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VILLAGE OF HOSSTON

HOSSTON, LOUISIANA

DECEMBER 31, 1998

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Release Date JUN 07 1999

Receipt Acknowledged
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By _____

VILLAGE OF HOSSTON

HOSSTON, LOUISIANA

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May 18, 1999

Village of Hosston
Hosston, Louisiana

We have compiled the accompanying general purpose financial statements of the Village of Hosston as of December 31, 1998 and for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Heard, McElroy; Vestal, L.L.P.

VILLAGE OF HOSSTON

COMBINED BALANCE SHEET-GENERAL FUND AND ACCOUNT GROUPS

DECEMBER 31, 1998

<u>A S S E T S</u>	<u>Governmental Fund General</u>	<u>Account Group General Fixed Assets</u>	<u>Total (Memorandum Only)</u>
Cash-Note 2	17,376	-	17,376
Money market accounts-Note 2	44,475	-	44,475
Certificates of deposit-Note 2	114,532	-	114,532
Accrued interest receivable	3,699	-	3,699
Land, building and equipment-Note 4	<u>-</u>	<u>190,618</u>	<u>190,618</u>
Total assets	<u>180,082</u>	<u>190,618</u>	<u>370,700</u>
 <u>LIABILITIES AND FUND EQUITY</u>			
<u>Liabilities:</u>			
Payroll taxes payable	<u>512</u>	<u>-</u>	<u>512</u>
Total liabilities	512	-	512
 <u>Fund equity:</u>			
Investment in general fixed assets	-	190,618	190,618
Fund balance-unreserved:			
Undesignated	<u>179,570</u>	<u>-</u>	<u>179,570</u>
Total liabilities and fund equity	<u>180,082</u>	<u>190,618</u>	<u>370,700</u>

See Accountants' Compilation Report

VILLAGE OF HOSSTON

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUND TYPE

FOR THE YEAR ENDED DECEMBER 31, 1998

	<u>General Fund</u>
<u>Revenue:</u>	
Occupational license	47,160
Utility franchise tax	14,690
Street light assessment	2,940
Interest income	7,891
Miscellaneous	1,451
Intergovernmental-Note 3	2,255
Grant income	<u>12,325</u>
Total revenues	88,712
 <u>Expenditures:</u>	
Accounting	1,200
Advertisement and public notices	1,701
Election fees	1,123
Insurance	3,536
Maintenance and repairs	2,190
Miscellaneous	615
Office supplies	1,009
Payroll taxes	1,074
Police retirement-Note 5	792
Salaries - administration	4,300
Salaries - other	9,758
Telephone	592
Travel and conventions	942
Utilities	7,905
Capital improvements	<u>50,627</u>
Total expenditures	<u>87,364</u>
 <u>Revenues over expenditures</u>	 1,348
 <u>Fund balance:</u>	
Balance at beginning of year	<u>178,222</u>
 Balance at end of year	 <u>179,570</u>

See Accountants' Compilation Report

VILLAGE OF HOSSTON

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE-

BUDGET (GAAP BASIS) AND ACTUAL-GOVERNMENTAL FUND TYPE

FOR THE YEAR ENDED DECEMBER 31, 1998

	<u>General Fund</u>		Variance
	<u>Actual</u>	<u>Budget</u>	Favorable <u>(Unfavorable)</u>
<u>Revenue:</u>			
Occupational license	47,160	44,000	3,160
Utility franchise tax	14,690	15,000	(310)
Street light assessment	2,940	3,200	(260)
Interest income	7,891	6,000	1,891
Miscellaneous	1,451	250	1,201
Intergovernmental-Note 3	2,255	1,700	555
Grant income	<u>12,325</u>	<u>-</u>	<u>12,325</u>
Total revenue	88,712	70,150	18,562
<u>Fund balance-beginning of year</u>	178,222	178,222	-
<u>Expenditures:</u>			
Accounting	1,200	-	(1,200)
Advertisement and public notices	1,701	2,000	299
Cleaning	-	750	750
Election fees	1,123	-	(1,123)
Insurance	3,536	3,400	(136)
Maintenance and repairs	2,190	3,000	810
Miscellaneous	615	1,500	885
Office supplies	1,009	400	(609)
Payroll taxes	1,074	2,000	926
Police retirement	792	-	(792)
Salaries - administration	4,300	4,500	200
Salaries - other	9,758	7,200	(2,558)
Telephone	592	600	8
Travel and conventions	942	1,350	408
Utilities	7,905	7,000	(905)
Capital improvements	<u>50,627</u>	<u>2,400</u>	<u>(48,227)</u>
Total expenditures	<u>87,364</u>	<u>36,100</u>	<u>(51,264)</u>
<u>Revenue over expenditures</u>	1,348	34,050	(32,702)
<u>Fund balance-end of year</u>	<u>179,570</u>	<u>212,272</u>	<u>(32,702)</u>

See Accountants' Compilation Report

VILLAGE OF HOSSTON

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1998

1. Organization and Significant Accounting Policies

Organization

The Village of Hosston was incorporated February, 1968, under the provisions of the Lawrason Act and operates under a Mayor-Board of Aldermen form of government. The Village provides the following services to its residents: public safety (police); street lights; and general administrative services. The Village also provides use of a building for a branch of Shreve Memorial Library.

Significant accounting policies

The accounting and reporting of the Village of Hosston conforms to generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

a. Basis of accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

b. Basis of presentation

The accounts of the Village of Hosston are organized on the basis of funds or 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. The following fund types and account groups are used by the Village of Hosston:

GOVERNMENTAL FUNDS

Governmental funds account for all or most of the Village of Hosston's general activities, including the collection and disbursement of specific or legally restricted monies, the

See Accountants' Compilation Report

acquisition or construction of general fixed assets and the servicing of general long-term obligations. Governmental funds include:

1. Organization and Significant Accounting Policies (Continued)

General fund

The general operating fund of the Village of Hosston accounts for all financial resources, except those required to be accounted for in other funds.

ACCOUNT GROUPS

General fixed assets group of accounts

The general fixed assets account group is used to establish accounting control and accountability for all fixed assets of the Village of Hosston. All fixed assets are valued at historical cost. No depreciation is recorded on general fixed assets.

c. Property, plant and equipment

General fixed group of accounts

Fixed assets used in governmental fund type operations are accounted for in the general fixed assets account group. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. No depreciation has been provided on general fixed assets. The general fixed assets account group is not a "fund." It is concerned only with the measurement of financial position. It is not involved with measurement of results of operations.

d. Total columns

The 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 in conformity with generally accepted accounting principles and this data is not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. Cash

All deposits of the Village of Hosston are held by area financial institutions as permitted under state law. At December 31, 1998 the carrying amount of the Village of Hosston cash demand deposit was \$17,376 and the bank balance was \$17,521. The difference is due to deposits in transit and outstanding checks. In addition, the Village of Hosston had \$44,475 in interest bearing money market accounts and owned certificates of deposit of \$114,532 as of December 31, 1998. At year end, all deposits were entirely covered by federal depository insurance.

3. Intergovernmental Revenues

The following governmental entities provided funding for the Village of Hosston during the year ended December 31, 1998:

State of Louisiana-tobacco tax	2,255
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4. General Fixed Asset Group

A summary of general fixed assets by source follows:

	12-31-97 <u>Balance</u>	<u>Additions</u>	12-31-98 <u>Balance</u>
Land, buildings and improvements	118,713	47,149	165,862
Equipment	18,078	3,478	21,556
Furniture and fixtures	<u>3,200</u>	<u>-</u>	<u>3,200</u>
Total general fixed assets	<u>139,991</u>	<u>50,627</u>	<u>190,618</u>

5. Pension Plan

In 1998, the village contributed \$792 to the M.P.E.R.S. which is a retirement system for police officers.

See Accountants' Compilation Report

May 18, 1999

Independent Accountant's Report
on Applying Agreed-Upon Procedures

To the Management of the Village of Hosston
Village of Hosston
Hosston, Louisiana

We have performed the procedures included in the "Louisiana Government Audit Guide" and enumerated below, which were agreed to by the management of the Village of Hosston and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the Village of Hosston's compliance with certain laws and regulations during the year ended December 31, 1998, in the accompanying "Louisiana Attestation Questionnaire". This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

1. Select all expenditures made during the year for material and supplies exceeding \$15,000, or public works exceeding \$100,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

During 1998, there were no expenditures made for materials or supplies exceeding \$15,000. There were no expenditures exceeding \$100,000 for public works.

Code of Ethics for Public Officials and Public Employees

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Management provided us with the required listed including the noted information.

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided us with the required list.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedure (3) were also included on the listing obtained from management in agreed-upon procedure (2) as immediate family members.

None of the employees included on the list of employees provided by management in #3 appeared on the list provided by management in agreed-upon procedure #2.

Budgeting

5. Obtain a copy of the legally adopted budget and all amendments.

Management provided us a list of the original budget and all amendments.

6. Trace the budget adoption and amendments to the minute book.

We traced the adoption of the original budget to the minute book. We also traced the budget amendments to subsequent minutes.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by 5% or more or if actual expenditures exceed budgeted amounts by 5% or more.

We compared the revenues and expenditures of the budget and noted the following budgeted revenue items were 5% more than actual revenues received; and the following actual expenses were more than 5% of budgeted expenses.

	<u>Actual</u>	<u>Budgeted</u>
Street light assessment revenue	\$2,950	\$3,200
Salaries-other	\$9,758	\$7,200
Police retirement	\$ 792	-
Office supplies	\$1,009	\$ 400
Utilities	\$7,905	\$7,000

Accounting and Reporting

8. Randomly select 6 disbursements made during the period under examination and: (a) trace payments to supporting documentation as to proper amount and payee, (b) determine if payments were properly coded to the correct fund and general ledger account, and (c) determine whether payments received approval from proper authorities.

(a) We examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount, and made to the correct payee.



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MANAGEMENT RECOMMENDATIONS

June 24, 1999

To the Village of Hosston
Hosston, Louisiana

During the compilation of the Village of Hosston's financial statements, the following came to our attention:

Finding #1

The Village of Hosston has failed to reach budgeted street light assessment revenue by 8.12% for the year ending December 31, 1998.

Cause:

The Village of Hosston has used the same budgeted revenue amount for street light assessment for at least the last two years without regard to actual receipts from this assessment.

Recommendation:

The Village of Hosston should review the budgeted amount for street light assessment revenue and look at actual receipts for the past two to three years. After reviewing these figures, the Village should consider budgeting the revenue in accordance with prior year receipts.

Finding #2

The Village of Hosston had a salary expense for other employees in excess of the 5% limit of actual versus the budgeted amount. Actual salary expense was approximately 36% above the budgeted amount.

Cause:

One of the employees of the Village of Hosston, the yard/maintenance man, had an increased workload. This, in turn, increased his hours which increased his pay by approximately \$1300 for the year ending December 31, 1998.

Recommendation:

The Village of Hosston should take into account the fact that the yard/maintenance man has had an increase in his workload with the addition of the library in late 1997. Also, the Village needs

to look at what their actual expense for salaries of other than administrative staff has been for the past two to three years. After they have taken actual figures into consideration, an increase in the budgeted amount would be a likely outcome.

Finding #3

The Village of Hosston has an expense for police retirement which exceeded its budgeted amount by more than 5%.

Cause:

The Village did not budget any expense for the payment of police retirement for the year ending December 31, 1998. There has not been an expense for this included in the budget for at least the past eight years.

Recommendation:

The Village of Hosston should review prior year payments for police retirement and consider amending the budget to include this expense as a budgeted item.

Finding #4

The Village of Hosston has exceeded the 5% limit of actual expenses over budgeted expenses for office supplies.

Cause:

The Village of Hosston has classified some items as office supplies which should have classified as maintenance and repair.

Recommendation:

The Village of Hosston should look carefully at expenses when classifying as office supplies versus maintenance and repair. With reclassification of some of the expenses to maintenance and repair for the year ending December 31, 1998, the actual expenses for office supplies would be in line with the budgeted figure.

Finding #5

The Village of Hosston costs for utilities exceeded budgeted expenses by 13%.

Cause:

The Village of Hosston has a new library building which was not considered at the time the budget was adopted.

Recommendation:

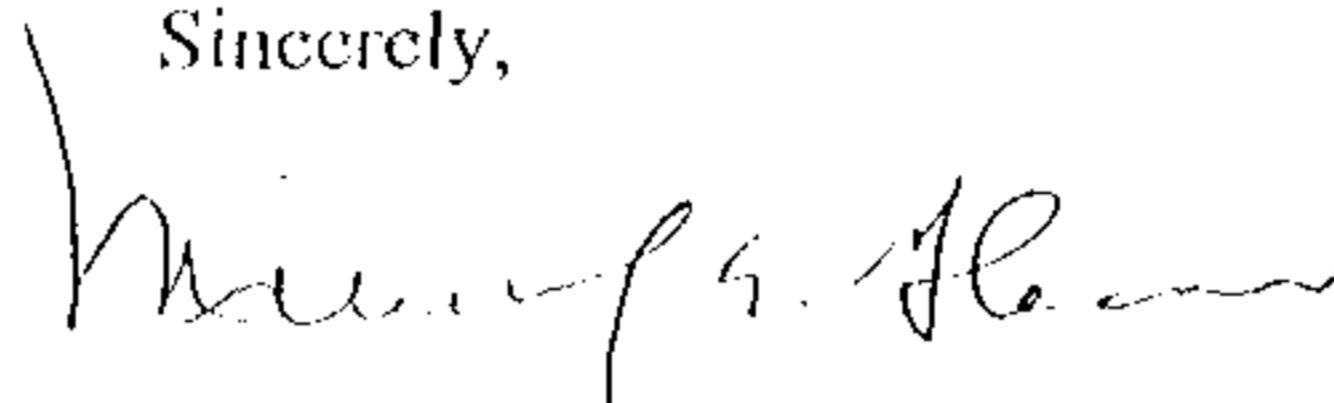
The Village of Hosston should look at the actual expenses for the year ending December 31, 1998, and estimate a budgeted amount for 1999 based on this figure. If there have been any other additional areas to be serviced by utilities, these should also be taken into consideration for the budget.

Corrective Action:

Management has agreed with all the recommendations given with regards to the five findings and will structure future budgets accordingly.

If you need further assistance with the matters noted or would like to discuss them in further detail, please contact me. I would be pleased to assist you in implementing these recommendations.

Sincerely,



Michael E. Gleason, CPA

tsm

8. -continued-

(b) The six payments were properly coded to the correct fund.

(c) Inspection of the six selected transactions indicated approvals from the Mayor, alderman, and each check had 2 signatures.

Meetings

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1 (the open meetings law).

The meetings are held on the first Monday of every month at the village town hall and are open to the public. The minutes of meetings are then published in the "Caddo Citizen". We examined the paid invoices to the "Caddo Citizen" and the actual minutes published in the "Caddo Citizen".

Debt

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of banks loans, bonds or like indebtedness.

We inspected copies of all bank deposit slips for the period under examination and noted no deposits which appeared to be proceeds of bank loans, bonds, or like indebtedness.

Advances and Bonuses

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees which may constitute bonuses, advances, or gifts.

An inspection of the payroll records for 1998 indicated no instances of payments to employees which would constitute bonuses, advances, or gifts. A reading of the minutes indicated no approval for any such payments to employees.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report is intended solely for the use of management of the Village of Hosston and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Heard, M. Edy: V. L. P.