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Village of Quitman
General Purpose Financial Statements
For the Two Years Ended December 31, 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-21-04

WILLIAM D. EDWARDS, CPA

A PROFESSIONAL CORPORATION
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Village of Quitman
 General Purpose Financial Statements
 For the Two Years Ended December 31, 2003

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EDWARDS & WADE

Certified Public Accountants
A Professional Accounting Corporation
Members: AICPA / Society of LCPA's

Independent Auditor's Report

Mayor and Board of Aldermen
Village of Quitman
Quitman, Louisiana

We have audited the accompanying general purpose financial statements of Village of Quitman, Louisiana, as of and for the two years ended December 31, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of Village of Quitman's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Governmental 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.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Quitman as of December 31, 2003, and the results of its operations and the cash flows of its proprietary fund types for the two years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 16, 2004, on our consideration of the Village of Quitman's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.



Ruston, Louisiana
June 16, 2004

Village of Quitman
 Combined Balance Sheet - All Fund Types
 and Account Groups
 As of December 31, 2003

	Governmental Fund Type		Proprietary Fund Type	General Fixed Asset Account Group	(Memo) Totals
	General Fund	Capital Projects Fund	Utility Fund		
Assets					
Cash and equivalents	\$67,764	\$850	\$207,838		\$276,452
Accounts receivable	2,688		10,826		13,514
Interfund receivable	1,963				1,963
Inventory			3,452		3,452
Property, plant, and equipment			1,590,003	\$56,116	1,646,119
Less: accumulated depreciation			(382,431)		(382,431)
Restricted Assets:					
Cash - Meter deposits			6,130		6,130
Total Assets	<u>\$72,415</u>	<u>\$850</u>	<u>\$1,435,818</u>	<u>\$56,116</u>	<u>\$1,565,199</u>
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$2,418		\$8,694		\$11,112
Interfund payable			1,963		1,963
Current portion of loan payable			16,000		16,000
Customer deposits payable			6,130		6,130
Payroll taxes payable			1,732		1,732
Accrued interest payable			1,598		1,598
Loan payable			385,838		385,838
Total liabilities	<u>2,418</u>	<u>0</u>	<u>421,955</u>	<u>0</u>	<u>424,373</u>
Fund Equity:					
Investment in general fixed assets				\$56,116	56,116
Retained earnings - Unreserved			(79,757)		(79,757)
Contributed Capital	1,472		1,093,620		1,095,092
Fund balance - unreserved - undesignated	68,525	\$850			69,375
Total fund equity	<u>69,997</u>	<u>850</u>	<u>1,013,863</u>	<u>56,116</u>	<u>1,140,826</u>
Total Liabilities and Fund Equity	<u>\$72,415</u>	<u>\$850</u>	<u>\$1,435,818</u>	<u>\$56,116</u>	<u>\$1,565,199</u>

The accompanying notes are an integral part of this statement.

Village of Quitman
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual - GAAP Basis - General Fund
For the Year Ended December 31, 2003

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Occupational license	\$125	\$50	(\$75)
Insurance license	\$16,500	19,726	3,226
Franchise fee	3,700	4,870	1,170
Interest earned	5,020	1,343	(3,677)
Other revenue	100	0	(100)
TOTAL REVENUES	<u>25,445</u>	<u>25,989</u>	<u>544</u>
EXPENDITURES			
General government:			
Utilities	6,100	2,776	3,324
Insurance	650	1,115	(465)
Janitorial	400	810	(410)
Elected officials - per diem	8,125	9,100	(975)
Office	650	1,787	(1,137)
Town clerk	1,680	1,820	(140)
Telephone	900	573	327
Legal and accounting	450	3,342	(2,892)
Miscellaneous	425	282	143
Park Expense	1,200	3,042	(1,842)
Supplies	120	1,804	(1,684)
Bank Charges	20	5	15
Outside services	975	1,065	(90)
Advertising	30	1,099	(1,069)
Payroll Taxes	130	388	(258)
Repairs and maintenance	1,050	4,294	(3,244)
Freight and postage	175	69	106
Parks and Recreation	1,200	3,042	(1,842)
Capital outlay	750	0	750
TOTAL EXPENDITURES	<u>25,030</u>	<u>36,413</u>	<u>(11,383)</u>
EXCESS OF REVENUES OVER EXPENDITURES	415	(10,424)	(10,839)
FUND BALANCE, BEGINNING	<u>75,907</u>	<u>75,907</u>	<u>0</u>
FUND BALANCE, ENDING	<u>\$76,322</u>	<u>\$65,483</u>	<u>(\$10,839)</u>

The accompanying notes are an integral part of this statement.

Village of Quitman
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual - GAAP Basis - General Fund
For the Year Ended December 31, 2002

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Occupational license		\$205	\$205
Insurance license	\$18,000	16,238	(1,762)
Franchise fee	2,500	3,199	699
Interest earned	7,000	1,870	(5,130)
Other revenue	420	318	(102)
TOTAL REVENUES	<u>27,920</u>	<u>21,830</u>	<u>(6,090)</u>
EXPENDITURES			
Utilities	6,500	5,153	1,347
Insurance	800	1,499	(699)
Janitorial	500	600	(100)
Elected officials - per diem	7,500	8,525	(1,025)
Office	600	481	119
Town clerk	1,680	1,680	0
Telephone	0	914	(914)
Legal and accounting	1,500	2,180	(680)
Miscellaneous	1,520	(966)	2,486
Park Expense	3,600	2,498	1,102
Supplies	0	23	(23)
Bank Charges	0	5	(5)
Marshall fees	900	895	5
Advertising	0	184	(184)
Payroll Taxes	0	320	(320)
Repairs and maintenance	600	958	(358)
Freight and postage	0	34	(34)
TOTAL EXPENDITURES	<u>25,700</u>	<u>24,983</u>	<u>717</u>
EXCESS OF REVENUES OVER EXPENDITURES	2,220	(3,153)	(5,373)
FUND BALANCE, BEGINNING	<u>79,060</u>	<u>79,060</u>	<u>0</u>
FUND BALANCE, ENDING	<u>\$81,280</u>	<u>\$75,907</u>	<u>(\$5,373)</u>

The accompanying notes are an integral part of this statement.

Village of Quitman
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Capital Projects Fund
For the Year Ended December 31, 2003

Revenues	
Grant - LCDBG	<u>\$109,039</u>
Total Revenues	109,039
Expenditures	
Capital outlay	<u>435,300</u>
Total Expenditures	<u>435,300</u>
Excess (Deficit) of Revenues over Expenditures	(326,261)
Other financing sources	
Proceeds from DHH loan	326,261
Total other financing sources	326,261
Excess of Revenues and Other Financing Sources over Expenditures	0
Fund Balance, Beginning	<u>850</u>
Fund Balance, Ending	<u><u>\$850</u></u>

The accompanying notes are an integral part of this statement.

Village of Quitman
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Capital Projects Fund
For the Year Ended December 31, 2002

Revenues	
Grant - LCDBG	<u>\$198,561</u>
Total Revenues	198,561
Expenditures	
Capital outlay	<u>274,138</u>
Total Expenditures	<u>274,138</u>
Excess (Deficit) of Revenues over Expenditures	(75,577)
Other financing sources	
Operating transfer in	850
Proceeds from DHH loan	<u>75,577</u>
Total other financing sources	<u>76,427</u>
Excess of Revenues and Other Financing Sources over Expenditures	850
Fund Balance, Beginning	<u>0</u>
Fund Balance, Ending	<u><u>\$850</u></u>

The accompanying notes are an integral part of this statement.

Village of Quitman
Statement of Revenues, Expenses, And Changes in
Retained Earnings -Proprietary Fund
For the Two Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Operating Revenues		
Water sales and sewer fees	\$89,944	\$82,103
Other Income	1,748	3,282
Total Operating Revenues	<u>91,692</u>	<u>85,385</u>
Operating Expenses		
Legal and professional	3,837	1,730
Depreciation	33,572	25,798
Insurance	1,307	1,314
Office supplies and expense	3,007	2,219
Repairs and maintenance	7,963	17,832
Payroll Expense	11,267	12,875
Utilities	12,948	9,758
Auto Expense	2,082	1,611
Miscellaneous	3,180	2,128
Payroll tax	1,337	1,261
Chemical supplies and testing	4,335	4,832
Outside services	16,665	21,085
Contractor fees	0	7,500
Freight and postage	723	522
Sales tax	1,340	2,577
Workman's Comp. Insurance	2,400	800
Total Operating Expenses	<u>105,963</u>	<u>113,842</u>
Operating Income (Loss)	(14,271)	(28,457)
Nonoperating Revenue (Expenses)		
Interest Income	2,302	4,610
Operating transfer out	0	(850)
Interest Expense	(6,891)	(1,117)
Total Nonoperating Revenue (Expenses)	<u>(4,589)</u>	<u>2,643</u>
Net Income (Loss)	(18,860)	(25,814)
Retained Earnings, Beginning	<u>(60,897)</u>	<u>(35,083)</u>
Retained Earnings, Ending	<u>(\$79,757)</u>	<u>(\$60,897)</u>

The accompanying notes are an integral part of this statement.

Village of Quitman
Statement of Cash Flow - Proprietary Fund
For the Two Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cash Flows from Operating Activities		
Operating Income (Loss)	(\$14,271)	(\$28,457)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	33,572	25,798
(Increase) decrease in accounts receivable	(4,029)	20,689
Increase (decrease) in accounts payable	(583)	(27,155)
Increase (decrease) in accrued payables	6	1,522
Increase (decrease) in sales taxes payable	(622)	0
Increase in customer deposits payable	0	460
Net Cash Provided (Used By) Operating Activities	<u>14,073</u>	<u>(7,143)</u>
Cash Flows from Financing Activities		
Prior period adjustment	0	(20,442)
Accrued interest	1,598	0
Interest Expense	(6,891)	(1,117)
Operating transfers (net)	0	(850)
Net Cash Provided (Used By) Financing Activities	<u>(5,293)</u>	<u>(22,409)</u>
Cash Flows from Investing Activities		
Interest income	2,302	4,610
Construction in progress	0	27,942
Net Cash Provided (Used By) Investing Activities	<u>2,302</u>	<u>32,552</u>
Net Increase in Cash	11,082	3,000
Cash at Beginning of Year	<u>196,756</u>	<u>193,756</u>
Cash at End of Year	<u>\$207,838</u>	<u>\$196,756</u>
 SUMMARY		
Operating account	\$207,838	\$196,756
Restricted	<u>6,130</u>	<u>6,055</u>
	<u>\$213,968</u>	<u>\$202,811</u>
 Taxes paid - cash basis	\$ 0; 0	
Interest paid - cash basis	\$6,891; 1,117	

The accompanying notes are an integral part of this statement.

Village of Quitman
Notes to Financial Statements
For The Two Years Ended December 31, 2003

INTRODUCTION

The Village of Quitman, Louisiana is located in the southern portion of Lincoln Parish in northcentral Louisiana. The Village was incorporated in 1901 under the provisions of Louisiana Revised Statutes 33:52. The Town operates under a form of government consisting of an elected mayor and a Board of alderpersons, which has three elected members. The Village, with 3 part-time employees, provides water facilities through the utility fund; parks and recreation; and general administrative services. The Village consists approximately of 169 citizens.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

A. BASIS OF PRESENTATION

The accompanying financial statements of the Village of Quitman have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. REPORTING ENTITY

As the municipal governing authority, for reporting purposes, the Village of Quitman is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (municipality), (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.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Village of Quitman for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This 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 to or impose specific financial burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent of the municipality.

Village of Quitman
Notes to Financial Statements
For The Two Years Ended December 31, 2003

3. Organizations for which the reporting entity 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 Village of Quitman (the primary government). The Village of Quitman has no component units.

Considered in the determination of component units of the reporting entity were the Lincoln Parish Police Jury, Sheriff, Clerk of Court, Assessor, and School Board, and the District Attorney and Judges for Lincoln Parish. It was determined that these governmental entities are not component units of the Village of Quitman reporting entity because they have separately elected governing bodies, are legally separate, and are fiscally independent of the Village of Quitman.

C. FUND ACCOUNTING

The municipality uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, 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.

Funds of the municipality are classified into two categories: governmental and proprietary. In turn, each category is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

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

General Fund: The general operating fund of the municipality and accounts for all financial resources, except those required to be accounted for in other funds.

Proprietary funds Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. Proprietary funds include:

Village of Quitman
Notes to Financial Statements
For The Two Years Ended December 31, 2003

Enterprise Funds: account for operations (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or 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 that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. 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 are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by all governmental funds. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income and gross receipts are considered "measurable" when in the hands of collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Licenses and permits are recognized as revenue in the period received, but not before the benefit period. However, for the two years ended December 31, 2003, amounts were also recognized as revenue if they were available within 60 days (based on actual collections). Since licenses and permits were not "billed" on a timely basis, this accrual recognizes revenue to finance the budget for that period.

Expenditures

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

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid are accounted for as other financing sources (uses).

All proprietary funds are accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The proprietary funds use the accrual basis of accounting. Revenues are recognized when earned, and expenses are

Village of Quitman
Notes to Financial Statements
For The Two Years Ended December 31, 2003

funds use the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized at the time liabilities are incurred.

E. BUDGETS

The primary government municipality uses the following budget practices:

The Town adopted a general fund budget for the years ended December 31, 2003 and 2002. The town follows the following procedures in establishing the budgetary data reflected in the financial statements. During the December meeting, the town clerk submits to the board of aldermen a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. During the December meeting, the budget is legally enacted through passage of an ordinance. The public is invited to attend all meetings. The town clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures or expenses of any fund must be approved by the board of aldermen. Appropriations lapse at the end of the year. There was one amendment to the original budget for the year ended December 31, 2002 and no amendments for the year ended December 31, 2003.

F. FIXED ASSETS

Fixed assets used in governmental fund type operations (general fixed assets) are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized in the General Fixed Assets Account Group, rather than in governmental funds. Public domain ("infrastructure") fixed assets consisting of certain improvements other than buildings, including roads, bridges, sidewalks, and drainage improvements, are not capitalized. No depreciation has been provided on general fixed assets. All fixed assets are stated at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are stated at their estimated fair value on the date donated.

Fixed assets used in the proprietary fund operations are included on the balance sheet of the funds net of accumulated depreciation. Depreciation of all exhaustible fixed assets used by the proprietary funds are charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives with respect to major classes of depreciable assets as follows:

Utility system and improvements	33-50 years
Equipment	3-10 years

G. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the municipality may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana state law.

Village of Quitman
Notes to Financial Statements
For The Two Years Ended December 31, 2003

H. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as receivables/payables.

I. FUND EQUITY

Contributed Capital

Contributed capital is recorded in the proprietary fund for having received capital grants or contributions from developers, customers, or other funds when such resources are restricted for the acquisition or construction of capital assets. Contributed capital is not amortized based on the depreciation.

J. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers of the primary government are reported as operating transfers. Transfers between the primary government and discretely presented component units are disclosed separately from interfund transfers as transfers to/from component units.

K. TOTAL COLUMNS ON COMBINED STATEMENTS

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, 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.

2. CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

At December 31, 2003, the Village has cash and cash equivalents (book balances) totaling \$282,582 as follows:

Village of Quitman
Notes to Financial Statements
For The Two Years Ended December 31, 2003

Demand deposits	\$148,252
Time deposits	<u>134,330</u>
Total	<u><u>\$282,582</u></u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or 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. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2003, the Town has \$283,555 in deposit (collected bank balances). These deposits are fully secured from risk by \$108,022 of federal deposit insurance and \$175,533 of pledged securities held by the custodial bank in the name of the fiscal agent bank. (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

3. RESTRICTED ASSETS

Restricted assets, as of December 31, 2003 are comprised of cash in a deposit account of \$6,130 in the Proprietary Fund for the repayment of customer deposits when needed.

4. RECEIVABLES

The following is a summary of receivables as of December 31, 2003:

<u>Class of Receivable:</u>	<u>General Fund</u>	<u>Proprietary Fund Type</u>
Franchise fees	\$2,688	
User Fees		<u>\$10,826</u>
Total	<u><u>\$2,688</u></u>	<u><u>\$10,826</u></u>

5. CHANGES IN FIXED ASSETS

A summary of changes in general fixed assets for the two years ended December 31, 2003, is shown below:

Village of Quitman
Notes to Financial Statements
For The Two Years Ended December 31, 2003

	<u>Land</u>	<u>Building</u>	<u>Equipment</u>	<u>Total</u>
Balance, 12/31/01	\$13,000	\$23,474	\$19,642	\$56,116
Additions				0
Deletions				0
Balance, 12/31/02	<u>13,000</u>	<u>\$23,474</u>	<u>19,642</u>	<u>56,116</u>
Additions				0
Deletions				0
Balance, 12/31/03	<u>\$13,000</u>	<u>\$23,474</u>	<u>\$19,642</u>	<u>\$56,116</u>

A summary of proprietary property, plant, and equipment follows:

	<u>Balance</u> <u>1/1/02</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/02</u>
Water system	\$88,373			\$88,373
Sewer system	750,489			750,489
Sewer system improvement	15,000			15,000
Office equipment	6,261			6,261
Construction in progress	0	\$75,577		75,577
Subtotal	<u>860,123</u>	<u>75,577</u>	<u>0</u>	<u>935,700</u>
Less accumulated depreciation	<u>(323,060)</u>	<u>(25,798)</u>		<u>(348,858)</u>
Total	<u>\$537,063</u>	<u>\$49,779</u>	<u>\$0</u>	<u>\$586,842</u>

	<u>Balance</u> <u>1/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/03</u>
Water system	\$88,373			\$88,373
Sewer system	750,489			750,489
Sewer system improvement	15,000			15,000
Office equipment	6,261			6,261
Construction in progress	75,577	\$654,303		729,880
Subtotal	<u>935,700</u>	<u>654,303</u>	<u>0</u>	<u>1,590,003</u>
Less accumulated depreciation	<u>(348,858)</u>	<u>(33,573)</u>		<u>(382,431)</u>
Total	<u>\$586,842</u>	<u>\$620,730</u>	<u>\$0</u>	<u>\$1,207,572</u>

6. CHANGES IN LONG TERM OBLIGATIONS

The following is a summary of long-term debt transactions for the Village for the two years ended December 31, 2003:

Village of Quitman
Notes to Financial Statements
For The Two Years Ended December 31, 2003

Balance, December 31, 2001	\$0
Additions	75,577
Principal payments	<u>0</u>
Balance, December 31, 2002	75,577
Additions	326,261
Principal payments	<u>0</u>
Balance, December 31, 2003	<u><u>\$401,838</u></u>

Loans payable at December 31, 2003, consists of one loan payable to the U.S. Department of Health and Hospitals - Drinking Water Revolving Loan Fund Program project number 9809 with a balance of \$401,838.

The annual requirements to amortize all loans outstanding at December 31, 2003, including interest of \$115,426 are as follows:

For the year ended December 31,	
2004	\$34,000
2005	33,900
2006	33,781
2007	33,644
2008	33,988
2009 - 2013	119,794
2014 - 2018	141,356
2019 - 2023	<u>86,801</u>
Total	<u><u>\$517,264</u></u>

7. Interfund Receivables and Payables

As of December 31, 2003, interfund receivables and payables were as follows:

	Due From	Due To
General Fund		\$1,963
Proprietary Fund	<u>\$1,963</u>	
Total	<u><u>\$1,963</u></u>	<u><u>\$1,963</u></u>

8. CONSTRUCTION IN PROGRESS

The Village has a construction project for water improvements in progress. This project will be funded by an LCDBG grant for \$328,690 and a USDA loan for \$480,000. The utilization of these revenue sources is summarized below:

Village of Quitman
Notes to Financial Statements
For The Two Years Ended December 31, 2003

<u>Grant/Loan Title</u>	Total	<u>Expended</u>			<u>Unexpended</u>
	Amount Awarded	Prior years	Year ended 12/31/02	Year ended 12/31/03	
LCDBG grant, Water	\$328,690	\$20,442	\$198,561	\$109,039	\$648
USDA - Loan	480,000		75,577	326,261	78,162
Total	<u>\$808,690</u>	<u>\$20,442</u>	<u>\$274,138</u>	<u>\$435,300</u>	<u>\$78,810</u>

9. PRIOR PERIOD ADJUSTMENT

The Utility fund beginning retained earnings was adjusted due to a grant for utility fund purposes being included in the utility fund in lieu of a capital projects fund as required by the grantor agency, as follows:

December 31, 2001 ending balance	(\$14,641)
Adjustment - prior period	<u>(20,442)</u>
January 1, 2002 beginning balance	<u>(\$35,083)</u>

10. ENTERPRISE FUND DEFICIT

The deficit in the Proprietary Fund retained earnings - unreserved is created mainly by depreciation. The deficits are expected to be removed with subsequent years' revenues.

OTHER SUPPLEMENTAL DATA

Village of Quitman
Supplemental Information Schedule
For the Two Years Ended December 31, 2003

COMPENSATION PAID BOARD MEMBERS

The schedule of compensation paid to board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

Village of Quitman
Schedule of Compensation Paid Board Members
For the Two Years Ended December 31, 2003

	<u>2003</u>	<u>2002</u>
Deloy Warren, Mayor	\$3,250	\$3,000
Dan Gilbert	125	1,500
Mike Thrift	1,625	1,500
Nancy Edmiston	1,625	1,500
Vicki Blalock	1,500	125
Total	<u>\$8,125</u>	<u>\$7,625</u>

EDWARDS & WADE

Certified Public Accountants
A Professional Accounting Corporation
Members: AICPA / Society of LCPA's

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Mayor and Board of Aldermen
Village of Quitman
Quitman, Louisiana

We have audited the general purpose financial statements of Village of Quitman as of and for the two years ended December 31, 2003, and have issued our report thereon dated June 16, 2004. 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 Village of Quitman'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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 03-1, 03-2, and 03-3.

Internal Control Over Financial Reporting


In planning and performing our audit, we considered Village of Quitman'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 the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation 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 Village of Quitman's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 03-4.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe none of the reportable conditions described above is a material weakness.

Because of a limited number of available personnel, it is not possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.

Our audit did not reveal any significant errors or irregularities resulting from this lack of segregation of employee duties and responsibilities.

This report is intended for the information and use of management, the Legislative Auditor, and any interested federal and state agencies 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.


Ruston, Louisiana
June 16, 2004

Village of Quitman
 Schedule of Findings and Questioned Costs
 For the Two Years Ended December 31, 2003

We have audited the financial statements of Village of Quitman as of and for the two years ended December 31, 2003, and have issued our report thereon dated June 16, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 16, 2004 resulted in an unqualified opinion.

A. Summary of Audit Results

1. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes No Reportable Yes No

Compliance

Compliance Material to Financial Statements Yes No

2. Federal Awards

Internal Control

Material Weaknesses Yes No Reportable Yes No

Type of Opinion On Compliance Unqualified Qualified
 For Major Programs Disclaimer Adverse

Are their findings required to be reported in accordance with Circular A-133, Section .510(a)?
 Yes No

3. Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program (or Cluster)</u>
N/A	

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 300,000

Is the audited a "low-risk" audited, as defined by OMB Circular A-133? Yes No

B. Financial Statements Findings

03-1 For the year ended December 31, 2003 actual expenditures exceeded budgeted expenditures by more than 5% for the General fund. For the year ended December 31, 2002 budgeted revenues exceeded actual revenues by more than 5% for the General fund. According to LRS 39:1310, failing to amend the budget when necessary is a violation of the local government budget act.

Recommendation: We recommend the village monitor budget and actual figures and amend as necessary.

Response: The village will monitor budget and amend as necessary.

03-2. The village could not provide a listing of assets. According to LRS 24:513(A), the village should maintain records of all assets which were purchased or otherwise acquired, and for which the village is accountable. The records shall include information as to the date of purchase, initial cost, the disposition, if any, the purpose of such disposition, and the recipient of the assets disposed of.

Recommendation: We recommend the village conduct a physical inventory and set up subsidiary records to comply with generally accepted accounting principles.

Response: The village will inventory and set up subsidiary ledger for all assets.

03-3. The village donated playground equipment to a local school in an effort to reduce insurance premiums at the park. This action is in direct violation of Article VII, Section 14 of the LA Constitution of 1974. Things of value shall not be loaned, pledged, or donated to or for any person, association, or corporation.

Recommendation: We recommend the village not loan, pledge, or donate to or for any person, association, or corporation.

Response: The village will not donate or loan anything in the future.

03-4. By trying to test several revenues and disbursements to original documents for support, we determined the overall internal control for the village has some deficiencies. The following are examples of the village's internal control deficiencies:

A. Insurance and occupational licenses were not issued in numerical sequence. Four of the sixty selected items were not issued.

B. There is no meter on the main well pump. We were unable to test the reasonableness of gallons billed to gallons pumped. This deficiency causes the village to not know the efficiency of its utility fund.

C. Eight of sixty checks tested during our test of disbursements that did not have supporting documentation or invoices.

Recommendation: We recommend the village establish internal controls to monitor insurance and occupational licenses and disbursements for supporting documentation. Also the village should determine the cost efficiency of installing a meter on the main well pump.

Response:

- A. Insurance licenses will be issued in numerical sequence in the future.
- B. We the village will look into getting a meter on the main well pump.
- C. The village will get supporting documentation on all expenditures in the future.

C. Federal Award Findings and Questioned Costs

None

Village of Quitman
Summary of Prior Year Findings
For the Two Years Ended December 31, 2003

A. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

01-1. The village did not have adequate collateralization on one of it's bank accounts.

Recommendation: We recommend that the village inquire of the financial institutions regarding adequate coverage.

Conclusion: Resolved

01-2. Due to a lack of segregation of duties the village did not prepare monthly financial statements. The mayor was ill and could not prepare the financial statements. According to LRS 33:425, municipalities are required to prepare monthly financial statements and present them to the governing body. The effect of this happening is the inaccurate decisions made concerning available funds.

Recommendation: I recommend the village post and reconcile all receipts and disbursements monthly.

Conclusion: Resolved

B. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

None

C. MANAGEMENT LETTER

None

VILLAGE OF QUITMAN
P.O. Box 35
Quitman, LA 71268

CORRECTIVE ACTION PLAN
For the Two Years Ended December 31, 2003

Village of Quitman hereby submits the following corrective action plan as referenced in the Findings and Questioned Costs:

- 03-1. See Schedule of Findings and Questioned Costs - Section B.
- 03-2. See Schedule of Findings and Questioned Costs - Section B.
- 03-3. See Schedule of Findings and Questioned Costs - Section B.
- 03-4. See Schedule of Findings and Questioned Costs - Section B.