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Village of Pleasant Hill
Pleasant Hill, Louisiana

**General Purpose Financial Statements
With Independent Auditor's Report
As of and For the Eighteen Months Ended
December 31, 2001
With Supplemental Information Schedules**

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 8/14/02

Village of Pleasant Hill
Pleasant Hill, Louisiana

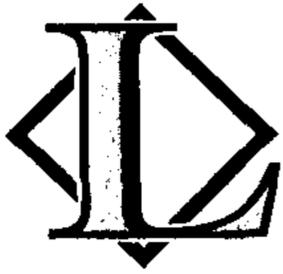
General Purpose Financial Statements
With Independent Auditor's Report
As of and For the Eighteen Months Ended
December 31, 2001
With Supplemental Information Schedules

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LITTLE & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Wm. TODD LITTLE, CPA
JAMES C. BOND, CPA
CHARLES R. MARCHBANKS, JR., CPA

Independent Auditor's Report

MAYOR AND BOARD
OF ALDERMEN
Village of Pleasant Hill
Pleasant Hill, Louisiana

We were engaged to audit the primary government financial statements of the Village of Pleasant Hill, as of December 31, 2001, and for the eighteen months then ended, as listed in the table of contents. These primary government financial statements are the responsibility of the Village of Pleasant Hill's management.

The accounting records contained the following inadequacies: some reconciliations of the bank account to the general ledger were not available, the check register for the eighteen months ended December 31, 2001 was incomplete, support of balances for accounts receivable and accounts payable as of the date of the balance sheet were not available, supporting data for numerous transactions and general ledger entries was not available, and detailed fixed asset schedules were not maintained. Because of these deficiencies, we were not able to satisfy ourselves about the amounts reported in the accompanying financial statements.

Because of the significance of the matters discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

The supplemental information schedules listed in the table of contents, including the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for the purpose of additional analysis and are not a required part of the primary government financial statements of the Village of Pleasant Hill. As discussed in the third paragraph, the scope of our work was not sufficient to enable us to express an opinion on the financial statements referred to in the first paragraph. Similarly, we are unable to express, and we do not express, an opinion on the supplemental information.

VILLAGE OF PLEASANT HILL
Pleasant Hill, Louisiana
Independent Auditors' Report
December 31, 2001

In accordance with U.S. *Government Auditing Standards*, we have also issued our report dated June 24, 2002, on our consideration of the Village of Pleasant Hill'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.

Little & Associates

Monroe, Louisiana
June 24, 2002

**GENERAL PURPOSE FINANCIAL STATEMENTS
(OVERVIEW)**

Village of Pleasant Hill
Pleasant Hill, Louisiana
ALL FUND TYPES AND ACCOUNT GROUPS

Combined Balance Sheet, December 31, 2001

	GOVERNMENTAL ...FUND TYPES...		PROPRIETARY ...FUND TYPE...	ACCOUNT ...GROUP...	TOTAL (MEMORANDUM ONLY)
	GENERAL FUND	CAPITAL PROJECTS FUND	UTILITY FUND	GENERAL FIXED ASSETS	
ASSETS					
Current assets:					
Cash	\$12,459	\$31	\$15,518		\$28,008
Prepaid expenses			1,158		1,158
Accounts receivable	9,425		11,350		20,775
Due from other funds	4,655		566		5,221
Total current assets	<u>26,539</u>	<u>31</u>	<u>28,592</u>	<u>NONE</u>	<u>55,162</u>
Restricted assets - cash and equivalents			55,376		55,376
Water system plant and equipment (net of accumulated depreciation)			614,500		614,500
Land, buildings, and equipment				\$1,233,483	1,233,483
TOTAL ASSETS	<u><u>\$26,539</u></u>	<u><u>\$31</u></u>	<u><u>\$698,468</u></u>	<u><u>\$1,233,483</u></u>	<u><u>\$1,958,521</u></u>
LIABILITIES AND FUND EQUITY					
Liabilities:					
Current liabilities:					
Accounts payable	\$698		\$3,595		\$4,293
Due to other funds	566		4,655		5,221
Book overdraft	906				906
Customer meter deposits			8,186		8,186
Payable from restricted assets - accrued interest			280		280
Revenue bonds payable			23,000		23,000
Total Liabilities	<u>2,170</u>	<u>NONE</u>	<u>39,716</u>	<u>NONE</u>	<u>41,886</u>
Fund Equity:					
Investment in general fixed assets				\$1,233,483	1,233,483
Contributed capital			972,473		972,473
Retained earnings (Accumulated deficit):					
Reserved for debt service			88,413		88,413

(Continued)

Statement A

Village of Pleasant Hill
 Pleasant Hill, Louisiana
ALL FUND TYPES AND ACCOUNT GROUPS
 Combined Balance Sheet, December 31, 2001

	GOVERNMENTAL ...FUND TYPES...		PROPRIETARY ...FUND TYPE...	ACCOUNT ...GROUP...	TOTAL (MEMORANDUM ONLY)
	GENERAL FUND	CAPITAL PROJECTS FUND	UTILITY FUND	GENERAL FIXED ASSETS	
Fund Equity: (Contd.)					
Retained earnings (Accumulated deficit) (contd.):					
Unreserved - undesignated			(\$402,134)		(\$402,134)
Total Accumulated Deficit	NONE	NONE	(313,721)	NONE	(313,721)
Fund balance - unreserved - undesignated	\$24,369	\$31			24,400
Total Fund Equity	24,369	31	658,752	\$1,233,483	1,916,635
TOTAL LIABILITIES AND FUND EQUITY	<u>\$26,539</u>	<u>\$31</u>	<u>\$698,468</u>	<u>\$1,233,483</u>	<u>\$1,958,521</u>

(Concluded)

The accompanying notes are an integral part of this statement.

Statement B

Village of Pleasant Hill
Pleasant Hill, Louisiana
GOVERNMENTAL FUND TYPES

Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Eighteen Months Ended December 31, 2001

	GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL (MEMORANDUM ONLY)
REVENUES			
Taxes:			
Ad valorem taxes	\$15,825		\$15,825
Franchise taxes	35,711		35,711
Sales tax	45,000		45,000
Tobacco tax	1,114		1,114
Federal grant		\$553,590	553,590
Fines	18,153		18,153
Occupational licenses	18,719		18,719
Use of money and property - interest earnings	144		144
Other revenue	23,553		23,553
Total revenues	<u>158,219</u>	<u>553,590</u>	<u>711,809</u>
EXPENDITURES			
General government - current:			
Personal services and related benefits	66,335		66,335
Operating services	80,449	22,518	102,967
Public safety	11,915		11,915
Public works	12,880		12,880
Capital outlay	1,561	531,072	532,633
Total expenditures	<u>173,140</u>	<u>553,590</u>	<u>726,730</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>(14,921)</u>	<u>NONE</u>	<u>(14,921)</u>
OTHER FINANCING SOURCE/USE			
Transfers in	47,259		47,259
Transfers out	<u>(20,887)</u>		<u>(20,887)</u>
TOTAL OTHER FINANCING SOURCE/USE	26,372	NONE	26,372
EXCESS OF REVENUES AND OTHER FINANCING SOURCE OVER EXPENDITURES AND OTHER USE	11,451	NONE	11,451
FUND BALANCE AT BEGINNING OF YEAR	<u>12,918</u>	<u>31</u>	<u>12,949</u>
FUND BALANCE AT END OF YEAR	<u>\$24,369</u>	<u>\$31</u>	<u>\$24,400</u>

The accompanying notes are an integral part of this statement.

Statement C

Village of Pleasant Hill
Pleasant Hill, Louisiana
GOVERNMENTAL FUND TYPE -
GENERAL FUND

Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Eighteen Months Ended December 31, 2001

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Taxes :			
Ad valorem taxes	\$24,900	\$15,825	(\$9,075)
Franchise taxes	31,500	35,711	4,211
Sales tax	43,500	45,000	1,500
Tobacco tax		1,114	1,114
Fines	9,375	18,153	8,778
Occupational licenses	28,500	18,719	(9,781)
Use of money and property - interest earnings	100	144	44
Other revenue	2,400	23,553	21,153
Total revenues	<u>140,275</u>	<u>158,219</u>	<u>17,944</u>
EXPENDITURES			
General government - current:			
Personal services and related benefits	72,150	66,335	5,815
Operating services	22,530	80,449	(57,919)
Material and supplies	1,200		1,200
Public Safety	30,750	11,915	18,835
Public works	28,950	12,880	16,070
Capital outlay	2,250	1,561	689
Total expenditures	<u>157,830</u>	<u>173,140</u>	<u>(15,310)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(17,555)</u>	<u>(14,921)</u>	<u>2,634</u>
OTHER FINANCING SOURCE/USE			
Transfers in	7,500	47,259	39,759
Transfers out		(20,887)	(20,887)
TOTAL OTHER FINANCING SOURCE/USE	7,500	26,372	(18,872)
EXCESS OF REVENUES AND OTHER FINANCING SOURCE OVER EXPENDITURES AND OTHER FINANCING USE	<u>(10,055)</u>	<u>11,451</u>	<u>1,396</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>19,377</u>	<u>12,918</u>	<u>(6,459)</u>
FUND BALANCE AT END OF YEAR	<u>\$9,322</u>	<u>\$24,369</u>	<u>\$15,047</u>

The accompanying notes are an integral part of this statement.

Statement D

Village of Pleasant Hill
Pleasant Hill, Louisiana
**PROPRIETARY FUND TYPE -
UTILITY FUND**

**Statement of Revenues, Expenses,
and Changes in Accumulated Deficit
For the Eighteen Months Ended December 31, 2001**

OPERATING REVENUES	
Water and sewer sales	\$140,970
Miscellaneous revenue	<u>1,055</u>
Total Operating Revenues	142,025
OPERATING EXPENSES	
Salaries	50,286
Payroll taxes	3,847
Administrative	11,968
Sales tax	2,722
Utilities	27,900
Repairs and maintenance	1,669
Insurance	6,481
Materials and supplies	43,316
Telephone	233
Testing costs	5,427
Water billing	5,096
Capital Outlay	1,549
Depreciation	<u>68,017</u>
Total Operating Expenses	<u>228,511</u>
OPERATING LOSS	<u>(86,486)</u>
NON-OPERATING REVENUES (Expenses)	
Interest income	1,788
Ad valorem taxes	3,291
Reconnect fees	30
Interest expense	<u>(2,492)</u>
Total Non-Operating Revenues (expenses)	<u>2,617</u>
LOSS BEFORE OPERATING TRANSFERS	<u>(83,869)</u>
OPERATING TRANSFERS	
Transfers in	20,887
Transfers out	<u>(47,259)</u>
TOTAL OPERATING TRANSFERS	<u>(26,372)</u>
NET LOSS	<u>(110,241)</u>
ACCUMULATED DEFICIT AT BEGINNING OF YEAR	<u>(203,480)</u>
ACCUMULATED DEFICIT AT END OF YEAR	<u><u>(\$313,721)</u></u>

The accompanying notes are an integral part of this statement.

Village of Pleasant Hill
Pleasant Hill, Louisiana
PROPRIETARY FUND TYPE -
UTILITY FUND

Statement of Cash Flows
For the Eighteen Months Ended December 31, 2001

CASH FLOWS FROM OPERATING ACTIVITIES

Operating Income (Loss)	<u>(\$86,486)</u>
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation	68,017
Increase in accounts payable	4,655
Increase in customer deposits	<u>616</u>
Total adjustments	<u>73,288</u>
Net cash used by operating activities	<u>(13,198)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Decrease in bonds payable	(1,000)
Transfers to General Fund	(47,259)
Transfers from General Fund	20,887
Ad valorem taxes and other revenues	3,321
Interest expense	<u>(2,492)</u>
Total cash flows from capital and related financing activities	<u>(26,543)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(7,833)
Interest earnings	<u>1,788</u>
Total cash flows from investing activities	<u>(6,045)</u>

NET INCREASE IN CASH (45,786)

CASH AT BEGINNING OF YEAR 116,680

CASH AT END OF YEAR \$70,894

CLASSIFIED AS:

CURRENT ASSETS \$15,518

RESTRICTED ASSETS 55,376

TOTAL CASH \$70,894

The accompanying notes are an integral part of this statement.

Village of Pleasant Hill
Pleasant Hill, Louisiana

Notes to the Financial Statements
As of and For the Eighteen Months Ended December 31, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Pleasant Hill was incorporated under the provisions of the Lawrason Act in 1991. The village operates under a Mayor-Board of Aldermen form of government. The mayor and aldermen are serving a four-year term which expires on December 31, 2005.

A. REPORTING ENTITY

As the governing authority of the village, for reporting purposes, the Village of Pleasant Hill is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (the village), (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 Pleasant Hill 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 includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the village 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 village.
2. Organizations for which the village does not appoint a voting majority but are fiscally dependent on the village.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Village of Pleasant Hill
Pleasant Hill, Louisiana
Notes to the Financial Statements (Continued)

Based on the previous criteria, the village has determined that there are no component units that are part of the reporting entity.

B. FUND ACCOUNTING

The village 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 related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities (general fixed assets and general long-term debt) that are not recorded in the "funds" because they do not directly affect net expendable available financial resources. They are concerned only with the measurement of financial position, not with the measurement of results of operations.

Funds are classified into three categories; governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types". Governmental funds are used to account for a government's general activities, where the focus of attention is on the providing of services to the public as opposed to proprietary funds where the focus of attention is on recovering the cost of providing services to the public or other agencies through service charges or user fees. Fiduciary funds are used to account for assets held for others. The village's current operations require the use of governmental and proprietary fund types described as follows:

Governmental Funds:

General Fund

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

Capital Projects Fund

The Capital Projects Fund is used to account for a Louisiana Community Development Block Grant obtained for the purpose of installing a fire protection water improvement program.

Proprietary Fund Type - Utility Fund

The Utility Fund is used to account for the operations of the village's water and sewer system. The operations are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

C. FIXED ASSETS AND LONG-TERM DEBT

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures (capital outlay) in governmental funds and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at actual cost where historical records are available. No depreciation has been provided on general fixed assets. There are no general long-term obligations at December 31, 2001.

The cost of normal maintenance and repairs that do not add to the value of fixed assets or materially extend their useful lives are not capitalized but are only recognized as a normal current expenditure of the governmental funds. Public domain or infrastructure general fixed assets consisting of roads, sidewalks, bridges, parking lots, and drainage systems are not capitalized, as these assets are immovable and of value only to the village.

The fixed assets used in the proprietary fund type operations are included on the balance sheet of the fund. Depreciation of all exhaustible fixed assets used by the proprietary fund type operations is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Water Utility:	
Wells	15-40 years
Storage tanks	35 years
Pumps	15 years
Distribution system	10-35 years
Vehicles and Equipment	10 years
Sewer Operations	40 years

Long-term debt such as bonded debt which has been financed from enterprise fund operations are accounted for in the enterprise fund.

D. BASIS OF ACCOUNTING

The financial and 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 for 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 for reporting all governmental fund types. 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. The village uses the following practices in recognizing and reporting revenues and expenditures:

Revenues

Franchise taxes and intergovernmental revenues are recorded when the village is entitled to the funds.

The village bills and collects ad valorem property taxes based on the assessed values determined by the tax assessor of Sabine parish. Ad valorem taxes are budgeted as revenues in the year the taxes are due and payable. Ad valorem taxes become due and payable on November 15 of each year and are delinquent if not paid by December 31. The taxes are normally collected in December of the current year and January and February of the ensuing year.

Interest income on bank deposits is recorded when the interest has been earned and the amount is determinable.

Substantially all other revenues are recorded when they are received by the village.

Based on the above criteria, franchise taxes and ad valorem taxes have been treated as susceptible to accrual.

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 the General Fund and the Utility Fund are recorded as operating transfers when the transfer is not expected to be repaid by the fund receiving the transfer. Such transfers are recorded at the time the transfer is made.

Proprietary Fund Type - Utility Fund

The Utility Fund is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

As a proprietary activity, the Utility Fund applies all applicable pronouncements by the Governmental Accounting Standards Board (GASB), as well as those pronouncements by the Financial Accounting standards Board (FASB), Accounting Principles Board, and the Committee on Accounting Procedure issued prior to November 30, 1989. The Utility Fund also applies all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with, or contradict, GASB pronouncements, that are developed for business enterprises.

E. BUDGET PRACTICES

A preliminary budget for the ensuing year is prepared for the General Fund by the village clerk prior to December 31 of each year and is made available for public inspection at least fifteen days prior to the beginning of each fiscal year. The budget is established and controlled by the board of aldermen at the functional level of expenditure. Encumbrance accounting is not used by the village. Appropriations lapse at year end and must be reappropriated for the following year to be expended. All changes in the budget must be approved by the board of aldermen.

For the eighteen months ended December 31, 2001, the village adopted a GAAP-basis budget for the General Fund.

The budget comparison statement included in the accompanying financial statements includes the original budget and all subsequent amendments.

F. CASH AND CASH EQUIVALENTS

Under state law, the village may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state, or the laws of the United States. The village may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

At December 31, 2001, the village has cash (book balances) totaling \$83,384, as follows:

Demand deposits	\$73,888
Time deposits	9,471
Petty cash	<u>25</u>
Total	<u>\$83,384</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. Deposit balances (bank balances) at December 31, 2001, total \$86,819 and are fully secured by federal deposit insurance.

G. VACATION AND SICK LEAVE

The Village of Pleasant Hill does not accumulate vacation pay or sick leave; therefore, there is no liability for compensated absences.

H. RISK MANAGEMENT

The village is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; and injuries to employees. To handle such risk of loss, the village maintains a commercial insurance policy covering property and a workers' compensation policy covering injury to employees. No claims were paid on any of the policies during the past three years which exceeded the policies' coverage amounts. There were no significant reductions in insurance coverage during the eighteen months ended December 31, 2001.

Village of Pleasant Hill
Pleasant Hill, Louisiana
Notes to the Financial Statements (Continued)

**I. TOTAL COLUMN ON THE
COMBINED STATEMENTS**

Total columns on the combined statements are captioned Memorandum Only (overview) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position nor results of operations 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. RECEIVABLES

The following is a summary of receivables at December 31, 2001:

	<u>General Fund</u>	<u>Utility Fund</u>	<u>Total</u>
Taxes:			
Franchise taxes	\$4,563		\$4,563
Sales tax	3,748		3,748
Tobacco tax	1,114		1,114
Accounts		\$11,261	11,261
Other		89	89
Total	<u>\$9,425</u>	<u>\$11,350</u>	<u>\$20,775</u>

3. FIXED ASSETS

Proprietary fund type property, plant, and equipment at December 31, 2001, follows:

	<u>Basis</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Water system	\$200,288	(\$172,585)	\$27,703
Water system improvements	99,820	(38,440)	61,380
Sewer system	609,316	(418,957)	190,359
Sewer system improvements	423,433	(95,272)	328,161
Equipment	18,871	(11,974)	6,897
Total	<u>\$1,351,728</u>	<u>(\$737,228)</u>	<u>\$614,500</u>

Village of Pleasant Hill
Pleasant Hill, Louisiana
Notes to the Financial Statements (Continued)

Changes in general fixed assets for the eighteen months ended December 31, 2001 follows:

	Balance at 6/30/00	Additions	Deletions	Balance at 12/31/01
Land	\$3,100	\$4,015		\$7,115
Buildings	30,230			30,230
Improvements other than Buildings	99,947	433,650		533,597
Equipment	662,541			662,541
Construction in progress	\$42,393	\$516,108	(\$558,501)	NONE
Total	<u>\$838,211</u>	<u>\$953,773</u>	<u>(\$558,501)</u>	<u>\$1,233,483</u>

The construction in progress is a LCDBG project for fire protection improvements and water system additions and improvements. The project was completed during our audit period. The water system assets were transferred to the water fund to be depreciated.

4. PENSION PLAN

Employees of the village are members of the Social Security System. In addition to the employee contributions withheld at 7.65 per cent of gross salary, the village contributes an equal amount to the Social Security System. For the eighteen months ended December 31, 2001, employer contributions were \$4,590. Total salaries paid for the eighteen months ended December 31, 2001, were \$66,830. The village does not guarantee the benefits granted by the Social Security System.

5. REVENUE BONDS PAYABLE

At December 31, 2001, the village has one outstanding issue of long-term revenue bonds. The purpose of the bonds was to provide financing for the construction of the water system and extensions and improvements to the system. The issue dated September 1, 1973, was for \$190,000. The issue bears interest at 7.0 per cent per annum and the principal is to be repaid in annual payments of \$1,000 through November 1, 2013.

Village of Pleasant Hill
Pleasant Hill, Louisiana
Notes to the Financial Statements (Continued)

Changes in revenue bonds payable transactions for the eighteen months ended December 31, 2001:

Revenue bonds payable at June 30, 2000	\$24,000
Additions	NONE
Reductions	<u>(1,000)</u>
Long-term debt at December 31, 2001	<u><u>\$23,000</u></u>

The annual requirements to amortize the revenue bonds outstanding at December 31, 2001, including interest of \$16,710, are as follows:

<u>Year</u>	
2002	\$2,540
2003	2,470
2004	2,400
2005	\$2,330
2006	2,260
2007 - 2011	10,250
2012 - 2016	8,500
2017 - 2021	6,750
2022 - 2024	<u>2,210</u>
Total	<u><u>\$39,710</u></u>

6. RESERVED RETAINED EARNINGS

The bond covenant for the 1973 revenue bonds discussed in note 5 above, requires the village to establish the following reserve accounts:

- A. A "Sinking Fund"- The village must transfer into this fund, each month, one-twelfth of the principal and interest due on the next principal and interest payment date. This fund is used to pay bond principal and interest as they become due.
- B. A "Reserve Fund"- The village must transfer into this fund, each month, an amount equal to 20 per cent of the amount to be paid into the Sinking Fund each month until there has been accumulated therein the sum of \$20,874. Such amounts may be used only for the payment of maturing bonds and interest for which sufficient funds are not available in the Sinking Fund.

Village of Pleasant Hill
Pleasant Hill, Louisiana
Notes to the Financial Statements (Continued)

- C. A "Capital Additions and Contingencies Fund"- The village must transfer, each month, an amount equal to 5 per cent of the gross revenues of the combined sewer and waterworks system for the preceding month. The deposits in this fund may be used for making extensions, additions, improvements, renewals and replacements to the waterworks system; provided, however, that a minimum balance of \$1,000 is maintained for emergency repairs.

At December 31, 2001, the village has \$55,376 in restricted accounts to meet reserve requirements.

7. ACCUMULATED DEFICIT

At December 31, 2001, the Utility Fund had an accumulated deficit of \$313,721. The village expects to fund this deficit with future earnings and transfers from the General Fund

8. LITIGATION AND CLAIMS

The village was involved in various suits at June 30, 2000. As of the date of this report, no information had been received from the village or its legal counsel on the resolution of these suits. No information has been received on any other litigation in which the village may be a party at December 31, 2001.

SUPPLEMENTAL INFORMATION SCHEDULES

Schedule 1**Village of Pleasant Hill
Pleasant Hill, Louisiana****Schedule of Water and Sewer Rates
For the Eighteen Months Ended December 31, 2001**

<u>Classification</u>	<u>Tariff</u>	<u>Rate</u>
Residential-Water-Inside City Limits	Monthly minimum for first 2,000 gallons Per 1,000 gallons for the next 999,999 gallons	\$10.00 1.25
Residential-Water-Outside City Limits	Monthly minimum for first 2,000 gallons Per 1,000 gallons for the next 999,999 gallons	20.00 1.25
Commercial-Water	Monthly minimum for first 2,000 gallons Per 1,000 gallons for the next 999,999 gallons	10.00 1.25
Residential-Sewer-Inside City Limits(Based on water usage)	Monthly minimum for first 2,000 gallons Per 1,000 gallons for the next 999,999 gallons	5.00 1.00
Residential-Sewer-Outside City Limits (Based on water usage)	Monthly minimum for first 2,000 gallons Per 1,000 gallons for the next 999,999 gallons	5.00 1.00
Commercial-Sewer	Monthly minimum for first 2,000 gallons Per 1,000 gallons for the next 999,999 gallons	51.00 1.00

Village of Pleasant Hill
Pleasant Hill, Louisiana
SUPPLEMENTAL INFORMATION SCHEDULE
As of and For the Eighteen Months Ended December 31, 2001

COMPENSATION PAID ALDERMEN

The schedule of compensation paid aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. In accordance with Louisiana Revised Statute 33:405, aldermen receive \$150 for each regular meeting and \$75.00 for each special meeting they attend. Compensation of aldermen is set by village ordinance and is included in personal services and related benefits expenditures of the General Fund.

Village of Pleasant Hill
Pleasant Hill, Louisiana

Schedule of Compensation Paid Aldermen
For the Eighteen Months Ended December 31, 2001

	<u>July - Dec 2000</u>	<u>Jan - Dec 2001</u>
Truman Durr, Mayor	\$3,750	
George Shannon, Mayor		\$8,300
Donna Poinboeux	975	
Ida Mae Price	1,050	
Vincent Scott	1,125	2,000
Walter Lee		1,950
Glenn Arnold		<u>1,950</u>
Total	<u>\$6,900</u>	<u>\$14,200</u>

**Independent Auditor's Reports
on Compliance with
Laws, Regulations, Contracts, and Grants,
and Internal Control**

The following independent auditor's reports on compliance with laws, regulations, contracts, and grants and internal control are presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States; the U. S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; the *Single Audit Act Amendments of 1996*; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.



LITTLE & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Wm. TODD LITTLE, CPA
JAMES C. BOND, CPA
CHARLES R. MARCHBANKS, JR., CPA

**Independent Auditor'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 Pleasant Hill
Pleasant Hill, Louisiana

We were engaged to audit the primary government financial statements of the Village of Pleasant Hill as of and for the eighteen months ended December 31, 2001, and have issued our report thereon dated June 24, 2002.

Compliance

As part of obtaining reasonable assurance about whether the Village of Pleasant Hill's primary government 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 01-3, 01-4, 01-5, 01-7, 01-8, and 01-9.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Pleasant Hill's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the primary government 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 the police jury's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 01-1, 01-2, 01-3, 01-4, 01-6, 01-7, and 01-10.

Village of Pleasant Hill
Pleasant Hill, Louisiana
Independent Auditor's Report on Compliance
And Internal Control Over Financial Reporting, etc.
December 31, 2001

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 primary government 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 that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, due to the pervasiveness of the reportable conditions noted above, we believe all of the internal control findings to be material weaknesses.

This report is intended solely for the information and use of the members of the Village of Pleasant Hill, management of the police jury, Legislative Auditor, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, in accordance with Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Little + Associates

Monroe, Louisiana
June 24, 2002



LITTLE & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Wm. TODD LITTLE, CPA
JAMES C. BOND, CPA
CHARLES R. MARCHBANKS, JR., CPA

**Independent Auditors' Report on Compliance
With Requirements Applicable to Each Major Program
and Internal Control Over Compliance**

Village of Pleasant Hill
Pleasant Hill, Louisiana

Compliance

We have audited the compliance of the Village of Pleasant Hill with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the eighteen months ended December 31, 2001. The Village of Pleasant Hill's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Village of Pleasant Hill's management. Our responsibility is to express an opinion on the Village of Pleasant Hill's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Pleasant Hill's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Village of Pleasant Hill's compliance with those requirements.

In our opinion, the Village of Pleasant Hill complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the eighteen months ended December 31, 2001. The results of our auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133.

Village of Pleasant Hill
Coushatta, Louisiana
Independent Auditors' Report on Compliance
With Requirements Applicable to Each Major
Program and Internal Control Over Compliance, etc.
December 31, 2001

Internal Control Over Compliance

The management of the Village of Pleasant Hill is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village of Pleasant Hill's internal control over compliance with requirements that could have a direct and material effect on its major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the members of the Village of Pleasant Hill, management of the police jury, Legislative Auditor, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, in accordance with Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Little & Associates

Monroe, Louisiana
June 24, 2002

Village of Pleasant Hill
Pleasant Hill, Louisiana

Schedule of Findings and Questioned Costs
For the Eighteen Months Ended December 31, 2001

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report disclaims an opinion on the primary government financial statements of the Village of Pleasant Hill.
2. Seven reportable conditions relating to the audit of the financial statements are reported in the Independent Auditors' Report on Compliance and Internal Control Over Financial Reporting. All of the conditions are reported as material weaknesses.
3. Six instances of noncompliance material to the financial statements of the Village of Pleasant Hill were disclosed during the audit.
4. No reportable conditions relating to the audit of internal control over the major federal award program are reported in the Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance.
5. The auditors' report on compliance for the major federal award program for the Village of Pleasant Hill expresses an unqualified opinion.
6. No audit findings relative to the major federal award program for the Village of Pleasant Hill are reported.
7. The United States Department of Housing and Urban Development - Community Development Block Grant - States Program (CFDA 14.228) was tested as a major program.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The Village of Pleasant Hill was not determined to be a low-risk auditee.

(Continued)

Village of Pleasant Hill
Pleasant Hill, Louisiana
Schedule of Findings and Questioned Costs
For the Eighteen Months Ended December 31, 2001

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

**01-1 Reconciliation of Adjusted Bank Balances
to Accounting Records**

Finding: A review of the cash accounts in the current audit disclosed the following deficiency:

The Village of Pleasant Hill was unable to provide reconciliations of the village's bank accounts to the accounting records for the eighteen months ended December 31, 2001. Basic internal control procedures include the reconciliation of cash and cash equivalents to bank records on a monthly basis and the maintaining of the reconciliations in the accounting records.

This finding is not applicable to the Community Development Block Grant/State's Program (CDBG/SP) which has separate internal control procedures and policies.

Recommendation: The Village should demand that bank accounts be reconciled on a monthly basis. The bank reconciliations should be retained by the agency. Further, any failure to reconcile bank accounts in the future should result in immediate action on the part of the village. Also, any differences between adjusted bank balances and general ledger balances should be identified and corrective action taken.

01-2 Reconciliation of Payroll Liability Accounts

Finding: Payroll liability accounts were not reconciled as of December 31, 2001. At December 31, 2001, payroll liabilities had a debit balance of \$3,094. The clerk is required to remit certain payroll liabilities on a monthly basis and certain payroll liabilities after each payroll is prepared. The debit balance in this account indicates either an overpayment of payroll liabilities by the Village of Pleasant Hill or incorrect postings of payroll liabilities and payments.

Recommendation: The treasurer should ensure that general ledger liability accounts are correctly posted. Those accounts should be reconciled to actual liabilities each month. Any differences between the two should result in corrective action. Also, the treasurer should reconcile payroll tax payments with quarterly payroll tax reports filed with the Internal Revenue Service and the State of Louisiana.

This finding is not applicable to the Community Development Block Grant/State's Program (CDBG/SP) which has separate internal control procedures and policies.

(Continued)

Village of Pleasant Hill
Pleasant Hill, Louisiana
Schedule of Findings and Questioned Costs
For the Eighteen Months Ended December 31, 2001

01-3 Internal Controls Over Utility Fund

Finding: During the performance of the audit, it was determined that the Village of Pleasant Hill's internal controls over the utility fund's activity were not always adhered to by the village's employees, and that some of the internal controls were not adequate. The following findings were noted:

- The Village of Pleasant Hill's internal controls require that when utility payments are received they are placed in a cash drawer. The payments are then deposited in the bank account at least once a week. However, through our audit procedures, it was determined that payments received from December 7, 2001 through December 11, 2001, in the amount of \$1,898, were not deposited in the bank, nor posted to the general ledger until January 10, 2002. As a result, the lack of adequate internal controls over payments received from utility customers could result in the misappropriation of cash.
- The Village of Pleasant Hill transferred \$4,000 from the customer deposit bank account (an agency account) into the general fund's operating account. The village's personnel were unable to provide documentation supporting the appropriateness of the transfer of these funds from the utility fund to the general fund.
- The customer deposit liability at December 31, 2001, was \$8,186, which exceeded the customer deposit bank balance, in the amount of \$1,428, by \$6,758.
- The Village of Pleasant Hill was unable to provide a customer deposit schedule or any other records which provided the amounts of the deposits made by the customers.
- Transfers totaling \$28,000 were made from the utility fund's contingency bank account to the general fund operating bank account. The contingency fund is to be utilized only for the maintenance, repair and upkeep of the water system. The Village of Pleasant Hill was unable to provide documentation supporting the appropriateness of the transfer of such funds from the utility fund to the general fund.

This finding is not applicable to the Community Development Block Grant/State's Program (CDBG/SP) which has separate internal control procedures and policies.

Recommendation: To improve internal controls, it is recommended that the Village of Pleasant Hill require and ensure that:

1. Utility payments are maintained in a secure location until deposited.

Village of Pleasant Hill
Pleasant Hill, Louisiana
Schedule of Findings and Questioned Costs
For the Eighteen Months Ended December 31, 2001

2. Utility payments are deposited on a daily basis.
3. Duties are segregated (to the extent feasible) between Village of Pleasant Hill personnel regarding the receipt of sewer payments, preparing the deposit, depositing the funds, and preparing the reconciliation.
4. The amount of "change" maintained by the village is set at a reasonable amount.
5. A customer deposit schedule, which includes each customer's name, the date of the customer's deposit, and the amount of the customer's deposit is maintained daily.
6. The customer deposit schedule is reconciled to the customer deposit liability reported in the general ledger on a monthly basis.
7. The balance in the customer deposit bank account is maintained at a level equivalent to the customer deposit liability per the customer deposit schedule and the general ledger.
8. Transfers from the utility fund to other funds are not made unless permitted by law, regulation, etc.

Furthermore, the Village of Pleasant Hill's general fund should reimburse the utility fund for all funds which were inappropriately transferred from the utility fund to the general fund.

01-4 Fixed Asset Records

Finding: The Village of Pleasant Hill did not maintain fixed asset records as required by state law. LSA-RS 24:515 requires that the village maintain records of all fixed assets. The statute further provides that such records include date of purchase, initial cost, disposition, purpose of disposition, and recipient of disposed property. The Village of Pleasant Hill was unable to provide such records for those fixed assets which are maintained in the General Fixed Asset Account.

This finding is not applicable to the Community Development Block Grant/State's Program (CDBG/SP) which has separate internal control procedures and policies.

Recommendation: The Village of Pleasant Hill should require that responsible persons prepare a fixed asset schedule which includes, at a minimum, the information required by state law. Furthermore, the village should require that the clerk update the village's fixed asset schedule as additions and dispositions of fixed assets occur.

(Continued)

Village of Pleasant Hill
Pleasant Hill, Louisiana
Schedule of Findings and Questioned Costs
For the Eighteen Months Ended December 31, 2001

**01-5 Need to Comply with Local
Government Budget Act**

Finding: The Village of Pleasant Hill did not comply with state law governing budgetary activity. Louisiana Revised Statute (LRS) 39:1308 requires that the agency shall adopt the budget prior to the end of the fiscal year in progress. Also, Louisiana Revised Statute (LRS) 39:1310 requires that budget amendments be adopted when expenditures and other uses to date plus projected amounts to year-end exceed budgeted amounts by 5% or more or when revenues and other sources to date plus projected amounts to year-end fail to meet budgeted amounts by 5% or more. Management of the Village of Pleasant Hill did not adopt its budgets prior to June 30, 2000. Furthermore, the Village of Pleasant Hill did not adequately monitor its budgets and amend them accordingly. Consequently, actual expenditures and other uses (budget basis) exceeded budgeted expenditures and other uses by more than 5%.

This finding is not applicable to the Community Development Block Grant/State's Program (CDBG/SP) which has separate internal control procedures and policies.

Recommendation: We recommend that the Village of Pleasant Hill comply with all requirements of the Local Government Budget Act.

**01-6 Controls Over Payroll Operations
Should be Improved**

Finding: Internal control procedures over payroll operations are not adequate. Adequate controls should include time and attendance reports which have been signed by both the employee and his or her supervisor, correct computations for those reports, and payments to employees for actual hours worked and at their approved rates. During the tests of payroll operations, the following were noted:

1. Time and attendance reports could not be located for four employees.
2. Five employee's time sheets were computed incorrectly.
3. Employee profiles on two employees could not be located. Employee profiles contain information regarding each employee's job position, including the authorized pay rate.
4. Time sheets could not be located in four instances.
5. Time sheets were not signed by the employee's supervisors in two instances.

(Continued)

Village of Pleasant Hill
Pleasant Hill, Louisiana
Schedule of Findings and Questioned Costs
For the Eighteen Months Ended December 31, 2001

6. *Employees did not sign their time sheets in ten instances.*

The above problems indicate, very strongly, that there is not adequate monitoring of payroll operations. With these types of problems, management has no assurance that employees are being paid only for hours actually worked, that employees are being paid for all hours worked, or that employees are being paid at their correct rate of pay.

This finding is not applicable to the Community Development Block Grant/State's Program (CDBG/SP) which has separate internal control procedures and policies.

Recommendation: To improve controls, it is recommended that the mayor require and ensure that:

1. Time and attendance reports are maintained for all employees.
2. Time and attendance reports are signed by the employee and his or her supervisor.
3. Time and attendance reports are correctly footed.
4. Employees are paid for all hours reported and approved on their time and attendance reports and only for those hours.
5. Employees are paid at their approved rate of pay.
6. Employee profiles are properly completed and then updated when changes are made to the employee's job status, rate of pay, etc.

01-7 Inadequate Accounting Records

Finding: The accounting records of the Village of Pleasant Hill were not maintained in such a manner as to provide evidence of legal compliance, the preparation of financial statements in accordance with generally accepted accounting principles, and the accurate reporting of the fiscal condition and results of operations of the village. The accounting records should be maintained in such a manner as to enable the Village of Pleasant Hill to demonstrate compliance with laws and regulations, to prepare its annual financial statements in accordance with U.S. generally accepted accounting principles, and to provide an accurate reflection of the fiscal condition and results of operations of the village.

(Continued)

Village of Pleasant Hill
Pleasant Hill, Louisiana
Schedule of Findings and Questioned Costs
For the Eighteen Months Ended December 31, 2001

In our attempts to test the accounting records of the Village of Pleasant Hill, the following was noted:

1. The accounts receivable and the accounts payable balances on the trial balance provided by the Village of Pleasant Hill were the balances at June 30, 2000. The Village of Pleasant Hill was unable to provide these balances as of December 31, 2001.
2. The Village of Pleasant Hill has numerous bank charges for insufficient funds in the bank accounts, which indicates that the bank accounts were overdrawn several times during the period under audit.
3. The check register that was provided by the Village of Pleasant Hill's contract accountant was purportedly for the period from July 1, 2000 through February 28, 2002. However, the check register did not contain the activity from July 1, 2000 through December 31, 2000, and this information could not be readily provided by the accountant.
4. The Village of Pleasant Hill was unable to provide adequate supporting documentation for revenues.
5. The revenues for November and December of 2001 were posted to the general ledger in an account called 'Nov exp to be allocated'. The Village of Pleasant Hill's accountant was uncertain as to the proper allocation of these revenues and, thus, the accountant never made the general ledger entry allocating these revenues to the separate funds and account classifications.
6. The Village of Pleasant Hill did not retain all checks which were voided throughout the eighteen months ended December 31, 2001.
7. Check amounts entered into the general ledger did not agree to the amounts for which the checks cleared the bank.
8. Throughout the eighteen months ended December 31, 2001, the Village of Pleasant Hill's accountant recorded several adjustments in the general ledger cash accounts which could not be explained or supported by documentation.

As a result of the deficiencies noted above, we were not able to perform significant audit procedures on the financial statements, which resulted in our disclaimer of an opinion on those financial statements. Furthermore, due to the nature of the 2001 accounting records, the clerk could not have properly relied

(Continued)

Village of Pleasant Hill
Pleasant Hill, Louisiana
Schedule of Findings and Questioned Costs
For the Eighteen Months Ended December 31, 2001

on the actual amounts of receipts and expenditures as reported in the general ledgers for 2001. Thus, it is uncertain as to whether the Village of Pleasant Hill complied with LSA-RS 39:1310, which requires that the clerk notify the village, if at any time during the year, actual receipts plus projected revenue collections to year end failed to meet budgeted receipts by five percent or more and if actual expenditures plus projected expenditures to year end exceeded budgeted expenditures by five percent or more.

This finding is not applicable to the Community Development Block Grant/State's Program (CDBG/SP) which has separate internal control procedures and policies.

Recommendation: It is imperative that the Village of Pleasant Hill immediately take whatever action is necessary to correct the accounting problems noted above.

01-8 Employees Paid Excess Wages

Finding: Certain employees at the Village of Pleasant Hill were paid in excess of their approved salaries. Article VII, Section 14 of the Louisiana Constitution provides that the funds of the state or of any political subdivision shall not be loaned, pledged, or donated to any person. During the performance of our audit procedures, it was determined that certain employees received a bonus in December 2001. Also, it was determined that the mayor and certain aldermen received additional compensation equivalent to one-half of their monthly salary for attending special meetings of the Board of Aldermen. The mayor and the aldermen should not receive one-half of their monthly salary for attending meetings of the board of aldermen. According to a resolution adopted by the Village of Pleasant Hill, the aldermen receive a salary of \$150 per month. Furthermore, the mayor is compensated on a monthly basis. Therefore, since these individuals receive a salary and are not paid on a "per meeting" basis, they are not entitled to additional compensation for special meetings. The Attorney General has opined, and the courts have ruled, that compensation in excess of authorized amounts are a violation of the above referenced Article and are unconstitutional.

This finding is not applicable to the Community Development Block Grant/State's Program (CDBG/SP) which has separate internal control procedures and policies.

Recommendation: We recommend that the Village of Pleasant Hill comply with all requirements of Article VII, Section 14 of the Louisiana Constitution, the attorney general's opinion, and rulings of the court. In addition, we recommend that the excess compensation paid to the employees be repaid to the Village of Pleasant Hill.

(Continued)

Village of Pleasant Hill
Pleasant Hill, Louisiana
Schedule of Findings and Questioned Costs
For the Eighteen Months Ended December 31, 2001

**01-9 Need to Comply With Louisiana
Code of Ethics**

Finding: Louisiana Revised Statute (LSA-RS) 42:1113 provides, in part, that no public servant shall bid on or enter into any contract, subcontract, or other transaction that is under the supervision or jurisdiction of the agency of the public servant. LSA-RS 42:1102 defines public servant as a public employee or an elected official. During the eighteen months ended December 31, 2001, the Village of Pleasant Hill contracted with one of its employees to paint Christmas decorations. The amount paid to the employee under this contractual arrangement was \$100.

This finding is not applicable to the Community Development Block Grant/State's Program (CDBG/SP) which has separate internal control procedures and policies.

Recommendation: We recommend that the Village of Pleasant Hill refrain from entering into any transactions with its employees which would cause the village to be in violation of the code of ethics. Furthermore, we recommend that the employee repay the \$100 to the Village of Pleasant Hill.

01-10 Need Improved Controls Over Expenditures

Finding: Procedures for disbursements do not provide adequate controls. We attempted to test the general expenditures for the eighteen months ended December 31, 2001. However, supporting documentation could not be located for numerous disbursements. The Village of Pleasant Hill must have a system in place to ensure that expenditures are necessary for the village's operations, that the village received those goods and services for which it is paying, that the expenditures are in accordance with the village's adopted budget, and that accounting records are properly safeguarded.

Recommendation: The clerk or the mayor should ensure that the internal controls over expenditures operate as intended. It is further, emphasized that the clerk should ensure that all expenditures are supported by an original invoice or other supporting documentation, and that documentation is present to show that all goods and services have been received before payment is made. Invoices and copies of checks should be filed timely in a systematic manner and in a secure location.

This finding is not applicable to the Community Development Block Grant/State's Program (CDBG/SCP) which has separate internal control procedures and policies.

(Concluded)

VILLAGE OF PLEASANT HILL
Pleasant Hill, Louisiana
Schedule of Expenditures of Federal Awards
For the Eighteen Months Ended December 31, 2001

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR NAME/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	FEDERAL EXPENDITURES 2001
United States Department of Housing and Urban Development Passed through Office of the Governor, Division of Administration - Community Development Block Grant (States Program):	14.228	553267	553,590
Total Federal Financial Assistance			<u>\$553,590</u>

Note: The Community Development Block Grant expenditures are reported using the modified accrual basis of accounting.

Village of Pleasant Hill
Pleasant Hill, Louisiana

Summary Schedule of Prior Audit Findings
For the Eighteen Months Ended December 31, 2001

- 2000.1 The budget for the fiscal year ended June 30, 2000 was adopted late on December 31, 1999. This ia a violation of LSA R. S. #39:13083
- Resolution: See Finding 01-5, Need to Comply with Local Government Budget Act
- 2000.2 The General Fund expenditures exceeded budgeted expenditures by 6.95% for the year ended June 30, 2000. This negative variance is a violation of LSA R.S. #39.1310
- Resolution: See Finding 01-5, Need to Comply with Local Government Budget Act
- 2000.3 A separate "agreed-upon procedures" report for the Village of Pleasant Hill utility fund for the period from April 1, 1999 through March 31, 2000 was issued by Elliott and Associates, Inc. on September 22, 2000 that outlines certain dollar deficiencies for deposits in that period totaling \$3,728. The amount of loss for the actual audit period for this June 30, 2000 audit report is \$4,501 which has been recorded in this fiscal year.
- Resolution: Item cleared.
- 2000.4 The utility fund December 1999 deposit items were received by village utility fund employees and held by some for over a month and deposited on January 6, 2000 intact. Thus, the \$287 in cash was possibly misused or illegally borrowed by an employee during that time period.
- Resolution: See Finding 01-3, Internal Controls Over Utility Fund



GEORGE A. SHANNON
MAYOR

Village of Pleasant Hill

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ALDERMEN
WALTER LEE
EDWARD G. ARNOLD
VINCENT SCOTT

CHIEF OF POLICE
TOMMY RAY WILLIAMS

June 28, 2002

Legislative Auditor
State of Louisiana
Baton Rouge, Louisiana 70804-9397

Below are listed the plan of corrective actions regarding the finding for the audit for the year ending December 2001 for the Village of Pleasant Hill.

01-1 Reconciliation of Adjusted Bank Balances to accounting Records

Action: We will reconcile on a monthly basis all bank accounts related to the Village of Pleasant Hill. The village will retain these reconciliation's.

01-2 Reconciliation of Payroll Liability Accounts

Action: General liability accounts will be posted correctly and reconciled to the actual liabilities each month. Any differences will be found and immediate action taken to correct the differences. Payroll tax payments will be reconciled to the payroll tax reports filed.

01-03 Internal Controls Over Utility Fund

Action: Utility payments will be placed in a secured location until depositing. These will be deposited on a daily basis. Duties will be segregated between Village personnel regarding receipt of payments, preparation of deposit, actual depositing of the funds and preparation of reconciliation. "Change" amount will be set by the Village for the drawer. Customer deposit schedule will be maintained daily. Deposit schedule will be reconciled to the customer deposit liability reported in the general ledger on a monthly basis.

Customer deposit bank account will be maintained equivalent to the customer deposit liability. Transfers from the utility fund will not be permitted unless permitted by law.

01-2 Fixed Asset Records

Action: We will prepare a correct fixed asset schedule. The clerk will update the Village's fixed asset schedule with additions and dispositions of fixed assets as they occur.

01-3 Need to Comply with Local Government Budget Act

Action: We will comply with all Local Government Budget Acts.

01-6 Controls Over Payroll Operations Should be Improved

Action: Payroll will be monitored closer in the future. Reports will be kept in a more orderly fashion.

01-7 Inadequate Accounting Records

Action: Immediate action will be taken to correct accounting problems that have occurred during this audit period. Closer records will be kept regarding receivables and payables.

01-8 Employees Paid Excess Wages

Action: We will in the future comply with all requirements of Article VII, Section 14 of the Louisiana Constitution, the attorney general's opinion, and rulings of the court.

01-9 Need to Comply With Louisiana Code of Ethics

Action: We will refrain from entering into any transactions with its employees that would cause the village to be in violation of the code of ethics.

01-10 Need Improved Controls Over Expenditures

Action: We will ensure in the future that an original invoice or other supporting documentation supports all expenditures.

Sincerely,


George A. Shannon
Mayor