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INDEPENDENT AUDITOR'S REPORT

The Honorable Clave M. Davis, 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, 1996 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.

Except as discussed in the following paragraph, I conducted my audit in accordance with generally accepted auditing standards, the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments". 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.

I was unable to satisfy myself as to whether fines and forfeitures revenue was fairly presented for the year ended June 30, 1996 since the Village was unable to locate some of the traffic tickets issued during the year. Due to the nature of the Village's records, and inadequate internal controls over traffic tickets and receipt of funds therefrom, I was unable to satisfy myself as to the fines and forfeitures revenue by means of other auditing procedures. Fines and forfeitures revenue as stated in the general purpose and individual fund financial statements represents 46% of the revenues of the general purpose financial statements and 56% of the revenues of the General Fund individual fund financial statement revenues. Also, 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 Town 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 8% of the assets of the general purpose financial statements. In addition, the Village did not adopt a budget for the year ended June 30, 1996, therefore a statement of revenues, expenditures, and changes in fund balances - budget and actual, which is a required presentation under generally accepted accounting principles, is not presented. Also, as discussed in Note 9 to the financial statements, The Village of Natchez, Louisiana, has expended certain federal grant funds relating to a grant from the Louisiana Housing Finance Agency, in a manner that may have violated certain of the restrictive provisions of the related grant agreement. The possible outcome of these matters, which have been reported to appropriate federal officials, is uncertain at this time. Accordingly, no provision for any liability, except for the amount of \$32,367 as discussed in Note 9, has been made in the general purpose financial statements for possible federal claims for reimbursement of those grant funds.

In my opinion, except for the effect on the financial statements of the matters 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, 1996, the results of its operations and the cash flows of its proprietary fund type for the year then ended, in conformity

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VILLAGE OF NATCHEZ, LOUISIANA
STATEMENT OF GENERAL FIXED ASSETS
JUNE 30, 1996
(Unaudited)

General fixed assets, at cost:	
Office equipment	\$2,765
Police equipment	13,167
Street and sanitation equipment	4,512
Recreation facilities	<u>99,024</u>
 Total general fixed assets	 <u>\$119,468</u>
 Investment in general fixed assets:	
General fund revenues	<u>\$119,468</u>
 Total investment in general fixed assets	 <u>\$119,468</u>

The accompanying notes are an integral part of these statements.

VILLAGE OF NATCHEZ, LOUISIANA
 STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
 YEAR ENDED JUNE 30, 1996
 (Unaudited)

	EQUIPMENT			RECREATION FACILITES	TOTAL
	OFFICE	POLICE	STREETS		
General fixed assets, July 1, 1995	\$2,084	\$9,221	\$4,512	\$99,024	\$114,841
Additions	<u>681</u>	<u>3,946</u>	<u>0</u>	<u>0</u>	<u>4,627</u>
General fixed assets, June 30, 1996	<u>\$2,765</u>	<u>\$13,167</u>	<u>\$4,512</u>	<u>\$99,024</u>	<u>\$119,468</u>

The accompanying notes are an integral part of these statements.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE RELATED MATTERS NOTED IN FINANCIAL STATEMENT
AUDIT CONDUCTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Clave M. Davis, 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 combining, individual fund, and account group financial statements of the Village of Natchez, Louisiana, for the year ended June 30, 1996, and have issued my report thereon dated January 23, 1997. In my report, my opinion was qualified because of the lack of complete records of fines and forfeitures and general fixed assets, lack of a budget for the year ended June 30, 1996 and the uncertain liability that may arise due to possible violations of restrictive provisions of a grant from the Louisiana Housing Finance Agency.

I conducted my audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular A-128 require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Village of Natchez, Louisiana, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure 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 principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing my audit of the general purpose, combining, individual fund, and account group financial statement of the Village of Natchez, Louisiana, for the year ended June 30, 1996, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

I noted certain matters, described below, involving the internal control structure and its operation that I consider to be a material weakness and a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my

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



EUGENE W. FREMAUX, CPA

January 23, 1997

be reconciled monthly to the bank statement. Reports to the Board of Aldermen should be based upon these records.

Management's response

The above recommended action has been implemented.

2. Existing condition

Payments amounting to \$5,741 were made to the Village's clerk's immediate family for grass cutting services and miscellaneous equipment in apparent violation of the Code of Governmental Ethics. The majority of these payments were for grass cutting services at the Village's sewer treatment plant. Although the Village clerk was not responsible for authorizing this work, nor did she sign the checks to pay for the work, using members of her immediate family to perform services for the Village is in conflict with the Code of Governmental Ethics.

Recommended action

The grass cutting services should be discontinued as soon as possible. The Board of Aldermen should not authorize any procurement of services or equipment that they know to be a violation of the Code of Governmental Ethics.

Management's response

The above recommended action will be implemented.

* * * * *

The above observations and recommendations are not all inclusive. I would like to thank you, the Board of Aldermen, and the Village employees for your cooperation during my engagement.

Sincerely,



EUGENE W. FREMAUX, CPA
January 23, 1997

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Village of Natchez
Natchez, Louisiana
FINANCIAL REPORT
AS OF JUNE 30, 1996

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
 JUN 16 1997

Eugene W. Fremaux II
Certified Public Accountant

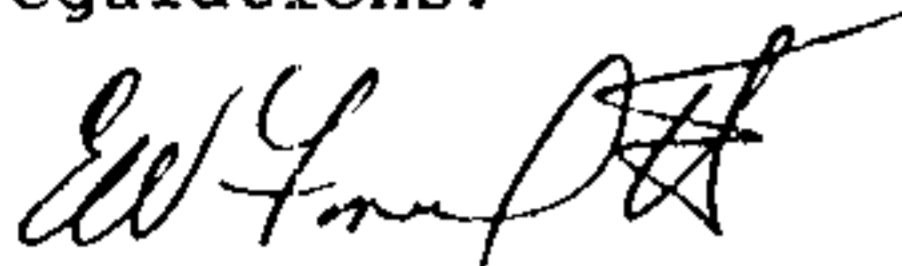
VILLAGE OF NATCHEZ, LOUISIANA
 ENTERPRISE FUND -- SEWER FUND
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
 YEAR ENDED JUNE 30, 1996

Operating revenues:	
Sewer charges	<u>\$35,593</u>
Total operating revenues	<u>35,593</u>
Operating expenses:	
Salaries	8,021
Bad debt expense	1,521
Payroll taxes	731
Audit	1,200
Depreciation	33,650
Insurance	686
Testing fees	570
Supplies	2,450
Repairs and maintenance	8,411
Equipment lease payments	2,011
Miscellaneous	1,830
Office supplies	687
Utilities	<u>4,430</u>
Total operating expenses	<u>66,198</u>
Net loss	(30,605)
Retained earnings (deficit), beginning of year	<u>(149,307)</u>
Retained earnings (deficit), end of year	<u>(\$179,912)</u>

The accompanying notes are an integral part of these statements.

with generally accepted accounting principles. Also, in my opinion, except for the effect on the financial statements of the matters 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, 1996, 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 generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated January 23, 1997 on my consideration of the Village of Natchez, Louisiana's internal control structure and a report dated January 23, 1997 on its compliance with laws and regulations.



EUGENE W. FREMAUX II, CPA

January 23, 1997

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS
AND REGULATIONS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Honorable Clave M. Davis, 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 combining, individual fund, and account group financial statements of the Village of Natchez, Louisiana, for the year ended June 30, 1996, and have issued my report thereon dated January 23, 1997. In my report, my opinion was qualified because of the lack of complete records of fines and forfeitures and general fixed assets, lack of a budget for the year ended June 30, 1996 and the uncertain liability that may arise due to possible violations of restrictive provisions of a grant from the Louisiana Housing Finance Agency.

I conducted my audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular A-128 require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contract, and grants applicable to the Village of Natchez, Louisiana, is the responsibility of the Village of Natchez, Louisiana, management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, I performed tests of the Town's compliance with certain provisions of laws, regulations, contracts, and grants. However, my objective was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

Material instances of noncompliance consist of failures to follow requirements, or violations of prohibitions, contained in statutes, regulations, contracts, or grants, that cause me to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the general purpose financial statements. The results of my tests of compliance disclosed the following material instances of noncompliance.

1. Existing condition

During the year ended June 30, 1996, as well as the prior year, the Village received and disbursed funds in connection with a grant from the Louisiana Housing Finance Agency (LHFA) for housing rehabilitation, however the Village failed to follow many of the key requirements of the grant agreement as follows:

- a) Funds were requested by the ex-mayor after she left office when she had no official position with the Village.
- b) Funds were disbursed to contractors without supporting documentation and for work that was not done.
- c) Contracts for renovation were awarded without following the public bid law.

d) The work done by contractors did not meet minimum housing standards.

e) Contractors were hired without proper documentation of performance bonds or workmen's compensation insurance.

f) Funds were used on the rehabilitation of three homes for individuals specifically prohibited from participating in the program under the "conflict of interest" provisions of the grant agreement.

The above items resulted in numerous misrepresentations to LHFA. In addition, in October 1995 LHFA performed a monitoring visit to the Village and has requested that the Village reimburse LHFA for substantially all the funds advanced to the Village unless the noncompliance problems can be corrected.

Recommended action

The Village should take immediate steps to correct as many of these problems as possible to LHFA's satisfaction. In addition, the Village should take any available legal actions to enforce compliance with contracts or to get reimbursed for funds spent on ineligible homes.

Management's response

The Mayor and Aldermen have indicated that they will do whatever they can to correct the items of noncompliance and that they will institute any needed legal actions in this matter, subject to the limited availability of Village funds. The Village is not in a financial position to allow reimbursement of the funds to LHFA.

2. Existing condition

The audit of the Village's general purpose financial statements for the year ended June 30, 1996 was not completed within six months as required by state law due to the impact on the practitioner's practice of a death in his immediate family. Subsequent to January 23, 1997, the practitioner has made arrangements with another practitioner for emergency backup services should a similar situation arise in the future.

I considered these instances of noncompliance in forming my opinion on whether the Village of Natchez, Louisiana's 1996 general purpose financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does affect my report dated January 23, 1997 on those general purpose financial statements.

I noted certain immaterial instances of noncompliance that I have reported to the management of the Village of Natchez in a separate letter dated January 23, 1997.

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



EUGENE W. FREMAUX II, CPA

January 23, 1997

Certified Public Accountant

Many, Louisiana 71449
318-256-0332

Honorable Clave M. Davis, Mayor
and Board of Aldermen
Village of Natchez, Louisiana

Dear Mayor and Aldermen:

In connection with my audit of the general purpose, combining, individual fund, and account group financial statements of the Village of Natchez, Louisiana for the year ended June 30, 1996, I offer the following observations and recommendations, which are intended to help improve recordkeeping procedures and are intended to be constructive in nature:

STATUS OF PRIOR YEAR RECOMMENDATIONS

1. Existing condition

During December 1994 the Village paid a Christmas bonus of \$75 to Princess LaCaze, the Village clerk. Also in December 1994 the Village paid \$65 to Donald Harris to reimburse him for his "qualifying fee". In addition in June 1995 the Village reimbursed the Mayor for a \$50 political contribution on behalf of Mike Henry. These payments are in violation of Article 7, Section 14 of the 1974 Constitution.

Recommended action

Management should become more aware of the restrictions relating to expenditures that are considered donated expenditures under the Constitution. In addition, the Mayor should reimburse the Village for the \$50 political contribution. The Village should request that Donald Harris repay the \$65.

Action taken

In December 1995 an additional bonus of \$150 was paid to the Village clerk. Management has indicated that no bonuses will be paid in the future.

2. Existing condition

Several instances were noted where the Village was charged, and paid, sales tax, which was not owed on purchases.

Recommended action

Suppliers incorrectly charging the Village sales tax should be notified that Village's purchases are exempt.

Action taken

The suppliers involved were notified so that sales tax will not be charged on purchases.

3. Existing condition

Several instances were noted where supplies for repairs were purchased, however there was no indication on the supporting documentation of where the supplies were used.

judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the component unit financial statements. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

1. Existing condition

Controls over disbursements relating to the grant from Louisiana Housing Finance Agency (LHFA) were not adequate to ensure that disbursements were properly documented and met the requirements of the grant agreement.

Recommended action

Village management establish procedures that ensure that grant disbursements are proper under the terms of the related grants before the disbursement is made. Monthly reports of grant activity should be submitted to the Council.

Management's response

Procedures will be improved as recommended.

2. Existing condition

Controls over traffic tickets are not adequate to ensure that all tickets are accounted for and that all cash receipts from the payment of the tickets are deposited in the Village bank account. Access to traffic ticket books not yet used and traffic tickets issued is not adequate. In addition, the police chief has not provided an accounting for all traffic ticket books issued to him. The Mayor received cash amounting to \$965 for the payment of 5 traffic tickets, however the funds were never deposited into the Village's bank account. Records of tickets issued are not maintained in ticket number order.

Recommended action

Village management must improve physical control over traffic ticket records so that responsibility can be established for tickets. In addition, the Village should establish procedures that only allow for payment of traffic tickets at the Village's office to the Village clerk. The Mayor should reimburse the Village for the unaccounted for \$965. In addition, records of tickets should be maintained so that reports can be generated for missing tickets, with responsibility assigned to specific individuals.

Management's response

Procedures have been changed to only allow tickets to be paid at the Village's office. In addition, ticket records are being maintained in numerical order with specific individuals assigned to each book of tickets. Appropriate physical safeguards have been installed on the file cabinets containing the Village's records to limit access to these records.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

I also noted certain matters involving the internal control structure and its operation that I have reported to the management of the Village of Natchez, Louisiana, in a separate letter dated January 23, 1997.

VILLAGE OF NATCHEZ, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

(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
 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 revenue sources that are legally restricted to expenditures for specific purposes. The special revenue funds consist of the Community Development Block Grant and Louisiana Housing Finance Agency Grant Funds.

VILLAGE OF NATCHEZ, LOUISIANA
SPECIAL REVENUE FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 1996

	COMMUNITY DEVELOPMENT BLOCK GRANT	LA HOUSING FINANCE AGENCY GRANT FUND	TOTAL
Revenues:			
Intergovernmental	\$0	\$13,188	\$13,188
Interest	0	0	0
	<hr/>	<hr/>	<hr/>
Total revenue	0	13,188	13,188
	<hr/>	<hr/>	<hr/>
Expenditures:			
General government	0	6,500	6,500
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	0	6,688	6,688
Other financing sources (uses):			
Transfers out to grantor agency	0	(6,688)	(6,688)
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	0	0	0
Fund balance, beginning of year	0	0	0
	<hr/>	<hr/>	<hr/>
Fund balance, end of year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

The accompanying notes are an integral part of these statements.

VILLAGE OF NATCHEZ, LOUISIANA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 1996

ASSETS	COMMUNITY DEVELOPMENT BLOCK GRANT	LA HOUSING FINANCE AGENCY GRANT FUND	TOTAL
Cash and cash equivalents	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total assets	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable to grantors	\$0	\$0	\$0
Fund Balance:			
Unreserved	<u>0</u>	<u>0</u>	<u>\$0</u>
Total liabilities and fund balance	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

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
YEAR ENDED JUNE 30, 1996

Expenditures: (continued)

Total expenditures	<u>60,382</u>
Excess of revenues over expenditures	(3,011)
Fund balance, beginning of year	<u>(15,906)</u>
Fund balance, end of year	<u>(\$18,917)</u>

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
YEAR ENDED JUNE 30, 1996

Revenues:	
Taxes:	
Ad valorem taxes	\$6,367
Franchise taxes	5,960
Sales taxes	5,598
Total taxes	<u>17,925</u>
Intergovernmental:	
Beer tax	1,086
Tobacco tax	2,347
Total intergovernmental revenue	<u>3,433</u>
Fines and forfeitures	32,173
Miscellaneous revenues	3,840
Total revenues	<u>57,371</u>
Expenditures:	
General government:	
Salaries – Mayor & Alderman	2,700
Salaries – clerical	4,283
Legal	1,450
Payroll taxes	664
Office supplies & printing	2,404
Insurance	833
Utilities and telephone	4,438
Collection fee	168
Capital outlay	680
Audit	1,200
Miscellaneous	1,660
Total general government	<u>20,480</u>
Public safety:	
Salaries	13,200
Fuel & supplies	3,016
Repairs	4,207
Miscellaneous	5,053
Payroll taxes	1,099
Insurance	2,012
Equipment lease payments	7,369
Capital outlay	3,946
Total public safety	<u>39,902</u>

The accompanying notes are an integral part of these statements.

VILLAGE OF NATCHEZ, LOUISIANA
GENERAL FUND
BALANCE SHEET
JUNE 30, 1996

ASSETS

Cash and cash equivalents	\$3,273
Receivables	4,400
Due from Utility Fund	9,010
Deposits	<u>50</u>
 Total assets	 <u><u>\$16,733</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	1,813
Payroll taxes payable	264
Accrued payroll	1,206
Due to Louisiana Housing Finance Agency	<u>32,367</u>
 Total liabilities	 <u><u>35,650</u></u>
 Fund Balance:	
Fund balance (deficit) – undesignated	<u>(18,917)</u>
 Total fund balance (deficit)	 <u><u>(18,917)</u></u>
 Total liabilities and fund balance	 <u><u>\$16,733</u></u>

The accompanying notes are an integral part of these statements.

VILLAGE OF NATCHEZ, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

primarily to the recording of the liability of \$32,367 to LHFA as discussed in Note 9. Management of the Village does not yet have a plan to eliminate the deficit fund balance.

(11) 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 member of the Village Council for the year ended June 30, 1996:

Mayor Clave M. Davis	\$ 900
Aldermen:	
Dorothy Johnson	600
James L. Johnson	600
Amos Bradley	150
Rufus Sowell	450

VILLAGE OF NATCHEZ, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

(7) Pending Litigation

As of June 30, 1996, the Village was involved in the following defensive litigation:

John T. Metoyer vs Village of Natchez
Leslie Fitzgerald vs Village of Natchez

(8) LCDBG

On December 1, 1989, the Village of Natchez was notified by the State of Louisiana, Division of Administration that an administrative sanction was being imposed upon the Village which prohibits the Village from participating in all LCDBG programs for a period of five years. This period encompasses the LCDBG funding years 1990 through 1994. The sanctions have been extended through the 1995 funding year, therefore the Village will be eligible to apply for LCDBG funding after 1995.

(9) 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 is working 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 has requested additional time from LHFA to correct the 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 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 has recorded a liability in the amount of \$32,367 to reimburse LHFA for these ineligible costs. The Village does not presently have the resources needed to reimburse LHFA.

The Village intends to pursue all available legal action against the contractors, the Village's ex-mayor and any others that may be responsible for these deficiencies.

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.

The Village sewer system is operating with expired discharge permits from the Louisiana Department of Environmental Quality (DEQ) and the Environmental Protection Agency (EPA). The Village applied to DEQ on April 17, 1995 and the EPA on June 16, 1995 for updated discharge permits, but has not received a valid permit. Operation of the sewer system without valid discharge permits could result in the assessment of fines by DEQ and/or EPA. In addition, on January 21, 1997 DEQ issued a Compliance Order (Order) relating to operating with a valid discharge permit and numerous operating deficiencies in the wastewater collection and treatment system. Failure of the Village to comply with the Order could result in assessed civil penalties of up to \$50,000 per day of violation. No provision has been made in the general purpose financial statements for any liability that may result from noncompliance with the Order.

(10) Deficit in fund balance

As of June 30, 1996 the General Fund has a deficit fund balance of \$18,917 which is due

VILLAGE OF NATCHEZ, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

(3) Changes in Fixed Assets

During the year ended June 30, 1996 the following additions were made in general fixed assets:

Office equipment	\$ 681
Police equipment	3,946

	\$4,627
	=====

A summary of proprietary fund type property, plant and equipment at June 30, 1996 follows:

Building	\$ 68,626
Maintenance equipment	19,253
Sewer treatment plant	576,452
Collection system	850,632

<u>Total</u>	1,514,963
Less accumulated depreciation	(193,944)
<u>Net</u>	\$1,311,823
	=====

During the year ended June 30, 1996 maintenance equipment of \$431, sewer treatment plant improvements of \$10,631, and collection system improvements of \$15,000 were added.

(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, 1996. The Village was obligated under three operating leases which require annual lease payments as follows:

<u>Year ending</u>	<u>Amount</u>
June 30, 1997	\$11,435
June 30, 1998	10,188
June 30, 1999	5,493
June 30, 2000	2,140
June 30, 2001	178

(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, 1996. The Village's cash on deposit at June 30, 1996, is deposited in financial institutions insured by the Federal Government through federal depository insurance. The Village's cash on deposit was fully secured by FDIC insurance at July 30, 1996 as well as at all times during the year then ended.

EXHIBIT A

VILLAGE OF NATCHEZ, LOUISIANA
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 1996

	GOVERNMENTAL FUND TYPE		SPECIAL REVENUE	PROPRIETARY FUND TYPE	ACCOUNT GROUP GENERAL	TOTAL (MEMORANDUM ONLY)
	GENERAL			ENTERPRISE	FIXED ASSETS (Unaudited)	
ASSETS						
Cash and cash equivalents	\$3,273		\$0	\$10,302		\$13,575
Receivables	4,400			4,689		9,089
Due from Utility Fund	9,010					9,010
Prepaid insurance				479		479
Deposits	50					50
General fixed assets					\$119,468	119,468
Utility plant and equipment				1,514,963		1,514,963
Accumulated depreciation				(193,944)		(193,944)
Total assets	<u>\$16,733</u>		<u>\$0</u>	<u>\$1,336,489</u>	<u>\$119,468</u>	<u>\$1,472,690</u>
LIABILITIES AND FUND EQUITY						
Liabilities:						
Accounts payable	\$1,813		\$0	\$10,077		\$11,890
Payroll taxes payable	264			867		1,131
Accrued payroll	1,206			687		1,893
Due to Louisiana Housing Finance Agency	32,367			0		32,367
Due to General Fund				9,010		9,010
Total liabilities	<u>35,650</u>		<u>0</u>	<u>20,641</u>	<u>0</u>	<u>56,291</u>
Fund Equity:						
Contributed capital				1,495,760		1,495,760
Investments in general fixed assets					\$119,468	119,468
Retained earnings (deficit) - unreserved				(179,912)		(179,912)
Fund balances:						
Unreserved & undesignated	(18,917)					(18,917)
Total retained earnings/fund balances	<u>(18,917)</u>		<u>0</u>	<u>1,315,848</u>	<u>119,468</u>	<u>1,416,399</u>
Total fund equity (deficit)	<u>(18,917)</u>		<u>0</u>	<u>1,315,848</u>	<u>119,468</u>	<u>1,416,399</u>
Total liabilities and fund equity	<u>\$16,733</u>		<u>\$0</u>	<u>\$1,336,489</u>	<u>\$119,468</u>	<u>\$1,472,690</u>

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

VILLAGE OF NATCHEZ, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

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.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group.

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 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.

VILLAGE OF NATCHEZ, LOUISIANA
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS --
 PROPRIETARY FUND TYPE
 YEAR ENDED JUNE 30, 1996

Operating revenues:	
Sewer charges	<u>\$35,593</u>
Total operating revenues	<u>35,593</u>
Operating expenses:	
Clerk's salary	8,021
Bad debt expense	1,521
Payroll taxes	731
Audit	1,200
Depreciation	33,650
Insurance	686
Testing fees	570
Supplies	2,450
Repairs and maintenance	8,411
Equipment lease payments	2,011
Miscellaneous	1,830
Office supplies	687
Utilities	<u>4,430</u>
Total operating expenses	<u>66,198</u>
Net loss	(30,605)
Retained earnings (deficit), beginning of year	<u>(149,307)</u>
Retained earnings (deficit), end of year	<u>(\$179,912)</u>

The accompanying notes are an integral part of these statements.

VILLAGE OF NATCHEZ, LOUISIANA
 COMBINED STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPE
 YEAR ENDED JUNE 30, 1996

Cash flows from operating activities:	
Cash received from customers	\$35,790
Cash payments to suppliers and employees	<u>(25,676)</u>
Net cash provided (used) by operating activities	<u>10,114</u>
Cash flows from capital and related financing activities:	
Grant from Louisiana Rural Development	15,000
Payments for capital acquisitions	<u>(26,062)</u>
Net cash provided (used) by capital and related financing activities	<u>(11,062)</u>
Net increase (decrease) in cash and cash equivalents	(948)
Cash and cash equivalents, beginning of year	<u>11,250</u>
Cash and cash equivalents, end of year	<u>\$10,302</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating loss	<u>(\$30,605)</u>
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation	33,650
Provision for doubtful accounts receivable	1,521
(Increase) decrease in accounts receivable	197
(Increase) decrease in prepaid insurance	(239)
Increase (decrease) in payroll taxes payable	115
Increase (decrease) in accounts payable	7,648
Increase (decrease) in accrued payroll	687
Increase (decrease) in due to other funds	<u>(2,860)</u>
Total adjustments to operating income (loss)	<u>40,719</u>
Net cash provided (used) by operating activities	<u>\$10,114</u>

The accompanying notes are an integral part of these statements.

VILLAGE OF NATCHEZ, LOUISIANA
SPECIAL REVENUE FUND
COMMUNITY DEVELOPMENT BLOCK GRANT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED JUNE 30, 1996

	TOTAL BUDGET	PRIOR TO 1996	REMAINING BUDGET	TOTAL ACTUAL 1996	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:					
Intergovernmental	\$892,475	\$889,445	\$3,030	\$0	(\$3,030)
Interest	0	43	(43)	0	43
Total revenue	<u>892,475</u>	<u>889,488</u>	<u>2,987</u>	<u>0</u>	<u>(2,987)</u>
Expenditures:					
General government	<u>53,373</u>	<u>25,136</u>	<u>28,237</u>	<u>0</u>	<u>28,237</u>
Excess (deficiency) of revenues over (under) expenditures	839,102	864,352	(25,250)	0	(31,224)
Other financing sources (uses):					
Transfers out to Utility Fund	<u>(839,102)</u>	<u>(864,352)</u>	<u>25,250</u>	<u>0</u>	<u>31,224</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	0	0	0	0	0
Fund balance, beginning of year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance, end of year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

The accompanying notes are an integral part of these statements.

VILLAGE OF NATCHEZ, LOUISIANA
SPECIAL REVENUE FUND
LOUISIANA HOUSING FINANCE AGENCY FUND
BALANCE SHEET
JUNE 30, 1996

ASSETS

Cash and cash equivalents	\$0
Total assets	\$0

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable to LHFA	\$0
Fund Balance:	
Unreserved	0
Total liabilities and fund balance	\$0

The accompanying notes are an integral part of these statements.

VILLAGE OF NATCHEZ, LOUISIANA
SPECIAL REVENUE FUND
LOUISIANA HOUSING FINANCE AGENCY GRANT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED JUNE 30, 1996

	TOTAL BUDGET	PRIOR TO 1996	REMAINING BUDGET	TOTAL ACTUAL 1996	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:					
Intergovernmental	\$75,000	\$63,312	\$11,688	\$13,188	\$1,500
Interest	0	0	0	0	0
Total revenue	<u>75,000</u>	<u>63,312</u>	<u>11,688</u>	<u>13,188</u>	<u>1,500</u>
Expenditures:					
General government	<u>75,000</u>	<u>63,312</u>	<u>11,688</u>	<u>6,500</u>	<u>5,188</u>
Excess (deficiency) of revenues over (under) expenditures	0	0	0	6,688	6,688
Other financing sources (uses):					
Transfers out to grantor agency	<u>0</u>	<u>0</u>	<u>0</u>	<u>(6,688)</u>	<u>(6,688)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	0	0	0	0	0
Fund balance, beginning of year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance, end of year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

The accompanying notes are an integral part of these statements.

VILLAGE OF NATCHEZ, LOUISIANA
 ENTERPRISE FUND – SEWER FUND
 BALANCE SHEET
 JUNE 30, 1996

ASSETS

Current assets:

Cash and cash equivalents	\$10,302
Receivables, less allowance for bad debts of \$3,867	4,689
Prepaid insurance	479

Total current assets	15,470
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Land	9,196
Plant and equipment, at cost, net of accumulated depreciation of \$193,944	1,311,823

Total assets	\$1,336,489
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LIABILITIES AND FUND EQUITY

Current liabilities:

Accounts payable	\$10,077
Accrued payroll	687
Payroll taxes payable	867
Due to General Fund	9,010

Total current liabilities	20,641
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Fund Balance:

Contributed capital --	
LCDBG	889,454
Louisiana Rural Development	15,000
EPA	591,306

Total contributed capital	1,495,760
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Retained earnings (deficit)	(179,912)
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Total fund equity	1,315,848
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Total liabilities and fund equity	\$1,336,489
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The accompanying notes are an integral part of these statements.

VILLAGE OF NATCHEZ, LOUISIANA
SPECIAL REVENUE FUND
COMMUNITY DEVELOPMENT BLOCK GRANT
BALANCE SHEET
JUNE 30, 1996

ASSETS

Cash and cash equivalents	\$0
Total assets	<u>\$0</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$0
Fund Balance:	
Unreserved	<u>0</u>
Total liabilities and fund balance	<u>\$0</u>

The accompanying notes are an integral part of these statements.

VILLAGE OF NATCHEZ, LOUISIANA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES --
 GENERAL AND SPECIAL REVENUE FUND TYPES
 YEAR ENDED JUNE 30, 1996

	GENERAL	SPECIAL REVENUE	TOTAL (MEMORANDUM ONLY)
Revenues:			
Taxes	\$17,925	\$0	\$17,925
Intergovernmental	3,433	13,188	16,621
Fines and forfeits	32,173	0	32,173
Miscellaneous	3,840	0	3,840
	<u>57,371</u>	<u>13,188</u>	<u>70,559</u>
Total revenues			
Expenditures:			
Current:			
General government	20,480	6,500	26,980
Public safety	39,902	0	39,902
Public works	0	0	0
	<u>60,382</u>	<u>6,500</u>	<u>66,882</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	(3,011)	6,688	3,677
Other financing sources (uses):			
Transfers out to grantor agency	0	(6,688)	(6,688)
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(3,011)	0	(3,011)
Fund balances, beginning of year	(15,906)	0	(15,906)
Fund balances, end of year	<u>(\$18,917)</u>	<u>\$0</u>	<u>(\$18,917)</u>

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

VILLAGE OF NATCHEZ, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

Budgets and Budgetary Accounting

The Village did not adopt a budget for the year ended June 30, 1996.

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. Interfund eliminations have not been made in the 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, 1996 consisted of the following:

Sales taxes	\$ 822
Beer and tobacco taxes	1,663
Receivable from elected officials	1,915

Total General Fund	4,400
Sewer fees, net of allowance for bad debts of \$3,867	4,689

	\$ 9,089
	=====

The receivable from elected officials is composed of \$965 due from the Mayor for fines received by him, but not deposited, and \$950 due from the police chief for alleged theft of Village funds relating to a check which he made payable to himself and cashed.