

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Town of Lake Providence
Lake Providence, Louisiana

May 10, 2000



Financial and Compliance Audit Division

***Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor***

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LEGISLATIVE AUDITOR

Daniel G. Kyle, Ph.D., CPA, CFE

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TOWN OF LAKE PROVIDENCE
Lake Providence, Louisiana

**General Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 1999
With Supplemental Information Schedule**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

May 10, 2000

TOWN OF LAKE PROVIDENCE
Lake Providence, Louisiana

**General Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 1999
With Supplemental Information Schedule**

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TOWN OF LAKE PROVIDENCE
Lake Providence, Louisiana
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DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

March 31, 2000

Independent Auditors Report

**HONORABLE ROBERT N. AMACKER, JR., MAYOR,
AND MEMBERS OF THE BOARD OF ALDERMEN
TOWN OF LAKE PROVIDENCE
Lake Providence, Louisiana**

We have audited the accompanying general purpose financial statements of the Town of Lake Providence, as of June 30, 1999, and for the year then ended as listed in the table of contents. These general purpose financial statements are the responsibility of the Town of Lake Providence and its management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

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

Because of inadequacies in the town's accounting records and internal control over fixed assets, as discussed in Exhibit A, the accompanying balance sheet of the Town of Lake Providence does not include a *General Fixed Asset Account Group* as required by generally accepted accounting principles. This results in an incomplete presentation. Furthermore, amounts reported as property, plant, and equipment for the Utility Enterprise Fund were not supported by a detailed listing of assets. Because of the inadequacies in the accounting records and the lack of a detailed listing of assets, the scope of our work was not sufficient to enable us to express an opinion on the property, plant, and equipment balances and the related depreciation expense in the town's Utility Enterprise Fund at June 30, 1999.

In our opinion, except for the omission of the information as discussed in the preceding paragraph and except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves about the balances of property, plant, and equipment and the related depreciation expense in the Utility Enterprise Fund as discussed in the preceding paragraph, the accompanying general purpose financial statements referred to previously, present fairly, in all material respects, the financial position of

LEGISLATIVE AUDITOR

HONORABLE ROBERT N. AMACKER, JR., MAYOR,
AND MEMBERS OF THE BOARD OF ALDERMEN
TOWN OF LAKE PROVIDENCE

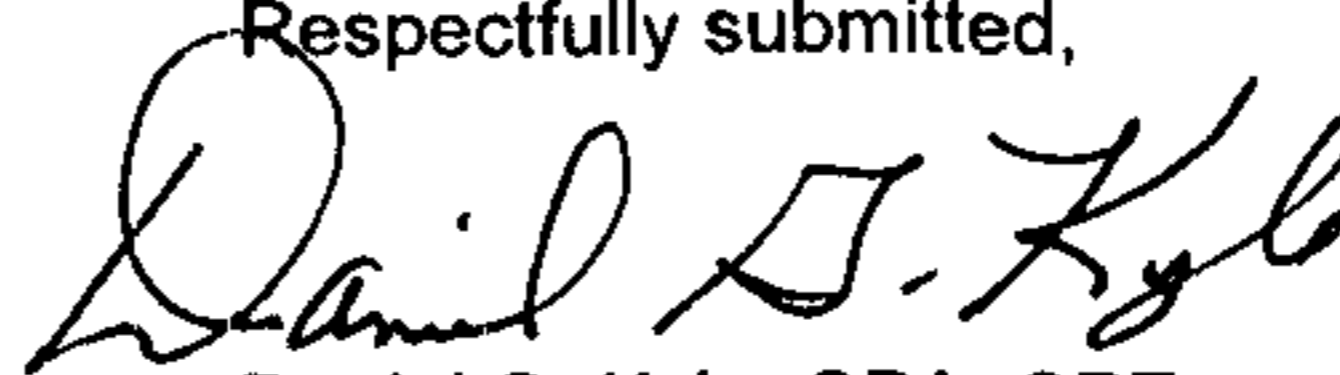
Lake Providence, Louisiana
Audit Report, June 30, 1999

the Town of Lake Providence, as of June 30, 1999, and the results of its operations and the cash flows of its Utility Enterprise Fund for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2000, on our consideration of the Town of Lake Providence's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the Town of Lake Providence taken as a whole. The accompanying supplemental information schedule listed in the table of contents is presented for the purpose of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Respectfully submitted,



Daniel G. Kyle, CPA, CPE
Legislative Auditor

LJD:THC:RCL:ss

[LAKEPROV]

**TOWN OF LAKE PROVIDENCE
Lake Providence, Louisiana
ALL FUND TYPES AND ACCOUNT GROUP**

Combined Balance Sheet, June 30, 1999

	GOVERNMENTAL FUND TYPE	
	<u>GENERAL</u>	<u>CAPTIAL PROJECTS</u>
ASSETS AND OTHER DEBITS		
Assets:		
Cash and cash equivalents (note 2)	\$201,515	\$15,652
Receivables (note 3)	42,766	
Interfund receivables (note 4)		
Restricted assets - deposits (note 2)		
Property, plant, and equipment (net of accumulated depreciation, where applicable) (note 5)		
Other debits - amount to be provided for retirement of general long-term obligations (note 8)		
	<u> </u>	<u> </u>
TOTAL ASSETS AND OTHER DEBITS	<u>\$244,281</u>	<u>\$15,652</u>
LIABILITIES AND EQUITY		
Liabilities:		
Accounts and other payables (note 6)	\$89,402	
Payable from restricted assets - deposits (note 2)		
Interfund payables (note 4)	48,725	
General long-term debt (note 8)		
Total Liabilities	<u>138,127</u>	<u>NONE</u>
Equity:		
Contributed capital (note 9)		
Retained earnings		
Fund balances - unreserved - undesignated	106,154	\$15,652
Total Equity	<u>106,154</u>	<u>15,652</u>
	<u> </u>	<u> </u>
TOTAL LIABILITIES AND EQUITY	<u>\$244,281</u>	<u>\$15,652</u>

The accompanying notes are an integral part of this statement.

Statement A

PROPRIETARY FUND- UTILITY ENTERPRISE	ACCOUNT GROUP - GENERAL LONG-TERM OBLIGATIONS	TOTAL (MEMORANDUM ONLY)
\$327,497		\$544,664
191,506		234,272
48,725		48,725
112,778		112,778
2,188,072		2,188,072
	\$20,302	20,302
<u>\$2,868,578</u>	<u>\$20,302</u>	<u>\$3,148,813</u>
\$130,033		\$219,435
110,326		110,326
		48,725
	\$20,302	20,302
<u>240,359</u>	<u>20,302</u>	<u>398,788</u>
2,033,917		2,033,917
594,302		594,302
		121,806
<u>2,628,219</u>	<u>NONE</u>	<u>2,750,025</u>
<u>\$2,868,578</u>	<u>\$20,302</u>	<u>\$3,148,813</u>

TOWN OF LAKE PROVIDENCE
Lake Providence, Louisiana
GOVERNMENTAL FUNDS

Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 1999

	<u>GENERAL</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
REVENUES				
Taxes	\$210,005	\$12,555		\$222,560
Licenses and permits	93,603			93,603
Intergovernmental revenues	39,344			39,344
Rental income	2,887			2,887
Fines and forfeitures	53,794			53,794
Miscellaneous revenues	110,749		\$579	111,328
Total revenues:	<u>510,382</u>	<u>12,555</u>	<u>579</u>	<u>523,516</u>
EXPENDITURES				
General and administrative	351,312	12,744		364,056
Police	355,243			355,243
Fire	122,164	1,286		123,450
Street	171,922			171,922
Mosquito control	170			170
Animal control	4,149			4,149
Culture and recreation	13,335		377	13,712
Total expenditures	<u>1,018,295</u>	<u>14,030</u>	<u>377</u>	<u>1,032,702</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(507,913)	(1,475)	202	(509,186)
OTHER FINANCING SOURCES (Uses)				
Operating transfers in	473,811			473,811
Operating transfers out	(17,424)		(113)	(17,537)
Total other financing sources (uses)	<u>456,387</u>	<u>NONE</u>	<u>(113)</u>	<u>456,274</u>
EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(51,526)	(1,475)	89	(52,912)
FUND BALANCE (Deficit) AT BEGINNING OF YEAR, AS RESTATED (note 10)	<u>157,680</u>	<u>1,475</u>	<u>15,563</u>	<u>174,718</u>
FUND BALANCE AT END OF YEAR	<u>\$106,154</u>	<u>NONE</u>	<u>\$15,652</u>	<u>\$121,806</u>

The accompanying notes are an integral part of this statement.

**TOWN OF LAKE PROVIDENCE
Lake Providence, Louisiana
GOVERNMENTAL FUNDS**

**Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances - Budget
(GAAP Basis) and Actual
For the Year Ended June 30, 1999**

	<u>GENERAL FUND</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Taxes	\$190,367	\$189,786	(\$581)
Licenses and permits	83,500	93,603	10,103
Intergovernmental revenues	37,300	39,344	2,044
Rent	50	2,887	2,837
Fines	23,000	53,794	30,794
Interest	5,500	7,436	1,936
Other revenues	125,500	123,532	(1,968)
Total revenues	<u>465,217</u>	<u>510,382</u>	<u>45,165</u>
EXPENDITURES			
General and administrative	329,280	351,312	(22,032)
Fire department	124,600	122,164	2,436
Police department	288,775	355,243	(66,468)
Street department	158,570	171,922	(13,352)
Animal control and mosquito abatement	8,320	4,319	4,001
Recreation and culture	9,410	13,335	(3,925)
Total expenditures	<u>918,955</u>	<u>1,018,295</u>	<u>(99,340)</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>(453,738)</u>	<u>(507,913)</u>	<u>(54,175)</u>
OTHER FINANCING SOURCES (Uses)			
Operating transfers in	456,585	473,811	17,226
Operating transfers out		(17,424)	(17,424)
Total other financing sources (uses)	<u>456,585</u>	<u>456,387</u>	<u>(198)</u>
EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	2,847	(51,526)	(54,373)
FUND BALANCES AT BEGINNING OF YEAR, AS RESTATED (note 10)	<u>165,952</u>	<u>157,680</u>	<u>(8,272)</u>
FUND BALANCES AT END OF YEAR	<u>\$168,799</u>	<u>\$106,154</u>	<u>(\$62,645)</u>

The accompanying notes are an integral part of this statement.

<u>DEBT SERVICE FUND</u>		
<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
\$14,033	\$12,555	(\$1,478)
40		(40)
<u>14,073</u>	<u>12,555</u>	<u>(1,518)</u>
14,033	12,744	(12,744)
	1,286	12,747
<u>14,033</u>	<u>14,030</u>	<u>3</u>
40	(1,475)	(1,515)
<u>NONE</u>	<u>NONE</u>	<u>NONE</u>
40	(1,475)	(1,515)
<u>1,475</u>	<u>1,475</u>	<u>NONE</u>
<u>\$1,515</u>	<u>NONE</u>	<u>(\$1,515)</u>

**TOWN OF LAKE PROVIDENCE
Lake Providence, Louisiana
PROPRIETARY FUND - UTILITY ENTERPRISE FUND**

**Statement of Revenues, Expenses, and
Changes in Retained Earnings
For the Year Ended June 30, 1999**

OPERATING REVENUES	
Water sales	\$405,996
Sewer fees	129,869
Garbage fees	241,418
Street light fees	39,777
Penalty charges	21,795
Maintenance fees	46,423
Lakeside Sewer District fees	43,729
Miscellaneous	26
Total operating revenues	<u>929,033</u>
OPERATING EXPENSES	
General and administrative	139,732
Water department	241,784
Sewer department	352,101
Sanitation expenses	228,286
Miscellaneous expenses	19,408
Total operating expenses	<u>981,311</u>
OPERATING LOSS	<u>(52,278)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	13,518
Sales tax interest income	10,223
Grant income	30,176
Gain on sale of equipment	126
Sales tax revenues	126,172
Sales tax expenses	(46,499)
Total nonoperating revenues (expenses)	<u>133,716</u>
NET INCOME BEFORE OPERATING TRANSFERS	<u>81,438</u>
Operating transfers in (out):	
Operating transfers in	17,424
Operating transfers out	(473,698)
Total operating transfers in (out)	<u>(456,274)</u>
NET LOSS	<u>(374,836)</u>
RETAINED EARNINGS AT BEGINNING OF YEAR, AS RESTATED (note 10)	<u>969,138</u>
RETAINED EARNINGS AT END OF YEAR	<u><u>\$594,302</u></u>

The accompanying notes are an integral part of this statement.

**TOWN OF LAKE PROVIDENCE
Lake Providence, Louisiana
PROPRIETARY FUND - UTILITY ENTERPRISE FUND**

**Statement of Cash Flows
For the Year Ended June 30, 1999**

CASH FLOWS FROM OPERATING ACTIVITIES:

Operating loss		(\$52,278)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	\$196,459	
(Increase) decrease in:		
Accounts receivable	(61,543)	
Interfund receivables	395	
Other assets	37,505	
Increase (decrease) in:		
Accounts payable	70,193	
Customer deposits	13,681	
Interfund payable	(27,594)	
Total adjustments	<u>229,096</u>	
Net cash provided by operating activities		<u>176,818</u>

CASH FLOWS (Uses) FROM NONCAPITAL FINANCING ACTIVITIES:

Operating transfers - in	17,424	
Operating transfers - out	(473,698)	
Grant income	30,176	
Sales tax revenues	126,172	
Sales tax expenses	(46,499)	
Net cash used by noncapital financing activities		<u>(346,425)</u>

CASH FLOWS (Uses) FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition of property, plant, and equipment	(34,258)	
Contributed capital - grants	30,538	
Gain on sale of equipment	126	
Net cash from capital and related financing activities		<u>(3,594)</u>

CASH FLOWS FROM INVESTING ACTIVITIES -

Interest income		<u>23,741</u>
-----------------	--	---------------

NET INCREASE IN CASH

(149,460)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

589,735

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$440,275

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

Write-off of interfund receivables		(\$313,172)
Adjustment to accounts receivable		13,824
Total noncash investing, capital and financing activities		<u><u>(\$299,348)</u></u>

The accompanying notes are an integral part of this statement.

TOWN OF LAKE PROVIDENCE
Lake Providence, Louisiana
PROPRIETARY FUND - UTILITY ENTERPRISE FUND

Statement of Revenues, Expenses, and
Changes in Retained Earnings - Budget
(GAAP Basis) and Actual
For the Year Ended June 30, 1999

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
OPERATING REVENUES			
Water sales	\$403,600	\$405,996	\$2,396
Water taps	2,860		(2,860)
Sewer service charges	128,750	129,869	1,119
Sanitation service charges	220,000	241,418	21,418
Maintenance fees and delinquent charges	69,500	68,218	(1,282)
Street light receipts	40,000	39,777	(223)
Lakeside Sewer District collections	43,000	43,729	729
Miscellaneous		26	26
Total operating revenues	<u>907,710</u>	<u>929,033</u>	<u>21,323</u>
OPERATING EXPENSES			
General and administrative	118,030	139,732	(21,702)
Water department	190,355	241,784	(51,429)
Sewer department	132,450	352,101	(219,651)
Sanitation department	208,300	228,286	(19,986)
Street light expense		19,408	(19,408)
Total operating expenses	<u>649,135</u>	<u>981,311</u>	<u>(332,176)</u>
OPERATING INCOME (LOSS)	<u>258,575</u>	<u>(52,278)</u>	<u>(310,853)</u>
NONOPERATING REVENUES (Expenses)			
Interest income	26,800	23,741	(3,059)
Grant income		30,176	30,176
Gain on sale of equipment		126	126
Sales tax receipts	113,250	126,172	12,922
Sales tax expenses		(46,499)	(46,499)
Total nonoperating revenues (expenses)	<u>140,050</u>	<u>133,716</u>	<u>(6,334)</u>
NET INCOME BEFORE OPERATING TRANSFERS	<u>398,625</u>	<u>81,438</u>	<u>(317,187)</u>
OPERATING TRANSFERS			
Operating transfers in		17,424	17,424
Operating transfers out	(456,585)	(473,698)	(17,113)
Total operating transfers	<u>(456,585)</u>	<u>(456,274)</u>	<u>311</u>
DECREASE IN RETAINED EARNINGS	(57,960)	(374,836)	(316,876)
RETAINED EARNINGS AT BEGINNING OF YEAR, AS RESTATED	<u>393,355</u>	<u>969,138</u>	<u>575,783</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$335,395</u>	<u>\$594,302</u>	<u>\$258,907</u>

The accompanying notes are an integral part of this statement.

TOWN OF LAKE PROVIDENCE
Lake Providence, Louisiana

Notes to the Financial Statements
As of and for the Year Ended June 30, 1999

INTRODUCTION

The Town of Lake Providence was incorporated in 1848. In 1904, the town began operating under the provisions of the "Lawrason Act" [Louisiana Revised Statutes (R.S.) 33:321-481] of the constitution of the State of Louisiana. The town is located in the parish of East Carroll and has a population of 5,380. The town operates under a Board of Aldermen - Mayor form of government and, as permitted under the act, provides police protection; fire protection; roads, streets and sidewalks; sponsorship of federal and state supported programs; water and sewer utilities; and other necessary public services.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

B. REPORTING ENTITY

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

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

TOWN OF LAKE PROVIDENCE
Lake Providence, Louisiana
Notes to the Financial Statements (Continued)

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

As required by generally accepted accounting principles, these financial statements present the Town of Lake Providence. Based on the criteria of GASB Statement No. 14, there are no component units to be included either blended within the town's funds or discretely presented in these financial statements.

C. FUND ACCOUNTING

The accounts of the town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Government resources are allocated to and accounted for in individual funds based on 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 as follows:

Governmental Funds

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. Governmental funds include:

1. **General Fund**--The General Fund is the general operating fund of the town. It is used to account for all financial resources except those required to be accounted for in another fund.
2. **Debt Service Fund**--The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.
3. **Capital Projects Fund**--The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

TOWN OF LAKE PROVIDENCE
Lake Providence, Louisiana
Notes to the Financial Statements (Continued)

Proprietary Fund

The proprietary fund accounts for activities similar to those found in the private sector where the determination of net income is necessary or useful to sound financial administration. The proprietary fund differs from a governmental fund in that its focus is on income measurement which, together with the maintenance of equity, is an important financial indicator. The proprietary fund of the town is the Utility Enterprise Fund, which accounts for the operations of the waterworks and sewerage systems. The intent of the town for these facilities is (a) that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) that 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.

Activities accounted for in the town's proprietary fund follow all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds, including General, Debt Service, and Capital Projects Funds, are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included in the funds on the balance sheet with long-term assets and liabilities reported in the account groups. Operating statements of these funds present increases (revenues and other financial sources) and decreases (expenditures and other uses) in net current assets.

Governmental funds are maintained on the modified accrual basis of accounting wherein revenues are recognized in the accounting period in which they become available and measurable. Property taxes are considered measurable in the calendar year of the tax levy that falls within the town's fiscal year. Sales taxes are considered measurable and are recognized in the month received by the Concordia Parish School Board. Gross receipts of business taxes are recognized when received. State shared revenues such as tobacco, beer, and gaming taxes are recorded in the period collected by the state. Licenses, permits, fines, forfeits, and miscellaneous revenues (except investment earnings) are recorded as revenues when received. Charges for services and investment earnings are recorded when earned since they are measurable and available. Revenues from state and federal grants are recognized when the reimbursable expenditures have been incurred. Expenditures are recognized in the accounting period in which the liability is incurred.

TOWN OF LAKE PROVIDENCE
Lake Providence, Louisiana
Notes to the Financial Statements (Continued)

The Utility Enterprise Fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the fund are included on the balance sheet. Fund equity (net total assets) is segregated into contributed capital and retained earnings components. The operating statement for the enterprise fund presents increases (revenues) and decreases (expenses) in net total assets.

The Utility Enterprise Fund is maintained on the accrual basis of accounting wherein revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized in the period incurred, if measurable.

E. BUDGET PRACTICES

The town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The town clerk and mayor prepare a proposed budget and submit it to the Board of Aldermen.
2. The budget is adopted through passage of a budget and appropriation ordinance.
3. Total department expenditures constitute the legal level of budgetary control. Budgetary amendments involving the transfer of funds from one department, program or function to another or those involving increases in department expenditures resulting from proposed spending of revenues that exceed amounts estimated require approval of the Board of Aldermen.
4. All budgetary appropriations lapse at the end of each fiscal year.
5. Budgets for the General, Debt Service and Utility Enterprise Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts presented are as originally adopted by the Board of Aldermen. No amendments were adopted for the year.

F. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit. Under state law, the town may deposit funds in demand deposits, interest-bearing demand deposits, and money market or time deposit accounts with state banks organized under Louisiana laws and national banks having their principal offices in Louisiana.

TOWN OF LAKE PROVIDENCE
Lake Providence, Louisiana
Notes to the Financial Statements (Continued)

Under state law, the town may also invest in U.S. Government bonds, notes, or certificates. Those with maturities of 90 days or less would be classified as cash equivalents and all others reported as investments.

G. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, temporary loans are made between individual funds to meet obligations as they become due. These short-term interfund loans are classified as interfund receivables/payables.

H. FIXED ASSETS

Fixed assets used in the Utility Enterprise Fund operations are included on the balance sheet net of accumulated depreciation. Interest and other financing costs incurred during construction of Utility Enterprise Fund fixed assets are capitalized. Depreciation of all exhaustible fixed assets used by the Utility Enterprise Fund operations is charged as an expense against operations. Depreciation is computed using the straight-line method based on estimated useful lives of the assets as follows:

Water wells	10-30 years
Water mains, lines, hydrants and meters	10-30 years
Buildings	30-45 years
Improvements	40 years
Machinery and equipment	5-30 years
Sewer system	5-30 years

Contributed capital is recorded in the Utility Enterprise Fund to account for contributions of capital assets from other governments, private developers, and others and to recognize grants and other contributed funds dedicated and restricted to the acquisition or construction of capital assets.

I. COMPENSATED ABSENCES

Accumulated unpaid sick pay amounts are accrued when incurred in enterprise funds under the accrual basis of accounting. Such amounts are not accrued in governmental funds under the modified accrual basis of accounting. However, such amounts are reflected in the General Long-Term Debt Account Group.

Employees of the town earn one week of vacation after completing one year of service. Upon completion of three years of service, employees earn two weeks vacation and two weeks each year thereafter. Such leave must be taken in the year accrued and cannot be carried over.

TOWN OF LAKE PROVIDENCE
 Lake Providence, Louisiana
 Notes to the Financial Statements (Continued)

Sick leave is earned at the rate of one and one-fourth days per month to a maximum of fifteen days per year, and no more than 60 days may be accumulated at any one time. Also, in the event that an employee used all his/her accrued sick leave, the town will provide \$60 per week for a period of six weeks. No employee is eligible for sick pay until he/she has been employed six months. The policy provides that unused sick leave is paid at retirement or termination.

J. LONG-TERM OBLIGATIONS

Long-term obligations expected to be financed from governmental funds are reported in the general long-term obligations account group. Long-term obligations expected to be financed from the Utility Enterprise Fund operations are accounted for in that fund.

K. TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the combined statements 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 cash flows in conformity with generally accepted accounting principles nor is such data comparable to a consolidation. Interfund items are not eliminated from the total column.

2. CASH AND CASH EQUIVALENTS

At June 30, 1999, the town has cash and cash equivalents (book balances) of \$657,442 as follows:

Cash on hand	\$110
Demand deposits	1,501
Interest-bearing demand deposits	442,167
Certificates of deposit (maturities exceeding 90 days)	<u>213,664</u>
Total	<u><u>\$657,442</u></u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. The town has deposit balances (collected bank balances) of \$691,814 at June 30, 1999. These deposits are secured from risk by \$400,000 of federal deposit insurance (GASB Risk Category 1) and \$291,814 of pledged securities held by the custodial bank in the name of the town (GASB Risk Category 1).

TOWN OF LAKE PROVIDENCE
 Lake Providence, Louisiana
 Notes to the Financial Statements (Continued)

The book balances include \$112,778 in restricted assets in the Utility Enterprise Fund. The restricted assets include \$2,452 of cash in accounts that involve federal programs and \$110,326 in its water meter deposit account.

3. RECEIVABLES

Receivables as of June 30, 1999, are as follows:

	General Fund	Utility Enterprise Fund	Total
Taxes:			
Louisiana Power and Light franchise tax	\$10,866		\$10,866
Louisiana gas tax	3,072		3,072
Intergovernmental:			
Beer tax	1,253		1,253
Tobacco tax	6,832		6,832
Fire insurance rebate	7,947		7,947
Utilities:			
Billed utilities		\$113,062	113,062
Unbilled utilities		17,281	17,281
Grants	11,000	57,538	68,538
Returned checks		449	449
Other	1,796	3,176	4,972
Total	<u>\$42,766</u>	<u>\$191,506</u>	<u>\$234,272</u>

4. INTERFUND RECEIVABLES/PAYABLES

The Utility Enterprise Fund loaned sales tax funds to the General Fund for \$48,725 for the year ended June 30, 1999. This short-term interfund loan is classified as an interfund receivable and payable on Statement A.

5. FIXED ASSETS

A schedule of changes in the Utility Enterprise Fund's property, plant, and equipment for the year ended June 30, 1999, follows:

TOWN OF LAKE PROVIDENCE
 Lake Providence, Louisiana
 Notes to the Financial Statements (Continued)

Net property, plant, and equipment at July 1, 1998	\$2,350,273
Additions	34,258
Depreciation	<u>(196,459)</u>

Net property, plant, and equipment at June 30, 1999	<u>\$2,188,072</u>
--	--------------------

<u>Fund</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Property, Plant, and Equipment</u>
Land	\$23,529		\$23,529
Buildings	241,192	\$203,228	37,964
Machinery and equipment	2,882,708	2,855,875	26,833
Water system	3,044,611	2,499,410	545,201
Sewer system	3,875,473	2,321,683	1,553,790
Sanitation	365,177	364,422	755
	<u>\$10,432,690</u>	<u>\$8,244,618</u>	<u>\$2,188,072</u>

The Town of Lake Providence did not include a General Fixed Asset Account Group on Statement A because the town did not maintain a complete listing of its land, buildings, and equipment and their historical or estimated cost.

6. PAYABLES

The following is a summary of payables at June 30, 1999:

	<u>General Fund</u>	<u>Utility Enterprise Fund</u>	<u>Total</u>
Accounts payable	\$40,021	\$109,561	\$149,582
Accrued wages	15,628	5,758	21,386
Payroll deductions payable	14,574	3,644	18,218
Employer's payable	19,179	4,795	23,974
Accrued sick leave		6,275	6,275
	<u>\$89,402</u>	<u>\$130,033</u>	<u>\$219,435</u>

TOWN OF LAKE PROVIDENCE
 Lake Providence, Louisiana
 Notes to the Financial Statements (Continued)

7. INSTALLMENT PURCHASES

The town entered into two installment purchase agreements to buy a fire truck and a backhoe. The following is a summary of installment purchases of the town for the year ended June 30, 1999:

Balance at June 30, 1998	\$22,567
Installment payments in fiscal year 1999	<u>(22,567)</u>
Balance at June 30, 1999	<u><u>NONE</u></u>

8. LONG-TERM OBLIGATIONS

Long-term obligations at June 30, 1999, consist of accrued sick leave of \$20,302. The following is a summary of the long-term obligation transactions:

Long-term obligations at July 1, 1998	\$85,554
Additions	8,860
Deductions	<u>(74,112)</u>
Long-term obligations payable at June 30, 1999	<u><u>\$20,302</u></u>

9. CONTRIBUTED CAPITAL

The Utility Enterprise Fund receives contributions from federal and state sources for the purposes of acquiring or constructing capital facilities. Retirement of such capital contributions is the equivalent of the depreciation charge against the assets acquired with the funds.

The addition, sources, retirement, and other reductions or changes in contributed capital during the year ended June 30, 1999, are as follows:

Contributed capital - July 1, 1998	\$2,684,905
Additions (deductions):	
Adjustment for assets funded from sales tax proceeds (note 10)	(681,526)
State of Louisiana - block grant - sewer system	<u>30,538</u>
Contributed capital - June 30, 1999	<u><u>\$2,033,917</u></u>

TOWN OF LAKE PROVIDENCE
 Lake Providence, Louisiana
 Notes to the Financial Statements (Continued)

10. ADJUSTMENT TO FUND BALANCE AND RETAINED EARNINGS AT BEGINNING OF YEAR

An adjustment to beginning fund balance of the General Fund totaling \$367,954 was made as shown below. This consists of an adjustment of \$54,782 to transfer the beginning balance of the town's Special Revenue Fund into the General Fund. The remaining adjustment of \$313,172 increases fund balance for a reduction of the prior year's interfund payables that were accrued in error.

Fund balance at June 30, 1998, as previously reported	(\$210,274)
Adjustment for transfer of Special Revenue Fund	54,782
Adjustment to interfund payables	<u>313,172</u>
Fund balance at June 30, 1999, as restated	<u><u>\$157,680</u></u>

An adjustment to beginning retained earnings of the Utility Enterprise Fund totaling \$382,178 was made as shown below. This consists of an adjustment of \$681,526 to increase retained earnings for amounts previously reported as contributed capital - sales tax funds in error. In addition, an adjustment of \$313,172 reduces retained earnings for a decrease in prior year's interfund receivables that were accrued in error. The remaining adjustment of \$13,824 increases retained earnings for an adjustment to prior year's accounts receivable.

Retained earnings at June 30, 1998, as previously reported	\$586,960
Adjustment for contributed capital-sales tax funds	681,526
Adjustment to accounts receivable	13,824
Adjustment to interfund receivables	<u>(313,172)</u>
Retained earnings at June 30, 1999, as restated	<u><u>\$969,138</u></u>

11. AD VALOREM TAXES

Ad valorem taxes are levied by the town on September 1 and billed to the taxpayers on October 31. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed to the extent to which collections are expected.

For the year ended June 30, 1999, taxes of 14.2 mills were authorized and levied on property with assessed valuations totaling \$8,699,038 and were dedicated as follows:

TOWN OF LAKE PROVIDENCE
Lake Providence, Louisiana
Notes to the Financial Statements (Continued)

General corporate purposes	9.27 mills
Fire department	2.69 mills
Police department	2.16 mills

Total taxes levied for the year ended June 30, 1999, are \$122,832. No taxes are receivable at June 30, 1999.

12. SALES AND USE TAX

On November 3, 1998, the voters of the Town of Lake Providence approved a one percent (1%) sales and use tax for a period of five years. The revenues derived from the tax are to be used for the purpose of constructing, acquiring, improving, extending, operating, and/or maintaining the town's sewers and sewage disposal facilities and/or its waterworks facilities and improvements.

13. FRANCHISE AGREEMENTS

The Town of Lake Providence has entered into franchise agreements with various public utility companies that provide services within the corporate limits of the town. A summary of each such agreement follows:

Etan Industires, Inc., DBA Delta Cable TV - effective March 30, 1995, for a period of fifteen (15) years. The franchise fee is based on three percent (3%) of the gross receipts and grants the nonexclusive right and privilege to construct, operate, and maintain towers, poles, wires, anchors, cables, manholes, conduits, and other television conductors and fixtures necessary to maintain and operate a community antenna television system along, across, on, over, through, above, and under the public streets, avenues, alleys, servitudes, rights of way, roads, highways and other public places of the town.

Louisiana Power & Light Company - effective October 15, 1976. The franchise fee is based on two percent (2%) of the gross receipts with a minimum annual payment of \$42,000 as well as one percent (1%) of the gross revenues that exceed \$600,000. The franchisee was granted the exclusive right to operate and maintain the distribution system for electric service in the town.

14. TAX COLLECTION AGREEMENTS

On December 19, 1991, the Town of Lake Providence entered into tax collection agreements with the Concordia Parish School Board whereby the school board will collect the Sales and Use Tax, Insurance Premium Tax, and Occupational License and Alcohol Beverage Permit Tax in compliance with the terms and provisions of the town's ordinances. The town pays the school board the greater of two percent (2%) of monthly collections or \$400 with a maximum fee not to exceed \$600, plus miscellaneous collection fees, for the Sales and Use Tax. The town pays the school board five percent (5%) of monthly collections for the Insurance Premium

TOWN OF LAKE PROVIDENCE

Lake Providence, Louisiana

Notes to the Financial Statements (Continued)

Tax and the Occupational License and Alcohol Beverage Permit Tax. These agreements are effective until terminated by either the town or the school board.

15. PENSION PLAN

Substantially all employees of the Town of Lake Providence are members of the Municipal Employees Retirement System of Louisiana. This system is a cost-sharing, multiple-employer defined benefit pension plan administered by a board of trustees. Police officers are eligible to participate in the Municipal Police Retirement System; however, for the current year, no one in the police department chose to participate in the plan.

The Municipal Employees Retirement System of Louisiana (System) is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All eligible employees of the town are members of Plan B.

Plan Description. All permanent employees working at least 35 hours per week who are not covered by another pension plan are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service and at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2% of their final-average monthly salary in excess of \$100 for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3% for each year retirement precedes age 62, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100% of final-average salary. Final-average salary is the employee's average salary over the 36 months consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefits accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Funding Policy. Under Plan B, members are required by state statute to contribute 5.0% of their annual covered salary and the Town of Lake Providence is required to contribute at an actuarially determined rate. The current rate is 3.75% of annual covered payroll. Contributions to the System also include one-fourth of 1%, except for Orleans Parish, of the taxes shown to be collected by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The

TOWN OF LAKE PROVIDENCE

Lake Providence, Louisiana

Notes to the Financial Statements (Continued)

contribution requirements of plan members and the Town of Lake Providence are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior year. The Town of Lake Providence contributions to the System under Plan B for the year ending December 31, 1999, 1998, and 1997 were \$12,222, \$6,773, and \$8,590, respectively, equal to the required contributions for each year.

All employees of the town also participate in the Social Security System. The town and its employees contribute a percentage of each employee's salary to the system (6.2% contributed by the town and 6.2% contributed by the employee). The town's contribution during the year ended June 30, 1999, amounted to \$40,199.

16. POSTEMPLOYMENT BENEFITS

The Town of Lake Providence offers no postemployment benefits.

17. CONTINGENCIES

There are three lawsuits in which the town is involved. The town's legal counsel does not anticipate a potential loss to the town resulting from these lawsuits.

18. RISK MANAGEMENT

The Town of Lake Providence is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties, except for general liability, law enforcement officers' liability, and public officials' liability coverages that were obtained from the Louisiana Municipal Risk Management Agency. The Louisiana Municipal Risk Management Agency is a municipal risk pool administered by the Louisiana Municipal Association. The Louisiana Municipal Risk Management Agency operates similar to a commercial insurance company. Premiums are assessed members of the Louisiana Municipal Association annually, based on past experience of claims. The Louisiana Municipal Risk Management Agency services all claims for risk of loss to which the town is exposed and cannot assess additional amounts if losses exceed their premiums (the covered risks are transferred to the Louisiana Municipal Risk Management Agency). No claims were paid on any policies during the fiscal year that exceeded the policies' coverage amounts. There were no significant reductions in insurance coverage during the year ended June 30, 1999.

TOWN OF LAKE PROVIDENCE
Lake Providence, Louisiana
Notes to the Financial Statements (Concluded)

19. RELATED PARTY TRANSACTIONS

Mr. Ray Frazier, Alderman and Mr. Issac Fields, Jr., Town Clerk, during the first half of the 1999 fiscal year, were affiliated with Northeast Louisiana YouthBuild Delta Council, Inc. Mr. Frazier is listed as a registered agent, officer (President), and incorporator of the council. Mr. Fields is listed as an incorporator and was paid \$1,667 as a fiscal agent for the council while he was town clerk. The Town of Lake Providence sold the Northeast Louisiana YouthBuild Delta Council, Inc., eight lots for \$12,000 during July 1998. The town also provided the council with \$8,000 in December 1998.

**20. COOPERATIVE ENDEAVOR AND
INTERGOVERNMENTAL AGREEMENTS**

The Town of Lake Providence has entered into a cooperative endeavor agreement effective August 22, 1997, with the East Carroll Parish Police Jury and Community Renewal Corporation. The agreement provides owners of dilapidated and burned out buildings an offer to remove them at no cost. The town agrees to furnish men and equipment for the purpose of assisting Community Renewal Corporation of carrying out the work.

The Town of Lake Providence and the East Carroll Parish Police Jury entered into an intergovernmental agreement effective April 19, 1994, for animal control in the parish. The parish will provide the pound, food for the animals at the pound, and 50% of the costs of euthanasia for unclaimed animals at the pound. The town will provide a vehicle and its cost, personnel for pick up and ordinance enforcement, and 50% of the costs of euthanasia. This agreement will continue until terminated by either party either by default or a minimum thirty days' notice.

**TOWN OF LAKE PROVIDENCE
Lake Providence, Louisiana
SUPPLEMENTAL INFORMATION SCHEDULE
As of and for the Year Ended June 30, 1999**

COMPENSATION PAID MAYOR AND ALDERMEN

The schedule of compensation paid to the mayor and aldermen was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. As authorized by town ordinance, aldermen were paid \$450 per month and the mayor was paid \$1,000 per month through December 1999. Beginning in January 2000, aldermen were paid \$600 per month and the mayor was paid \$1,200 per month.

**TOWN OF LAKE PROVIDENCE
Lake Providence, Louisiana
SUPPLEMENTAL INFORMATION SCHEDULE**

**Schedule of Compensation Paid Mayor and Aldermen
For the Year Ended June 30, 1999**

Robert N. Amacker, Jr., Mayor	\$7,200
James W. Brown, Jr., Former Mayor	6,360
Marion E. Carraway, Former Alderman	2,943
Lloyd Chapman, Former Alderman	2,942
Ray J. Frazier, Alderman	6,542
Michael Kelly, Alderman	3,600
Sherry Kirksey, Alderwoman	3,600
Dorothy H. Lewis, Former Alderwoman	2,943
Amos Wright, Alderman	6,542
Alfred Young, Alderman	<u>3,600</u>
Total	<u><u>\$46,272</u></u>

**REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following pages contain a report on compliance with laws, regulations, contracts, and grants and on internal control over financial reporting as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses in internal control or compliance matters that would be material to the presented financial statements.



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

March 31, 2000

Report on Compliance and on Internal Control Over Financial
Reporting Based Solely on an Audit of Financial Statements Performed
in Accordance With Government Auditing Standards

**HONORABLE ROBERT N. AMACKER, JR., MAYOR,
AND MEMBERS OF THE BOARD OF ALDERMEN
TOWN OF LAKE PROVIDENCE**
Lake Providence, Louisiana

We have audited the general purpose financial statements of the Town of Lake Providence as of June 30, 1999, and for the year then ended and have issued our report thereon dated March 31, 2000. The scope of our audit was limited in that we were unable to determine the value of assets that should have been reported in the town's General Fixed Asset Account Group or the value and completeness of property, plant, and equipment reported in the town's Utility Enterprise Fund at June 30, 1999. This resulted in a qualified opinion on the general purpose financial statements. Except for this scope limitation, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town of Lake Providence's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Noncompliance With the Local
Government Budget Act**

For the second consecutive year, the Town of Lake Providence did not comply with the Louisiana Local Government Budget Act. The act [Louisiana Revised Statutes (R.S.) 39:1301-1314] contains various budget requirements for the General Fund and special revenue funds for political subdivisions of the state. Because the town's administration was unfamiliar with the requirements of the Local Government Budget Act, the town did not properly comply with the requirements of the act for the General Fund as follows:

EXHIBIT A

LEGISLATIVE AUDITOR

**HONORABLE ROBERT N. AMACKER, JR., MAYOR,
AND MEMBERS OF THE BOARD OF ALDERMEN
TOWN OF LAKE PROVIDENCE**

Compliance and Internal Control Report

March 31, 2000

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1. Budget preparation - The act requires that the chief executive officer (mayor) prepare a proposed budget that includes a budget message. The town's fiscal year 1999 budget did not include a budget message.
2. Budget submission, inspection, and adoption - The act requires that the mayor submit the proposed budget to the governing authority (Board of Aldermen) and make it available for public inspection at least 15 days before the beginning of the budget year. The act further requires all actions necessary to adopt and finalize the budget be completed before the beginning of the budget year. The town's former mayor did not submit the proposed budget to the Board of Aldermen or make it available for public inspection until five months after the start of the 1999 fiscal year.
3. Budget variances - The act requires that, during the year, the mayor must notify the Board of Aldermen, in writing, when actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year exceed budgeted expenditures and other uses by 5% or more. The former mayor did not notify the Board of Aldermen, in writing, that, for the year ended June 30, 1999, the town's General Fund had actual expenditures and other uses of \$1,035,719, which exceeded budgeted expenditures and other uses by \$116,764 (13%).

These deficiencies place the town in noncompliance with the Local Government Budget Act, reduce the effectiveness of the town's budgetary controls over revenues and expenditures, restrict public participation in the budgetary process, and result in incomplete budget documents.

In the future, the town should comply with all the requirements of the Louisiana Local Government Budget Act. Management of the town concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 1).

Inadequate Controls Over Fixed Assets

For the second consecutive year, the Town of Lake Providence has not maintained *adequate internal accounting control over fixed assets as prescribed by state law*. R. S. 24:515 requires the town to maintain records of all fixed assets and movable property to include the date of purchase, initial cost, and disposition of such property. Furthermore, good business practices require that a proper fixed asset accounting system be

LEGISLATIVE AUDITOR

HONORABLE ROBERT N. AMACKER, JR., MAYOR, AND MEMBERS OF THE BOARD OF ALDERMEN TOWN OF LAKE PROVIDENCE

Compliance and Internal Control Report

March 31, 2000

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developed to ensure that all assets are accounted for when received, safeguarded against loss or misuse, and reported accurately in the financial statements.

The town has the following deficiencies in controls over fixed assets:

1. The town has not adopted written fixed asset and movable property policies and procedures to define assets that will be inventoried.
2. The town does not have a fixed asset and movable property accounting system that provides for the recording of individual property and equipment as it is purchased and/or disposed.
3. The town's listings of fixed and movable property do not include (a) a complete description; (b) the date of purchase; (c) the original or estimated original cost of each item; and (d) all of the movable property of the town.

These deficiencies occurred because the town's former administration did not give proper attention to developing an adequate fixed asset and movable property inventory system. As a result, the town's fiscal year 1999 financial statements did not report a General Fixed Asset Account Group, and amounts reported as property and equipment in the town's Utility Enterprise Fund were not supported by a detailed listing of the individual assets. Furthermore, failure to maintain an adequate system subjects the town to noncompliance with state laws and increases the risk that assets could be lost, stolen, destroyed, or misplaced.

The town should develop an accounting system for fixed assets and movable property that includes the following:

- A written policy that defines assets to be inventoried and establishes a minimum value of assets to be included on the list of fixed assets.
- A complete list of fixed assets and movable property that includes information as to (a) description of the property; (b) a serial number or other identification number; (c) the source of the asset; (d) who holds title to the asset; (e) the date of acquisition; (f) the original cost or estimated original cost; (g) the location of the asset; (h) the use and condition of the property; and (i) any ultimate disposition data including the purpose of the disposition, date of disposal, sale price, and the recipient of items.

LEGISLATIVE AUDITOR

HONORABLE ROBERT N. AMACKER, JR., MAYOR, AND MEMBERS OF THE BOARD OF ALDERMEN TOWN OF LAKE PROVIDENCE

Compliance and Internal Control Report

March 31, 2000

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- Annual physical inventories and follow-up procedures for items not found during the physical inventory.
- Procedures to identify (tag) assets as belonging to the town.

Management of the town concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 2).

Violation of State Laws

In a report dated July 7, 1999, the Investigative Audit Division of the Office of the Legislative Auditor reported that the police department of the Town of Lake Providence may have violated several Louisiana laws. The report disclosed that the following acts were committed:

- From March 1998 through September 1998, the former Chief of Police for the Town of Lake Providence cashed six checks payable to other employees totaling \$1,272 and used the cash for personal expenses.
- A part-time police officer for the Town of Lake Providence identified five checks payable to him as checks he cashed, kept \$40 from each check for himself, and gave the balance of \$1,035 to the former Chief of Police for the Town of Lake Providence.
- During 1998, the former Chief of Police of the Town of Lake Providence paid town employees, who had been terminated by the Board of Aldermen, by generating paychecks using the names of authorized employees and cashing the checks.

Recommendations for improvement and management's full response to the findings may be found in the audit report referred to previously.

Review Report

A review report dated January 22, 1999, from the Policy and Quality Assurance Section of the Office of the Legislative Auditor reported several findings related to the financial operations of the Town of Lake Providence. These findings have been substantially resolved by the current administration except for the findings related to noncompliance with the Local Government Budget Act and inadequate controls over fixed assets, which have been previously addressed in this report.

EXHIBIT A

LEGISLATIVE AUDITOR

**HONORABLE ROBERT N. AMACKER, JR., MAYOR,
AND MEMBERS OF THE BOARD OF ALDERMEN
TOWN OF LAKE PROVIDENCE**

Compliance and Internal Control Report

March 31, 2000

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Transfers of Fees to the General Fund

The Town of Lake Providence routinely transfers a significant amount of its utility user fees and a general maintenance user fee collected in its Utility Enterprise Fund to its General Fund to pay for General Fund operations. In addition, the town levies a sales tax dedicated to Utility Enterprise Fund expenses. Because of the significant amount of utility user fees collected in addition to the dedicated sales tax and the general maintenance user fee, we have requested an opinion from the Louisiana Attorney General regarding (1) the reasonableness of the town's utility user fees, (2) the priority in which utility user fees and sales tax proceeds are used, and (3) the authority under which the town charges the general maintenance user fee.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Lake Providence's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on internal control over financial reporting. However, we noted the matters previously mentioned in our report on compliance that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town of Lake Providence's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described previously in the compliance section of this report, we consider inadequate controls over fixed assets to be a material weakness.

LEGISLATIVE AUDITOR

HONORABLE ROBERT N. AMACKER, JR., MAYOR,
AND MEMBERS OF THE BOARD OF ALDERMEN
TOWN OF LAKE PROVIDENCE

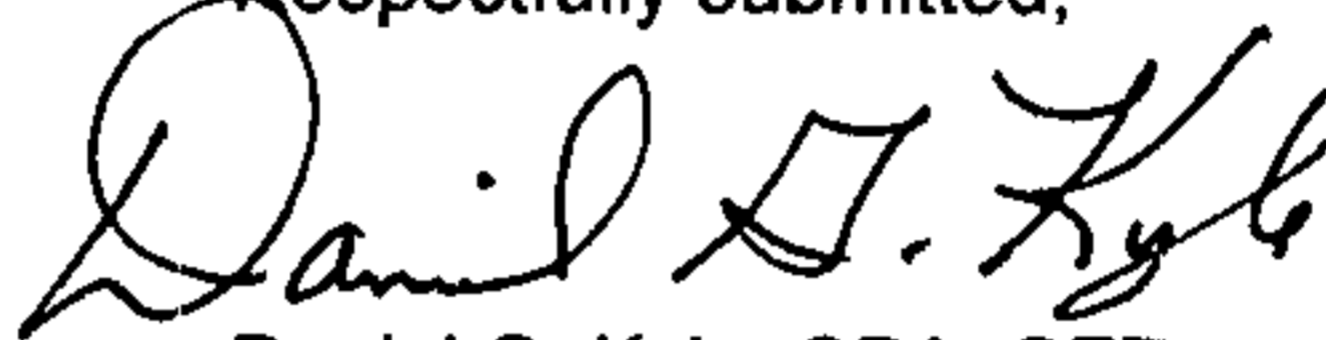
Compliance and Internal Control Report

March 31, 2000

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This report is intended for the information and use of the mayor and certain other elected officials of the Town of Lake Providence and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle". The signature is written in a cursive, flowing style.

Daniel G. Kyle, CPA, CFE
Legislative Auditor

LJD:THC:RCL:ss

[LAKEPROV]

EXHIBIT A

Appendix A

Management's Corrective Action Plans and Responses to the Findings and Recommendations

Town of Lake Providence

Robert N. Amacker, Jr.
Mayor

Lee Ann W. Clement
Clerk

EXECUTIVE DEPARTMENT
201 SPARROW STREET
LAKE PROVIDENCE, LOUISIANA 71254
TELEPHONE: 318-559-2288
FAX: 318-559-3442

Aldermen:
Ray Frazier
Michael Kelly
Sherry Kirksey
Amos Wright
Alfred Young

Town Attorney:
Louis Scott

March 29, 2000

Dr. Daniel G. Kyle, CPA, Legislative Auditor
Office of Legislative Auditor
State of Louisiana
Baton Rouge, Louisiana 70804-9397

RE: Noncompliance with the Local Government Budget Act

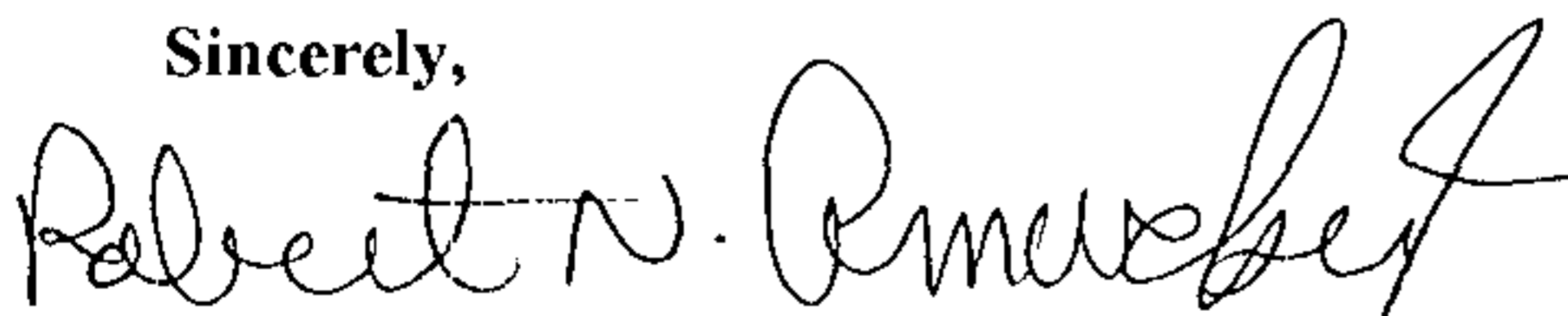
Dear Dr. Kyle,

This administration agrees with the audit finding referenced above. The budget for the fiscal year ending June 30, 1999 was prepared, and presented by the previous administration.

Also, this budget was not amended as it should have been, as our CPA advised me that this did not have to be done until six months after the end of the fiscal year. The budget for the fiscal year ending June 30, 2000 was presented, and adopted on time, but did not have a budget message. However, this budget will be presented to the Town Council to be amended before the end of the fiscal year.

After talking with representatives from your office, I more fully understand requirements of the Local Government Budget Act, and the Town of Lake Providence will be in compliance with that act when the budget for the fiscal year ending June 30, 2001 is presented to the Town Council for their adoption.

Sincerely,



Robert N. Amacker, Jr.
Mayor

Town of Lake Providence

Robert N. Amacker, Jr.
Mayor

Lee Ann W. Clement
Clerk

EXECUTIVE DEPARTMENT
201 SPARROW STREET
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March 29, 2000

Dr. Daniel G. Kyle, CPA, CFE, Legislative Auditor
Office of Legislative Auditor
State of Louisiana
Baton Rouge, Louisiana 70804-9397

RE: Inadequate Control Over Fixed Assets

Dear Dr. Kyle,

This administration agrees with the audit finding referenced above.

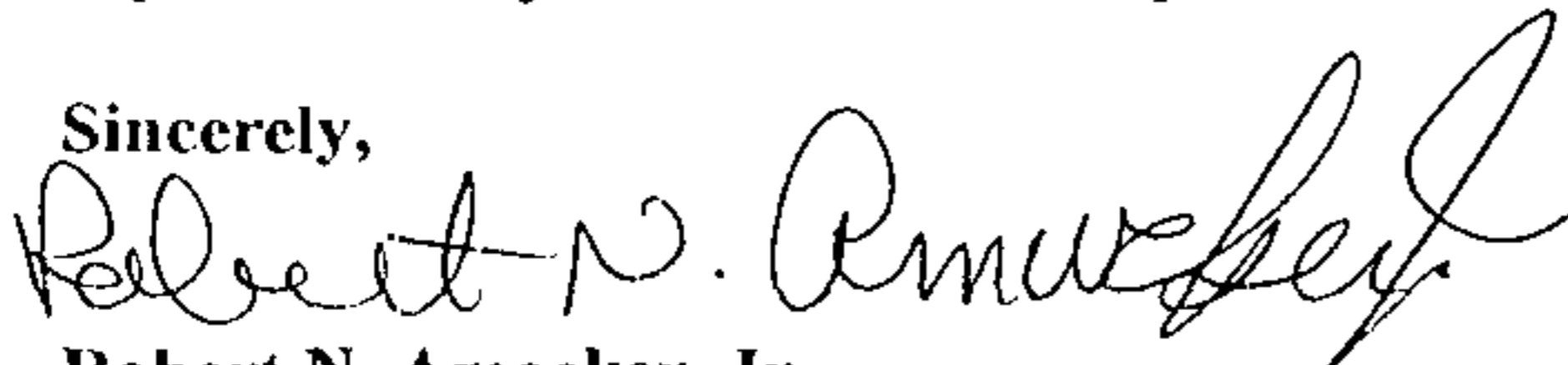
At this time we are in the process of inventorying and recording the Town's fixed assets and equipment. After the assets are inventoried, they will be tagged and the information concerning each asset will be listed. At this time, all of the required information on each asset may not be available.

After the asset list is developed, a fixed asset accounting system will be implemented, and a written policy will be developed to track the fixed assets and movable property belonging to the Town of Lake Providence.

These procedures are estimated to be completed before our next audit. The contact person for completion of this project is the City Clerk.

If you need any more information please contact me at (318) 559-2288.

Sincerely,



Robert N. Amacker, Jr.
Mayor