>	<u>31,293</u>	<u>31,293</u>	<u>0</u>
<b>Fund balances, end of year</b>	<u>\$21,681</u>	<u>\$53,916</u>	<u>\$2,068</u>

The notes to the financial statements are an integral part of this statement.



VILLAGE OF NATCHEZ, LOUISIANA  
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS -  
 PROPRIETARY FUND TYPE  
 YEARS ENDED JUNE 30, 2003 AND 2002

	YEAR ENDED JUNE 30,	
	2003	2002
Operating revenues:		
Sewer charges	<u>\$41,492</u>	<u>\$47,712</u>
Total operating revenues	<u>41,492</u>	<u>47,712</u>
Operating expenses:		
Salaries	13,848	14,028
Bad debt expense	(2,371)	10,161
Payroll taxes	1,166	1,320
Audit	1,200	600
Depreciation	39,925	38,897
Insurance	247	644
Testing fees	592	325
Supplies	660	908
Repairs and maintenance	8,379	4,064
Equipment lease payments	139	404
Miscellaneous	3,835	4,327
Office supplies	1,595	1,132
Utilities	<u>9,093</u>	<u>9,781</u>
Total operating expenses	<u>78,308</u>	<u>86,591</u>
Net loss	(36,816)	(38,879)
Retained earnings (deficit), beginning of year	<u>(603,504)</u>	<u>(564,625)</u>
Retained earnings (deficit), end of year	<u>(\$640,320)</u>	<u>(\$603,504)</u>

The accompanying notes are an integral part of these statements.

VILLAGE OF NATCHEZ, LOUISIANA  
 COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE  
 TWO YEARS ENDED JUNE 30, 2003 AND 2002

	YEAR ENDED JUNE 30,	
	2003	2002
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$44,515	\$47,558
Cash payments to suppliers and employees	(37,621)	(46,572)
<b>Net cash provided (used) by operating activities</b>	<u>6,894</u>	<u>986</u>
<b>Cash flows from capital and related financing activities:</b>		
LCDBG grant proceeds	0	0
Payments for capital acquisitions	(2,815)	0
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(2,815)</u>	<u>0</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	4,079	986
<b>Cash and cash equivalents, beginning of year</b>	<u>2,237</u>	<u>1,251</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$6,316</u>	<u>\$2,237</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating loss	(\$36,816)	(\$38,879)
<b>Adjustments to reconcile operating loss to net cash provided (used) by operating activities:</b>		
Depreciation	39,925	38,897
Provision for doubtful accounts receivable	(2,371)	10,161
(Increase) decrease in accounts receivable	3,023	(10,315)
Increase (decrease) in payroll taxes payable	114	200
Increase (decrease) in accounts payable	3,349	922
Increase (decrease) in accrued payroll	231	0
Increase (decrease) in due to other funds	(561)	0
<b>Total adjustments to operating income (loss)</b>	<u>43,710</u>	<u>39,865</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$6,894</u>	<u>\$986</u>

The accompanying notes are an integral part of these statements.

VILLAGE OF NATCHEZ, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003

(1) Summary of Significant Accounting Policies

The Village of Natchez, Louisiana was incorporated under the provisions of the Lawrason Act. The Village operates under a Mayor-Board of Aldermen form of government. The Villages's operations include police protection, public works, and general and administrative services.

The accounting and reporting policies of the Village of Natchez conform to generally accepted accounting principles as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

The more significant of the government's accounting policies are described below.

Financial reporting entity

In evaluating how to define the Village of Natchez 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 only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within 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 financial statements of the Village of Natchez consists of only the funds and account groups since the Village has no oversight responsibility for any other governmental entity.

Fund accounting

The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two generic fund types and two broad fund categories as follows:

Governmental Fund

VILLAGE OF NATCHEZ, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
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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.

Proprietary Fund

Enterprise Fund

Enterprise funds are 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 costs (expenses, including depreciation) of providing water and sewer 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 and long-term liabilities

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 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 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 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 its balance sheet.

The fixed assets of the proprietary fund are depreciated over the estimated useful lives using the straight-line method. Estimated useful lives of the fixed assets range from 5 to 60 years.

All fixed assets are stated at historical cost.

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 fund types are accounted for using the modified accrual basis of

VILLAGE OF NATCHEZ, LOUISIANA  
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JUNE 30, 2003

accounting. Their revenues are recognized when they become measurable and available as net current assets. Miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Franchise taxes, sales taxes, earned grant revenues, intergovernmental revenue, and interest income, are accrued, when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred except 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.

The proprietary fund is accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when they are incurred.

Budgets and Budgetary Accounting

The Village has adopted a budget for the years ended June 30, 2003 and 2002.

Cash and cash equivalents

Consistent with GASB Statement 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, the Village of Natchez defines cash and cash equivalents as follows:

Cash - includes not only currency on hand but also demand deposits with banks or other financial institutions and other kinds of accounts that have the general characteristics of demand deposits in that the customer may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty.

Cash equivalents - short term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of interest rates. Generally, only investments with original maturities of three months or less qualify under this definition.

Bad debts

Uncollectible amounts various revenues receivable 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.

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. Inter-fund eliminations have not been made in the

VILLAGE OF NATCHEZ, LOUISIANA  
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aggregation of this data.

Compensated absences

Employees of the Village of Natchez do not accrue or "carry forward" vacation or sick pay from year to year nor do employees vest with respect to vacation or sick pay. As such, there are no accruals made in either the General Fund, or in the General Long-Term Debt Account Group for these payments.

(2) Receivables

Revenues receivable at June 30, 2003 consisted of the following:

Sales taxes	\$ 1,180
Beer taxes	358
Franchise tax receivable	472
Grant receivable	2,666
	-----
Total General Fund	4,676
	-----
Sewer fees, net of allowance for bad debts of \$21,200	6,500
	-----
Total Utility Fund	6,500
	-----
	\$11,176
	=====

(3) Changes in Fixed Assets

During the year ended June 30, 2003 the following additions were made in general fixed assets:

Police equipment	\$ 8,880
	-----
	\$ 8,880
	=====

A summary of proprietary fund type property, plant and equipment at June 30, 2003 follows:

Land	\$ 9,196
Building	68,626
Maintenance equipment	18,809
Sewer treatment plant	576,452
Collection system	894,737
	-----
<u>Total</u>	1,567,820
Less accumulated depreciation	(443,502)
	-----
<u>Net</u>	\$1,115,122
	=====

During the year ended June 30, 2003 there were additions of \$2,500 to the collection

VILLAGE OF NATCHEZ, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
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system, additions of \$315 to the maintenance equipment, and retirements of \$681 from the maintenance equipment.

(4) Retirement System

All employees of the Village of Natchez, including police employees, are covered under the Social Security System. The employees pay 7.65% of their total salaries into the system, while the Town pays in a like amount. Data concerning the actuarial status of this system are unavailable. Future deficits in this system will be financed by the Federal government and the Town has no further liability to the system.

(5) Lease Obligations

The Village was not obligated under any capital lease commitments at June 30, 2003.

(6) Cash and Cash Equivalents

Louisiana revised Statutes authorize the Village to invest in United States bonds, treasury notes or certificates, or to 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.

The Village had no investments at June 30, 2003. The Village's cash on deposit at June 30, 2003, is deposited in financial institutions insured by the Federal Government through federal depository insurance and with the Louisiana Asset Management Pool. The Village's cash on deposit with banks was fully secured by FDIC insurance at June 30, 2003 as well as at all times during the year then ended.

(7) Pending Litigation

The Village is a party to legal proceedings involving suits filed against the Village for various reasons, however Village management does not believe the Village is exposed to any material losses in these proceedings. Accordingly, no provision for losses is included in the financial statements.

(8) Contingencies

On February 1, 1994 the Village was awarded a \$75,000 Small Cities Health and Safety Rehabilitation Grant from the Louisiana Housing Finance Agency (LHFA). The Village was forced to return \$6,688 of the \$75,000 grant in October 1995 in connection with a performance monitoring visit from LHFA representatives due to LHFA's findings that the Village was in material noncompliance with the provisions of the grant. As a result of these findings, LHFA has indicated that the Village must reimburse LHFA for the remainder of the grant unless certain of the deficiencies are corrected. The Village has worked toward correcting noncompliance problems such as financial and program documentation, and has made demand on the contractors to bring the homes up to minimum housing standards as required by the grant. In addition, the Village requested additional time from LHFA to correct the noncompliance problems. In October of 1998 LHFA funded an additional \$6,886 for the Village to use to correct some of the outstanding noncompliance problems. With the exception of the amount of \$32,367 discussed in the following paragraph, no provision has been made in the general purpose financial statements for any liability that may

VILLAGE OF NATCHEZ, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003

result from these problems.

One of the above noncompliance problems resulted from rehabilitation of three homes for individuals specifically prohibited from participating in the program under the "conflict of interest" provisions of the grant agreement. Since the Village does not believe it will be possible to correct this problem to the satisfaction of LHFA, the Village recorded, in prior years, a liability in the amount of \$32,367 to reimburse LHFA for these ineligible costs. However, during 2002 the Village received information from LHFA indicating that LHFA will not pursue any reimbursement from the Village, therefore the liability of \$32,367 has been reversed and is included in miscellaneous revenues in 2002.

In addition, the Village has received other Federal and State grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement by Federal and State for expenditures disallowed, if any, under the terms of the appropriate agency.

(9) Deficit in fund balance

As of June 30, 2003, the Utility Fund has a deficit fund balance of \$640,320, primarily due to accumulated depreciation of \$443,502 on contributed assets. The Village is incurring operating losses with the sewer system and presently does not have a plan to eliminate the operating losses.

(10) Compensation paid to Mayor and Aldermen

In accordance with the requirements of the Office of the Legislative Auditor, State of Louisiana, the following reflects compensation paid to the Mayor and members of the Village Council:

For the year ended June 30, 2003:

Mayor Lloyd Benjamin, Sr.	\$2,200
Aldermen:	
Meryland Robinson	825
Edna Jones	825
Amos Bradley	825



VILLAGE OF NATCHEZ, LOUISIANA  
GENERAL FUND  
BALANCE SHEET  
JUNE 30, 2003 AND 2002

ASSETS	2003	2002
Cash and cash equivalents	\$45,424	\$27,484
Receivables	4,676	2,670
Due from Utility Fund	11,323	11,884
Deposits	50	50
<b>Total assets</b>	<b><u>\$61,473</u></b>	<b><u>\$42,088</u></b>
LIABILITIES AND FUND BALANCE		
<b>Liabilities:</b>		
Accounts payable	\$6,326	\$4,431
Payroll taxes payable	1,231	4,794
Accrued payroll	0	1,570
Due to Louisiana Housing Finance Agency	0	0
<b>Total liabilities</b>	<b><u>7,557</u></b>	<b><u>10,795</u></b>
<b>Fund Balance:</b>		
Fund balance (deficit) - undesignated	<u>53,916</u>	<u>31,293</u>
<b>Total fund balance (deficit)</b>	<b><u>53,916</u></b>	<b><u>31,293</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$61,473</u></b>	<b><u>\$42,088</u></b>

The accompanying notes are an integral part of these statements.

VILLAGE OF NATCHEZ, LOUISIANA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET (GAAP BASIS) AND ACTUAL  
YEARS ENDED JUNE 30, 2003 AND 2002

	2003		VARIANC FAVORABLE (UNFAVORABLE)	2002
	BUDGET	ACTUAL		ACTUAL
<b>Revenues:</b>				
<b>Taxes:</b>				
Ad valorem taxes	3,300	\$3,183	(\$117)	3,157
Franchise taxes	5,901	9,469	3,568	6,592
Sales taxes	5,181	12,155	6,974	10,498
<b>Total taxes</b>	<b>14,382</b>	<b>24,807</b>	<b>10,425</b>	<b>20,247</b>
<b>Intergovernmental:</b>				
Beer tax	3,666	681	(2,985)	825
Tobacco tax	2,352	0	(2,352)	0
Grants	25,947	19,241	(6,706)	35,874
<b>Total intergovernmental revenue</b>	<b>31,965</b>	<b>19,922</b>	<b>(12,043)</b>	<b>36,699</b>
Fines and forfeitures	30,500	78,916	48,416	42,582
Miscellaneous revenues	0	4,419	4,419	50,235
<b>Total revenues</b>	<b>76,847</b>	<b>128,064</b>	<b>51,217</b>	<b>149,763</b>
<b>Expenditures:</b>				
<b>General government:</b>				
Salaries - Mayor & Alderman	2,700	4,675	(1,975)	2,925
Salaries - other	6,510	16,251	(9,741)	12,064
Legal	1,200	400	800	952
Payroll taxes	3,504	2,147	1,357	1,410
Office supplies & printing	1,293	7,476	(6,183)	6,792
Insurance	2,520	300	2,220	2,725
Utilities and telephone	3,160	7,698	(4,538)	4,862
Collection fee	0	365	(365)	315
Capital outlay	19,800	0	19,800	640
Audit	1,800	1,200	600	1,800
Miscellaneous	4,724	9,271	(4,547)	16,885
<b>Total general government</b>	<b>47,211</b>	<b>49,783</b>	<b>(2,572)</b>	<b>51,370</b>
<b>Public safety:</b>				
Salaries	24,677	23,444	1,233	28,898
Fuel & supplies	2,280	7,872	(5,592)	895
Repairs	1,740	1,803	(63)	898
Miscellaneous	5,500	6,060	(560)	2,966
Payroll taxes	1,010	2,405	(1,395)	2,691
Insurance	2,400	3,078	(678)	1,174
Equipment lease payments	1,641	0	1,641	0
Capital outlay	0	8,880	(8,880)	3,166
<b>Total public safety</b>	<b>39,248</b>	<b>53,542</b>	<b>(14,295)</b>	<b>40,688</b>

The accompanying notes are an integral part of these statements.

VILLAGE OF NATCHEZ, LOUISIANA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET (GAAP BASIS) AND ACTUAL  
YEARS ENDED JUNE 30, 2003 AND 2002

		<u>2003</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2002</u>
	BUDGET	ACTUAL		ACTUAL
Expenditures: (continued)				
Public works	<u>0</u>	<u>2,116</u>	<u>0</u>	<u>729</u>
Total expenditures	<u>86,459</u>	<u>105,441</u>	<u>(16,867)</u>	<u>92,787</u>
Excess of revenues over expenditures	(9,612)	22,623	32,235	56,976
Fund balance, beginning of year	<u>31,293</u>	<u>31,293</u>	<u>0</u>	<u>(25,683)</u>
Fund balance, end of year	<u>\$21,682</u>	<u>\$53,916</u>	<u>\$32,235</u>	<u>\$31,293</u>

The accompanying notes are an integral part of these statements.

VILLAGE OF NATCHEZ, LOUISIANA  
ENTERPRISE FUND - SEWER FUND  
BALANCE SHEET  
JUNE 30, 2003 AND 2002

ASSETS	2003	2002
Current assets:		
Cash and cash equivalents	\$6,316	\$2,237
Receivables, less allowance for bad debts of \$21,200 and \$36,900	6,500	7,153
Total current assets	<u>12,816</u>	<u>9,390</u>
Land	9,196	9,196
Plant and equipment, at cost, net of accumulated depreciation of \$443,502 and \$404,258	<u>1,115,122</u>	<u>1,152,231</u>
Total assets	<u>\$1,137,134</u>	<u>\$1,170,817</u>
LIABILITIES AND FUND EQUITY		
Current liabilities:		
Accounts payable	\$5,383	\$2,034
Accrued payroll	231	0
Payroll taxes payable	503	389
Due to General Fund	<u>11,323</u>	<u>11,884</u>
Total current liabilities	<u>17,440</u>	<u>14,307</u>
Fund Balance:		
Contributed capital -		
LCDBG	1,138,708	1,138,708
Louisiana Rural Development	30,000	30,000
EPA	<u>591,306</u>	<u>591,306</u>
Total contributed capital	<u>1,760,014</u>	<u>1,760,014</u>
Retained earnings (deficit)	<u>(640,320)</u>	<u>(603,504)</u>
Total fund equity	<u>1,119,694</u>	<u>1,156,510</u>
Total liabilities and fund equity	<u>\$1,137,134</u>	<u>\$1,170,817</u>

The accompanying notes are an integral part of these statements.

VILLAGE OF NATCHEZ, LOUISIANA  
 ENTERPRISE FUND - SEWER FUND  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS -  
 BUDGET (GAAP BASIS) AND ACTUAL  
 YEARS ENDED JUNE 30, 2003 AND 2002

	2003	VARIANCE FAVORABLE (UNFAVORABLE)		2002
	BUDGET	ACTUAL		ACTUAL
Operating revenues:				
Sewer charges	<u>\$34,517</u>	<u>\$41,492</u>	<u>\$6,975</u>	<u>\$47,712</u>
Total operating revenues	<u>34,517</u>	<u>41,492</u>	<u>6,975</u>	<u>47,712</u>
Operating expenses:				
Salaries	20,238	13,848	6,390	14,028
Bad debt expense	10,000	(2,371)	12,371	10,161
Payroll taxes	2,000	1,166	834	1,320
Audit	0	1,200	(1,200)	600
Depreciation	34,000	39,925	(5,925)	38,897
Insurance	0	247	(247)	644
Testing fees	0	592	(592)	325
Supplies	2,000	660	1,340	908
Repairs and maintenance	21,875	8,379	13,496	4,064
Equipment lease payments	0	139	(139)	404
Miscellaneous	2,800	3,835	(1,035)	4,327
Office supplies	1,582	1,595	(14)	1,132
Utilities	<u>1,898</u>	<u>9,093</u>	<u>(7,196)</u>	<u>9,781</u>
Total operating expenses	<u>96,392</u>	<u>78,308</u>	<u>18,084</u>	<u>86,591</u>
Net loss	(61,875)	(36,816)	25,059	(38,879)
Retained earnings (deficit), beginning of year	<u>(603,504)</u>	<u>(603,504)</u>	<u>0</u>	<u>(564,625)</u>
Retained earnings (deficit), end of year	<u>(\$665,379)</u>	<u>(\$640,320)</u>	<u>\$25,059</u>	<u>(\$603,504)</u>

The accompanying notes are an integral part of these statements.

VILLAGE OF NATCHEZ, LOUISIANA  
 STATEMENT OF GENERAL FIXED ASSETS  
 JUNE 30, 2003 AND 2002  
 (Unaudited)

	2003	2002
General fixed assets, at cost:		
Office equipment	\$5,141	\$5,141
Police equipment	35,190	26,310
Street and sanitation equipment	4,512	4,512
Building improvements	25,397	25,397
Recreation facilities	<u>99,024</u>	<u>99,024</u>
 Total general fixed assets	 <u>\$169,264</u>	 <u>\$160,384</u>
 Investment in general fixed assets:		
Grants	\$23,818	\$23,818
General fund revenues	<u>145,446</u>	<u>136,566</u>
 Total investment in general fixed assets	 <u>\$169,264</u>	 <u>\$160,384</u>

The accompanying notes are an integral part of these statements.

EXHIBIT H-2

VILLAGE OF NATCHEZ, LOUISIANA  
 STATEMENT OF CHANGES IN GENERAL FIXED ASSETS  
 YEAR ENDED JUNE 30, 2003  
 (Unaudited)

	EQUIPMENT				BUILDING IMPROVEMENTS	RECREATION FACILITIES	TOTAL
	OFFICE	POLICE	STREETS				
General fixed assets, July 1, 2002	\$5,141	\$26,310	\$4,512		\$25,397	\$99,024	\$160,384
Additions	0	8,880	0	0	0	0	8,880
Deletions	0	0	0	0	0	0	0
General fixed assets, June 30, 2003	<u>\$5,141</u>	<u>\$35,190</u>	<u>\$4,512</u>		<u>\$25,397</u>	<u>\$99,024</u>	<u>\$169,264</u>

The accompanying notes are an integral part of these statements.

**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 Lloyd Benjamin, Sr., Mayor  
and Board of Aldermen  
Village of Natchez, Louisiana

I have audited the general purpose financial statements of the Village of Natchez, Louisiana, and the individual fund, and account group financial statements of the Village of Natchez, Louisiana, for the year ended June 30, 2003, and have issued my report thereon dated June 10, 2004. In my report, my opinion was qualified because of the lack of complete records of general fixed assets. I conducted my audit in accordance with auditing standards generally accepted in the United States of America 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 Natchez, 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 provision was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed the following instances of noncompliance that are required to be reported under *Government Auditing Standards*:

1. **Existing condition**

The audit of the Village's financial statements was not completed within the required six months as required by Louisiana law, due to a serious medical problem encountered by the auditor during December 2003.

2. **Existing condition**

Expenditures in the General Fund for the year ended June 30, 2003 exceeded the budgeted amount by 22%, which is in excess of the 5% variance allowed by law.

**Recommended action**

The budget should be amended if needed to be sure that the 5% variance limit is complied with. The Board of Aldermen should



review the budget status on a monthly basis to be certain that Louisiana budget laws are followed. Monthly financial statements reviewed by the Board of Aldermen should include a budget comparison.

Management response

The Board of Aldermen will make timely reviews of the budget status in the future.

3. Existing condition

Louisiana unemployment reports include the salaries of elected officials, which should not be reported, thereby resulting in overpayment of Louisiana unemployment taxes. In addition, the reports were prepared on the basis of net earnings, rather than gross earnings before taxes, which is the correct reporting.

Recommended action

Amended reports should be filed to correct the erroneous reports filed. Future reports should be prepared on the correct basis.

Management response

The Village Clerk will file amended reports and correct the procedures for preparing future reports.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Village of Natchez, Louisiana's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing an 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 internal control over financial reporting that, in my judgment, could adversely affect the Village of Natchez, 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 as follows:

1. Existing condition

During selected detail testing of sewer cash receipts in May and June of 2003, I was unable to trace six cash receipts, amounting to

\$135.00 in total, to the deposit summary listing and the deposit in the bank. The cash receipts indicated that the amounts were "cash" and were signed by the Village Clerk. The Clerk was not able to provide an explanation as to why the amounts were apparently not deposited. In addition, I noted two cash receipts in May that were not deposited with the other amounts received that day. One of these receipts, amounting to \$40.00 was deposited 9 days later, the other, amounting to \$20.00 was deposited 20 days later. Both of these cash receipts were "cash" and signed by the Clerk. Although these cash receipts were all signed by the Clerk, the Clerk is not the only employee with access to the cash box. However, the Clerk is responsible for depositing all funds received, and for checking to be sure that deposits match the cash receipts.

An overall test of cash receipts and bank deposits for the year indicated only an insignificance difference.

#### Recommended action

Since the Clerk is not the only employee with access to the cash box, and a lot of duties are concentrated in the Clerk due to the size of the office staff, it is important that internal control procedures include the following:

- (1) Cash receipts be written for all funds received.
- (2) Cash receipts should be agreed to the deposit summary and the actual bank deposit, prior to the deposit actually being made in the bank.
- (3) The above comparisons, deposit summaries, and deposit slips, along with the cash receipts, should be reviewed on a periodic basis by one of the Village's check signers.

#### Management response

The Board of Aldermen will adopt the above recommended procedures.

## 2. Existing condition

Bank reconciliations performed on the accounting software used by the Village are not correct. The system allows the user to force the reconciliation to balance, thereby generating a "balanced" reconciliation, which allows errors in entering checks and deposits to go undiscovered.

#### Recommended action

An essential element of adequate internal controls are properly completed bank reconciliations. In addition, when bank reconciliation are performed by the Clerk, in a situation where

duties are concentrated, internal controls are not considered adequate unless the reconciliations are reviewed by another employee. Therefore, it is recommended that the bank reconciliations be properly prepared and reviewed by a Board Alderman who does not sign checks.

Management response

The Board of Aldermen will adopt the above recommended procedures.

3. Existing condition

The Clerk is not properly recording the receipt of sales taxes and franchise taxes as revenue in the accounting software. These items are being credited to accounts receivable, rather than revenue. In addition, payroll tax payments are being charged to payroll tax expense, instead of being properly charged to the related payroll tax liability. These procedures make general ledger reports for these items misleading.

Recommended action

The Clerk should record these items correctly in the general ledger. The Board should review the monthly reports produced by the general ledger to be sure that these transactions are being properly recorded.

Management response

The Board of Aldermen will adopt the above recommended action.

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 items 1, 2, and 3 to be material weaknesses.

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

A handwritten signature in black ink, appearing to read "Eugene W. Fremaux II". The signature is stylized with a long horizontal stroke extending to the right.

EUGENE W. FREMAUX II, CPA  
June 10, 2004