

**VILLAGE OF HALL SUMMIT, LOUISIANA
FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2002**

VILLAGE OF HALL SUMMIT, LOUISIANA
DECEMBER 31, 2002
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GENERAL PURPOSE FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

The Honorable W. L. Wimberly, Mayor
and the Members of the Board of Aldermen
Post Office Box 98
Hall Summit, Louisiana 71034

We have audited the accompanying general purpose financial statements of the Village of Hall Summit, Louisiana, as of and for the year ended December 31, 2002, as listed in the table of contents. These financial statements are the responsibility of the Village of Hall Summit's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Hall Summit, Louisiana, as of December 31, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated February 26, 2003, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the Village of Hall Summit, Louisiana, taken as a whole. The accompanying supplemental information schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Hines, Jackson & Hines

Natchitoches, Louisiana
February 26, 2003

COMBINED STATEMENTS - OVERVIEW

VILLAGE OF HALL SUMMIT, LOUIS
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNIT
DECEMBER 31, 2002

	Fund Types		Proprietary Fund Type		Account Group		Total		Total	
	General	Enterprise	Enterprise	Fixed Assets	(Primary Government) Memorandum Only	Component Unit	(Reporting Entity) Memorandum Only			
Assets										
Cash and cash equivalents	\$ 24,352	\$ 30,375	\$ 30,375	\$ 0	\$ 54,727	\$ 3,971	\$ 58,698			
Investments	23,057	50,325	50,325	0	73,382	6,817	80,199			
Accounts receivable										
Trade, net	0	6,648	6,648	0	6,648	0	6,648			
Franchise taxes, net	1,288	0	0	0	1,288	0	1,288			
Inventory	0	8,978	8,978	0	8,978	0	8,978			
Due from other funds	0	2,150	2,150	0	2,150	0	2,150			
Prepaid expenses	500	1,000	1,000	0	1,500	0	1,500			
Property, plant & equipment, net	0	1,094,554	1,094,554	170,580	1,265,134	10,666	1,275,800			
Unamortized grant costs	0	49,500	49,500	0	49,500	0	49,500			
Total Assets	\$ 49,197	\$ 1,243,530	\$ 1,243,530	\$ 170,580	\$ 1,463,307	\$ 21,454	\$ 1,484,761			
Liabilities and Fund Equity										
Liabilities										
Accounts payable	\$ 852	\$ 2,211	\$ 2,211	\$ 0	\$ 3,063	\$ 0	\$ 3,063			
Accrued expenses	0	1,761	1,761	0	1,761	0	1,761			
Customers' deposits	0	12,725	12,725	0	12,725	0	12,725			
Due to other funds	2,150	0	0	0	2,150	0	2,150			
Total Liabilities	3,002	16,697	16,697	0	19,699	0	19,699			
Fund Equity										
Contributed capital	0	525,026	525,026	0	525,026	0	525,026			
Investment in general fixed assets	0	0	0	170,580	170,580	0	170,580			
Retained earnings, Unreserved	0	701,807	701,807	0	701,807	21,454	723,261			
Fund balances, Unreserved	46,195	0	0	0	46,195	0	46,195			
Total Fund Equity	46,195	1,226,833	1,226,833	170,580	1,443,608	21,454	1,465,062			
Total Liabilities and Fund Equity	\$ 49,197	\$ 1,243,530	\$ 1,243,530	\$ 170,580	\$ 1,463,307	\$ 21,454	\$ 1,484,761			

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

VILLAGE OF HALL SUMMIT, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2002

REVENUES	
Franchise taxes	\$ 3,787
Sales taxes	7,029
Licenses and permits	15,064
Intergovernmental	20,430
Fines and forfeitures	6,117
Interest	931
Sale of capital assets	1,025
Miscellaneous	<u>1,604</u>
Total Revenues	55,987
EXPENDITURES	
General government	
Payroll and related benefits	5,167
Operating expense	10,545
Materials and supplies	3,099
Professional services	942
Capital outlay	<u>22,041</u>
Total Expenditures	<u>41,794</u>
Excess of Revenues Over/(Under) Expenditures	14,193
FUND BALANCES, Beginning of year	<u>32,002</u>
FUND BALANCES, End of year	<u>\$ 46,195</u>

VILLAGE OF HALL SUMMIT, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Fav./ (Unfav.)</u>
REVENUES			\$
Franchise taxes	\$ 3,800	\$ 3,787	(13)
Sales taxes	4,720	7,029	2,309
Licenses and permits	9,000	15,064	6,064
Intergovernmental	50,900	20,430	(30,470)
Fines and forfeitures	10,806	6,117	(4,689)
Interest	1,025	931	(94)
Sale of capital assets	0	1,025	1,025
Miscellaneous	<u>300</u>	<u>1,604</u>	<u>1,304</u>
Total Revenues	80,551	55,987	(24,564)
EXPENDITURES			
General government			
Payroll and related benefits	5,371	5,167	204
Operating expense	9,950	10,545	(595)
Materials supplies	400	3,099	(2,699)
Professional services	1,350	942	408
Capital outlay	<u>50,000</u>	<u>22,041</u>	<u>27,959</u>
Total Expenditures	<u>67,071</u>	<u>41,794</u>	<u>25,277</u>
Excess of Revenues Over/(Under) Expenditures	<u>\$ 13,480</u>	14,193	<u>\$ 713</u>
FUND BALANCES, Beginning of year		<u>32,002</u>	
FUND BALANCES, End of year		<u>\$ 46,195</u>	

VILLAGE OF HALL SUMMIT, LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Enterprise</u>	<u>Component Unit</u>
OPERATING REVENUES		
Charges for services	\$ 67,222	\$ 0
Connect fees	925	0
Late fees	1,372	0
Other fees	<u>867</u>	<u>0</u>
Total Operating Revenues	70,386	0
OPERATING EXPENSES		
Amortization	4,950	0
Depreciation	40,560	0
Dues and subscriptions	650	0
Insurance	4,207	0
Licenses and permits	752	0
Maintenance and repairs	7,536	0
Miscellaneous	1,287	14
Office supplies and expense	2,002	0
Oil and gas	843	0
Operating supplies and tools	9,229	0
Payroll taxes	1,309	0
Professional services	1,579	0
Rental	468	0
Salaries	16,780	0
Telephone	1,462	0
Utilities	<u>10,735</u>	<u>0</u>
Total Operating Expenses	<u>104,349</u>	<u>14</u>
Operating Income/(Loss)	(33,963)	(14)
Nonoperating Revenues/(Expenses)		
Interest income	<u>1,678</u>	<u>238</u>
Total Nonoperating Revenues/(Expenses)	<u>1,678</u>	<u>238</u>
Net Income/(Loss)	(32,285)	224
(Increase)/Decrease in Contributed Capital	<u>0</u>	<u>0</u>
Net Change in Unreserved Retained Earnings for the Year	(32,285)	224
Retained earnings - Unreserved, Beginning of year	<u>734,092</u>	<u>21,230</u>
Retained earnings - Unreserved, End of year	<u>\$ 701,807</u>	<u>\$ 21,454</u>

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

VILLAGE OF HALL SUMMIT, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Enterprise</u>	<u>Component Unit</u>
Cash Flows From Operating Activities		
Operating loss	\$ (33,963)	\$ (14)
Adjustments to reconcile operating loss to net cash provided by/(used in) operating activities		
Amortization	4,950	0
Depreciation	40,560	0
(Increase)/decrease in operating assets		
Accounts Receivable		
Trade	166	0
Inventory	(79)	0
Due from other funds	10,357	0
Prepaid expense	(1,000)	0
Increase/(decrease) in operating liabilities		
Accounts Payable	(599)	0
Accrued expenses	171	0
Customer deposits	505	0
	<u>21,068</u>	<u>(14)</u>
Net Cash From Operating Activities	21,068	(14)
Cash Flows From Capital And Related Financing Activities		
Purchase of equipment	(10,452)	0
Receipts from capital grants	<u>0</u>	<u>0</u>
Net Cash From Capital And Related Financing Activities	(10,452)	0
Cash Flows From Investing Activities		
Purchase of investments	(7,109)	(787)
Receipts of interest	<u>1,678</u>	<u>238</u>
Net Cash From Investing Activities	<u>(5,431)</u>	<u>(549)</u>
Net Change in Cash and Cash Equivalents	5,185	(563)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>25,190</u>	<u>4,534</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 30,375</u>	<u>\$ 3,971</u>

VILLAGE OF HALL SUMMIT, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Hall Summit was incorporated on September 11, 1961, under the provisions of Lawrason Act. The Village operates under a Mayor-Board of Aldermen form of government.

The accounting and reporting policies of the Village of Hall Summit conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial principles. Such accounting and reporting procedures also conform to the requirements set forth in the Louisiana Governmental Audit Guide and to the industry audit guide, Audits of State and Local Governmental Units.

A. Reporting Entity

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Oversight responsibility by the Village is determined on the basis of the following criteria:

1. Financial interdependency. When a separate agency produces a financial benefit for or imposes a financial burden on a unit of government, that agency is a part of the reporting entity. Manifestations of financial interdependency include responsibility for financial deficits, entitlements to surpluses, and guarantees of, or "moral responsibility" for debt.
2. Selection of governing authority. An authoritative appointment is one where the entity's chief elected official maintains a significant continuing relationship with the appointed officials with respect to carrying out important public functions.
3. Designation of management. When management is appointed by and held accountable to a governing authority that is included in the entity, the activity being managed falls within the entity.
4. Ability to significantly influence operations. This ability includes, but is not limited to, the authority to review and approve budgetary requests, adjustments, and amendments.
5. Accountability for fiscal matters. Fiscal authority normally includes the authority for final approval over budgetary appropriations, responsibility for funding deficits and operating deficiencies, disposal of surplus funds, control over the collection and disbursement of funds, and maintenance of title to assets.

There may be, however, factors other than oversight that are so significant that exclusion of a particular agency from a reporting entity's financial statements would be misleading. These factors include:

1. Scope of Public Service. Aspects to be considered include who the activity benefits and whether it is conducted within the entity's geographic boundaries and generally available to its citizens.
2. Special Financing Relationship. Such a relationship may have been created to benefit the entity by providing for the issuance of debt on behalf of the entity.

VILLAGE OF HALL SUMMIT, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2002

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Based on the application of these criteria, the financial statements of the Village of Hall Summit, Louisiana, consist only of the funds and account groups of the Village and its component unit.

B. Fund Accounting

The accounts of the Village of Hall Summit are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. The individual funds account for the government resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. 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. The various funds are grouped in this report into generic fund types and broad fund categories as follows:

Governmental Fund Types - Governmental funds account for all or most of the Village of Hall Summit's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term obligations.

General Fund - is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund. General tax revenues and other sources of revenue used to finance the fundamental operations of the Village are included in this fund. The fund is charged with all cost of operating the government for which a separate fund has not been established.

Capital Project Funds - are used to account for the proceeds of specific revenue sources other than special assessments, expendable trusts, or major capital projects that are legally restricted to expenditures for specific purposes.

Proprietary Fund Types - Proprietary funds 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. The Village of Hall Summit applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Enterprise Fund - is used to account for operations a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing 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 the periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

VILLAGE OF HALL SUMMIT, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2002

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Fund Accounting (Continued)

General fixed assets account group - This is not a fund but rather an account group that is used to account for general fixed assets acquired principally for general purposes and excludes fixed assets in the Enterprise Fund.

C. General Fixed Assets and Long-term Debt

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, and are recorded as expenditures in the governmental fund types when purchased. Public domain ("infrastructure") general fixed assets consisting of certain improvements, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are not capitalized. No depreciation has been provided on general fixed assets. All fixed assets are valued at cost.

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

The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

Property, plant, and equipment acquired for proprietary funds is capitalized in the respective funds to which it applies.

The proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity is included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by the enterprise fund is charged as an expense against its operations. Accumulated depreciation is reported on the enterprise fund balance sheet. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Water System	10-50 years
Sewer System	10-50 years
Office furniture and equipment	3-5 years

VILLAGE OF HALL SUMMIT, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2002

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become 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.

Those revenues susceptible to accrual are franchise taxes, interest and intergovernmental revenues. Fines, permits, licenses, penalties and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred except that principal and interest on general long-term debt is recognized when due. Purchase of various operating supplies are regarded as expenditures at the time purchased.

All proprietary funds are accounted for by using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sales of fixed assets, debt extinguishments, long-term debt proceeds, et cetera) are accounted for as other financing sources or uses. These other financing sources or uses are recognized at the time the underlying events occur.

E. Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control. Annual operating budgets are adopted each fiscal year and amended as required.

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

1. No later than fifteen days prior to the beginning of each fiscal year, the Village clerk submits to the Mayor and 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.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for inspection. A public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. The budget is legally enacted through passage of an ordinance.

VILLAGE OF HALL SUMMIT, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2002

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting (Continued)

5. The Village clerk is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Mayor and Board of Aldermen.
6. All budgetary appropriations lapse at the end of the fiscal year.
7. The budgets for the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).

The Village's procedures with respect to its budget are designed to meet the requirements of applicable Louisiana Revised Statutes. The Village prepares a budget for its General Fund on a basis consistent with generally accepted accounting principles.

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Village of Hall Summit.

G. Cash and Cash Equivalents

Consistent with GASB Statement 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting", the Village defines cash and cash equivalents as follows:

Cash - includes not only currency on hand but also demand deposits with banks or other financial institutions and other kinds of accounts that have the general characteristics of demand deposits in that the customer may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty.

Cash equivalents - all short term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of interest rates. Generally, only investments which, at the day of purchase, have a maturity date no longer than three months qualify under this definition.

H. Investments

Investments, which consist of certificates of deposit, are stated at lower of cost or market. Discounts and premiums on the purchase of investments are amortized over the life of the investment remaining from the date of purchase to the date of maturity.

I. Receivables

All receivables are reported at their gross value and, where applicable, are reduced by the estimated portion that is expected to be uncollectible.

VILLAGE OF HALL SUMMIT, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2002

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Bad Debts

Uncollectible amounts due for customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. At December 31, 2002, the Village of Hall Summit had an allowance for doubtful accounts of \$0.

K. 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 "interfund receivables/payables" and are recorded by all funds affected in the period in which transactions are executed.

L. Interest Receivable

Interest on investments are recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

M. Unamortized Grant Costs

Grant management costs are capitalized and amortized over 20 years. The total grant management costs paid by the Village of Hall Summit was \$99,000. The amortization expense related to deferred grant expense for the year ended December 31, 2002 was \$4,950.

N. Compensated Absences

The Village has no full time employees; Therefore, no liability for compensated absences has been recorded in the accompanying financial statements.

O. Fund Equity

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes. Unreserved retained earnings for proprietary funds represent the net assets available for future operations or distribution. Reserved retained earnings for proprietary funds represent the net assets that have been legally identified for specific purposes.

Contributed capital is recorded in the Enterprise Fund for capital grants restricted for the acquisition or construction of capital assets. Contributed capital is not amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such resources.

VILLAGE OF HALL SUMMIT, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2002

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Q. Total Columns on Combined Statements - Overview

Total columns on the general purpose financial 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.

NOTE 2 CASH AND CASH EQUIVALENTS

Louisiana Revised Statutes authorize the Village to invest in United States bonds, treasury notes or certificates, or to deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Deposits are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

At December 31, 2002, the Village of Hall Summit had cash and cash equivalents totaling \$58,698 as follows:

	General	Enterprise	Component Unit	Total
Petty cash	\$ 50	\$ 500	\$ 0	\$ 550
Interest-bearing demand deposits	24,302	29,875	3,971	58,148
Totals	\$ 24,352	\$ 30,375	\$ 3,971	\$ 58,698

Under state law, these deposits 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 bank. These securities are held in the name of the pledging fiscal agent bank in a custodial bank that is mutually acceptable to both parties. At December 31, 2002, the Village had \$138,357 in bank deposits of which \$138,357 were secured by federal deposit insurance and \$0 (market value) of pledged securities held by the custodial banks in the name of the fiscal agent (GASB category 3).

Even though the pledged securities are considered collateralized under the provisions of GASB Statement 3, Louisiana Revised Statutes require the custodial bank to advertise and sell the pledged securities within ten (10) days of being notified by the Village of Hall Summit that the pledging bank has failed to pay deposited funds upon demand.

VILLAGE OF HALL SUMMIT, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2002

NOTE 3 INVESTMENTS

The Village of Hall Summit maintains investment accounts as authorized by the Louisiana Revised Statutes. Under state law, the Town may invest in obligations of the U. S. Treasury and U. S. Agencies, or certificates of deposit. Investments are carried at fair value as of the balance sheet date.

Investments can be classified according to the level of risk to the entity. Investments made by the Village of Hall Summit as of December 31, 2002 are summarized below by the category of risk.

- Category 1 Insured or registered in the entity's name, or securities held by the entity or its agent in the entity's name.
- Category 2 Uninsured or registered with securities held by the counterparty's trust department or agent in the entity's name.
- Category 3 Unsecured and unregistered with securities held by the counterparty, or by its trust department or agent but not in the entity's name.

Type of Investments	Category Risk			Reported Amount	Fair Value
	1	2	3		
Certificates of deposit	\$ 80,199	\$ 0	\$ 0	\$ 80,199	\$ 80,199
Total	<u>\$ 80,199</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 80,199</u>	<u>\$ 80,199</u>

NOTE 4 INTERFUND RECEIVABLES AND PAYABLES

A summary of interfund receivables and payables at December 31, 2002, is as follows:

	Due From	Due To
General fund	\$ 0	\$ 2,150
Enterprise fund	<u>2,150</u>	<u>0</u>
Totals	<u>\$ 2,150</u>	<u>\$ 2,150</u>

NOTE 5 CHANGES IN FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance		Deletions	Balance	
	Dec. 31, 2001	Additions		Dec. 31, 2002	
Land	\$ 21,334	\$ 0	\$ 0	\$ 21,334	
Land improvements-park	4,375	12,174	0	16,549	
Buildings	77,676	0	0	77,676	
Equipment, furniture and fixtures	<u>51,419</u>	<u>9,867</u>	<u>6,265</u>	<u>55,021</u>	
Total	<u>\$ 154,804</u>	<u>\$ 22,041</u>	<u>\$ 6,265</u>	<u>\$ 170,580</u>	

A summary of proprietary fund type property, plant and equipment at December 31, 2002 follows:

VILLAGE OF HALL SUMMIT, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2002

NOTE 5 CHANGES IN FIXED ASSETS (CONTINUED)

	<u>Straight Line</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Depreciation This Year</u>
Land	-	\$ 30,776	\$ 0	\$ 30,776	\$ 0
Water system	10-50 yrs	679,093	(196,673)	482,420	15,363
Sewer system	10-50 yrs	930,428	(355,614)	574,814	21,146
Office furniture and equipment	3-5 yrs	19,425	(12,881)	6,544	4,051
Totals		<u>\$ 1,659,722</u>	<u>\$ (565,168)</u>	<u>\$ 1,094,554</u>	<u>\$ 40,560</u>

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Changes during the year			
Balance, Beginning of year	\$ 1,649,270	\$ (524,608)	\$ 1,124,662
Additions			
Water system	7,865	0	7,865
Sewer system	1,357	0	1,357
Office furniture and equipment	1,230	0	1,230
Depreciation	<u>0</u>	<u>(40,560)</u>	<u>(40,560)</u>
Balance, End of year	<u>\$ 1,659,722</u>	<u>\$ (565,168)</u>	<u>\$ 1,094,554</u>

NOTE 6 SALES AND USE TAX

The Village of Hall Summit has a one percent sales tax. The sales tax revenues for the year ended December 31, 2002 were \$7,029. The proceeds are dedicated to any lawful purpose of the Village.

NOTE 7 RISK MANAGEMENT

The Village of Hall Summit is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Village.

NOTE 8 LITIGATION

The Village of Hall Summit was a defendant in one lawsuit as of December 31, 2002. Although the outcome of this lawsuit is not determinable at this stage of the proceedings, the potential losses not covered by applicable insurance is not considered to be significant in relation to the Village's overall financial condition.

NOTE 9 CLAIMS AND JUDGMENTS

The Village of Hall Summit participates in federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Village may be required to reimburse the grantor government. The Village believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Village.

SCHEDULE 1

VILLAGE OF HALL SUMMIT, LOUISIANA
SCHEDULE OF COMPENSATION PAID TO THE
MAYOR AND MEMBERS OF THE BOARD OF ALDERMEN
YEAR ENDED DECEMBER 31, 2002

	<u>Compensation</u>
Mayor Wimberly	\$ 1,200
Alderman Moore	600
Alderman Tidwell	600
Alderman Hagan	<u>600</u>
Total	<u>\$ 3,000</u>

Compensation Paid Board Members

The schedule of compensation paid to the Mayor and members of the Board of Aldermen of the Village of Hall Summit, Louisiana, is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the Mayor and Aldermen is included in the general government expenditures of the general fund.

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

Honorable W. L. Wimberly, Mayor
and Members of the Board of Aldermen
Post Office Box 98
Hall Summit, Louisiana 71034

We have audited the general purpose financial statements of the Village of Hall Summit, Louisiana, as of and for the year ended December 31, 2002, and have issued our report thereon dated February 26, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Hall Summit's 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 one immaterial instances of noncompliance that is required to be reported under Government Auditing Standards. A description of the finding can be found in the accompanying management letter.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Hall Summit's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management of the Village of Hall Summit and the Legislative Auditor of the State of Louisiana and is not intended to be, and should not be, used by anyone other than the specified parties.

Hines, Jackson & Hines

Natchitoches, Louisiana
February 26, 2003

VILLAGE OF HALL SUMMIT, LOUISIANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED
DECEMBER 31, 2002

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken (Yes, No, Partially)</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>
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Nothing came to our attention that would require disclosure under Government Auditing Standards.

VILLAGE OF HALL SUMMIT, LOUISIANA
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
FOR THE YEAR ENDED
DECEMBER 31, 2002

<u>Ref. No.</u>	<u>Description of Finding</u>	<u>Correct Action Planned</u>	<u>Name(s) of Contact Person(s)</u>	<u>Anticipated Completion Date</u>
1-02	We noted that actual revenues of the general fund were \$24,564 (30.49 percent) less than budgeted amounts in 2002.	The management of the Village of Hall Summit will closely monitor its budget and make amendments to it as necessary to accurately reflect expected revenues and expenditures and to satisfy legal requirements.	Paul Snead, Village Clerk	3/31/2003

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Honorable W. L. Wimberly, Mayor
and Members of the Board of Aldermen
Post Office Box 98
Hall Summit, Louisiana 71034

We are writing this letter as a follow-up to our recent audit of the general purpose financial statements of the Village of Hall Summit, Louisiana as of December 31, 2002, and for the year then ended. We offer the following observations and recommendations, which are intended to help improve record keeping procedures and general operations of the Village and are intended to be constructive in nature:

Existing Conditions:

We noted that actual revenues of the general fund were \$24,564 (30.49 percent) less than budgeted amounts in 2002.

LSA-R.S. 39:1310 requires the Village to amend its budget whenever actual revenues and expenditures are projected to be less than or exceed budgeted amounts by more than five percent.

Recommended Action:

We suggest the Village's adopted budget be closely monitored and amended whenever there has been a change in operations upon which the original adopted budget was developed. Care should be exercised to maintain actual revenues and expenditures within the five percent limit established by statute.

Management's Response:

The management of the Village of Hall Summit will closely monitor the its budget and make amendments to it as necessary to accurately reflect expected revenues and expenditures and to satisfy legal requirements.

These comments and recommendations are not all inclusive and are not intended to be critical of anyone. We would like to thank the Village's management and staff for their courtesy and cooperation during our engagement. If you have any questions or concerns, please let us know.

Hines, Jackson & Hines

Natchitoches, Louisiana
February 26, 2003