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VILLAGE OF SALINE, LOUISIANA

FINANCIAL STATEMENTS

June 30, 2006

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Release Date 8/15/07

VILLAGE OF SALINE, LOUISIANA

FINANCIAL STATEMENTS

June 30, 2006

Marsha O. Millican  
Certified Public Accountant  
Shreveport, Louisiana

VILLAGE OF SALINE, LOUISIANA  
JUNE 30, 2006  
TABLE OF CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statement of Net Assets	2
Statement of Activities	3
Balance Sheet - Governmental Funds	4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	5
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	6
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Statement of Net Assets - Proprietary Funds	8
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds	9
Statement of Cash Flows - Proprietary Funds	10
<b>NOTES TO FINANCIAL STATEMENTS</b>	11 - 16
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Revenue, Expenditures, and Changes in Fund Balance of Governmental Funds - General Fund- Budget (GAAP) Basis and Actual	17
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
Schedule of Compensation Paid to Mayor and Aldermen	18
<b>REPORT O INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u></b>	19 - 20
<b>SCHEDULE OF FINDINGS AND RESPONSES</b>	21
<b>CORRECTIVE ACTION TAKEN ON PRIOR YEAR FINDINGS</b>	22



**Marsha O. Millican**  
**CERTIFIED PUBLIC ACCOUNTANT**

INDEPENDENT AUDITOR'S REPORT

The Honorable Peggy Choate, Mayor  
and Members of the Board of Aldermen  
Village of Saline, Louisiana

I was engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, and each major fund for the Village of Saline, as of June 30, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management.

Due to lack of segregation of duties and inadequate financial records, I was unable to obtain sufficient, competent evidential matter regarding the Village's assets, liabilities, revenues and expenses.

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

As described in Note 1 to the basic financial statements, Village of Saline adopted the provisions of the Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Governmental Accounting Standards Board Statement No. 38, Certain Financial Statement Note Disclosures; and Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements for the year ended June 30, 2006.

In accordance with Government Auditing Standards, I have also issued a report dated July 31, 2007 on my consideration of Village of Saline's internal control over financial reporting and on my 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 my audit.

Village of Saline has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

I was engaged for the purpose of forming opinions on the financial statements that collectively comprise Village of Saline's basic financial statements. The required supplemental information on page 17 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The accompanying supplemental information listed in the table of contents as other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Because of the significance of the matters discussed in the second paragraph, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion on the accompanying supplemental information listed in the table of contents as required supplemental information and other supplemental information.

Certified Public Accountant  
July 31, 2007

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VILLAGE OF SALINE, LOUISIANA  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

ASSETS	Governmental Activities	Business-Type Activities	Total
<b>Current Assets</b>			
Cash	\$ 16,076	\$ 20,780	\$ 36,856
Accounts receivable	-	5,212	5,212
Due from other funds	-	9,402	9,402
Prepaid expenses	-	-	-
<b>Total Current Assets</b>	<u>16,076</u>	<u>35,394</u>	<u>51,470</u>
<b>Noncurrent Assets</b>			
Restricted cash	-	3,328	3,328
Capital assets, net	12,631	947,630	960,261
<b>Total Noncurrent Assets</b>	<u>12,631</u>	<u>950,958</u>	<u>963,589</u>
<b>Total Assets</b>	<u>28,707</u>	<u>986,352</u>	<u>1,015,059</u>
 <b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accruals	1,375	1,186	2,561
Bonds payable - current portion	-	3,767	3,767
Due to other funds	9,402	-	9,402
<b>Total current liabilities</b>	<u>10,777</u>	<u>4,953</u>	<u>15,730</u>
<b>Noncurrent Liabilities</b>			
Long-term debt, net of current portion	-	31,534	31,534
Customer deposits	-	3,328	3,328
<b>Total Noncurrent liabilities</b>	<u>-</u>	<u>34,862</u>	<u>34,862</u>
<b>Total liabilities</b>	10,777	39,815	50,592
<b>NET ASSETS</b>			
Investment in capital assets, Net of related debt	12,631	912,329	924,960
Unrestricted	5,299	34,208	39,507
<b>Total Net Assets</b>	17,930	946,537	964,467
<b>Total Liabilities and Net Assets</b>	<u>\$ 28,707</u>	<u>\$ 986,352</u>	<u>\$ 1,015,059</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF SALINE LOUISIANA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities							
General Government	\$ 21,539	-	-	-	\$ (21,539)	-	\$ (21,539)
Public Safety	4,091	-	-	-	(4,091)	-	(4,091)
Depreciation	478	-	-	-	(478)	-	(478)
Total Governmental Activities	<u>26,108</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,108)</u>	<u>-</u>	<u>(26,108)</u>
Business-Type Activities							
Utility Fund	88,902	60,950	-	-	-	(27,952)	(27,952)
Total Business-Type Activities	<u>88,902</u>	<u>60,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(27,952)</u>	<u>(27,952)</u>
Total Primary Government	<u>\$ 115,010</u>	<u>\$ 60,950</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(26,108)</u>	<u>(27,952)</u>	<u>(54,060)</u>
General Revenues							
Taxes							
Ad Valorem					4,444	-	4,444
Franchise					6,948	-	6,948
Fines and Penalties					1,363	-	1,363
License and Permits					11,807	-	11,807
Miscellaneous					2,087	2,327	4,414
Transfers					-	-	-
Total General Revenues and Transfers					<u>26,649</u>	<u>2,327</u>	<u>28,976</u>
Change in Net Assets					541	(25,625)	(25,084)
Net Assets, Beginning of Year					17,389	972,162	989,551
Net Assets, End of Year					<u>\$ 17,930</u>	<u>\$ 946,537</u>	<u>\$ 964,467</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF SALINE, LOUISIANA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 16,076	\$ -	\$ 16,076
Taxes and accounts receivable	-	-	-
Due from other funds	-	-	-
Prepaid expenses	-	-	-
	<u>16,076</u>	<u>-</u>	<u>16,076</u>
<b>Total Assets</b>	<b>\$ 16,076</b>	<b>\$ -</b>	<b>\$ 16,076</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable and accruals	\$ 1,375	\$ -	\$ 1,375
Due to other funds	<u>9,402</u>	<u>-</u>	<u>9,402</u>
<b>Total Liabilities</b>	<b>10,777</b>	<b>-</b>	<b>10,777</b>
<b>Fund Balances</b>			
Unreserved	<u>5,299</u>	<u>-</u>	<u>5,299</u>
<b>Total Fund Balances</b>	<b><u>5,299</u></b>	<b><u>-</u></b>	<b><u>5,299</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 16,076</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 16,076</u></b>

See accompanying notes are an integral part of this statement.

VILLAGE OF SALINE, LOUISIANA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2006

Total Fund Balance for Governmental Funds	\$ 5,299
Total Net Assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>12,631</u>
Total Net Assets of Governmental Activities	<u>\$ 17,930</u>



VILLAGE OF SALINE, LOUISIANA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Total</u>
<b>Revenues</b>			
<b>Taxes</b>			
Ad Valorem	\$ 4,444	\$ -	\$ 4,444
Franchise	6,948	-	6,948
Intergovernmental	-	377,542	377,542
Licenses and Permits	11,807	-	11,807
Fines and Penalties	1,363	-	1,363
Miscellaneous	<u>2,087</u>	<u>-</u>	<u>2,087</u>
<b>Total Revenues</b>	<b>26,649</b>	<b>377,542</b>	<b>404,191</b>
<b>Expenditures</b>			
General Government	21,539	-	21,539
Public Safety	4,091	-	4,091
Capital Projects	<u>-</u>	<u>377,542</u>	<u>377,542</u>
<b>Total Expenditures</b>	<b>25,630</b>	<b>377,542</b>	<b>403,172</b>
 Net Change in Fund Balances	 1,019	 -	 1,019
 Fund Balances, Beginning of year,	 <u>4,280</u>	 <u>-</u>	 <u>4,280</u>
 Fund Balances, End of Year	 <u>\$ 5,299</u>	 <u>\$ -</u>	 <u>\$ 5,299</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF SALINE, LOUISIANA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006

Net Changes in Fund Balances - Total Governmental Funds	\$ 1,019
The change in Net Assets reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$-) exceeds depreciation (\$478) in the current period	<u>( 478)</u>
Change in Net Assets of Governmental Activities	<u>\$ 541</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF SALINE, LOUISIANA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2006

Assets	
Current Assets	
Cash	\$ 20,780
Accounts receivable	5,212
Due from other funds	<u>9,402</u>
Total Current Assets	<u>35,394</u>
Noncurrent Assets	
Restricted cash	3,328
Capital assets, net	<u>947,630</u>
Total Noncurrent Assets	<u>950,958</u>
Total Assets	<u>\$ 986,352</u>
Liabilities and Fund Balances	
Liabilities	
Accounts payable and accruals	\$ 1,186
Bonds payable - current portion	<u>3,767</u>
Total Current Liabilities	<u>4,953</u>
Noncurrent Liabilities	
Bonds payable	31,534
Customer deposits	<u>3,328</u>
Total Noncurrent Liabilities	<u>34,862</u>
Total Liabilities	39,815
Net Assets	
Investments in capital assets, Net of related debt	912,329
Unrestricted	<u>34,208</u>
Total Net Assets	<u>946,537</u>
Total Liabilities & Net Assets	<u>\$ 986,352</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF SALINE, LOUISIANA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

	Total
<b>OPERATING REVENUES</b>	
Charges for Services	\$ 60,950
Miscellaneous	<u>1,751</u>
Total Operating Revenues	62,701
 <b>OPERATING EXPENSES</b>	
Personal services	1,274
Utilities	14,369
Repair and maintenance	26,181
Other supplies and expenses	16,352
Depreciation	<u>29,049</u>
Total Operating Expenses	<u>87,225</u>
Operating Income	(24,524)
 <b>NON-OPERATING REVENUE (EXPENSE)</b>	
Interest income	576
Interest expense	<u>( 1,677)</u>
Change in net assets	(25,625)
Net Assets, Beginning of year	<u>972,162</u>
Net Assets, End of Year	<u>\$ 946,537</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF SALINE, LOUISIANA

Statement of Cash Flows - Proprietary Fund Type  
Year Ended June 30, 2006

Cash flows from operating activities:	
Cash received from customers	\$ 62,871
Cash payments to suppliers and employees	( 53,539)
Other operating income	<u>1,743</u>
Net cash provided by operating activities	<u>11,075</u>
Cash flows from investing activities:	
Interest on investments	<u>576</u>
Net cash provided by investing activities	<u>576</u>
Cash flows from financing activities:	
Principal paid on bonds	( 5,347)
Interest paid on bonds	<u>( 1,677)</u>
Net cash used by financing activities	<u>( 7,024)</u>
Net increase in cash	4,627
Cash, July 1, 2005 (including \$2,820 in restricted accounts)	<u>19,481</u>
Cash, June 30, 2006 (including \$3,328 in restricted accounts)	<u>\$ 24,108</u>
Reconciliation of changes in net assets to net cash provided by operating activities:	
Changes in net assets before other expenses	\$( 24,524)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	29,049
Amortization	61
Changes in assets and liabilities	
Decrease in accounts receivable	1,921
Decrease in due from other funds	4,725
Decrease in accounts payable	( 665)
Increase in customer deposits	<u>508</u>
Net cash provided by operating activities	<u>\$ 11,075</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF SALINE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

The Village of Saline was incorporated under the provisions of the Lawrason act on October 5, 1905. The Village operates under a Mayor-Aldermen form of government. The Village's major operations include fire protection, public works, recreation and parks, utilities, and general administrative services.

**NOTE 1           SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A.       Basis of Accounting**

The accompanying financial statements of the Village of Saline have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, issued in June 1999.

**B.       Reporting Entity**

GASB Statement 14 establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Village of Saline is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Village of Saline may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

**C.       Government - Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets, Exhibit A, and the Statement of Activities, Exhibit B) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include a) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and b) grants and contributions that are restricted to meetings the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

VILLAGE OF SALINE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2006

**NOTE 1           SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D.       Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Ad valorem taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Sales and use tax revenues are recorded in the month collected by the tax collector. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Purchases of various operating supplies are regarded as expenditures at the time purchased.

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

The Village of Saline reports the following governmental and proprietary funds:

**Governmental Funds**

Governmental funds account for all or most of the Village of Saline's general activities, including the collection and disbursement of specific or legally restricted monies and the acquisition or construction of capital assets.

**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.

VILLAGE OF SALINE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2006

**NOTE 1            SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D.        Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Proprietary Funds**

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 Saline 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/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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the governments enterprise operations. Elimination of those charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include a) charges to customers or applicants for goods, services, or privileges provided, b) operating grants and contributions, and c) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**E.        Budgetary Accounting**

Formal budgetary accounting is employed as a management control. The Village of Saline prepares and adopts a budget each year for its general and special revenue funds in accordance with Louisiana Revised Statutes. The operating budget is prepared based on prior year's revenues and expenditures and the estimated increase therein for the current year, using the full accrual basis of accounting. The Village amends its budget when projected revenues are expected to be less than budgeted revenues by five percent or more and/or projected expenditures are expected to be more than budgeted amounts by five percent or more. All budget appropriations lapse at year end.



VILLAGE OF SALINE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2006

**NOTE 1            SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F.        Cash and Cash Equivalents**

For the purpose of the Statement of Cash Flows and consistent with GASB Statement 9, the Village of Saline 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 - includes 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.

**G.        Receivables**

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

**H.        Bad Debts**

Uncollectible accounts receivable 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 June 30, 2006, all accounts receivable are considered to be fully collectible.

**I.        Capital Assets**

Depreciation is computed using the straight line method over the estimated useful life of the assets, generally 10 to 40 years for buildings and other improvements, 10 to 25 years for the distribution system and 5 to 10 years for moveable property. Expenditures for maintenance, repairs and minor renewals are charged to earnings as incurred. Major expenditures for renewals and betterments are capitalized.

VILLAGE OF SALINE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2006

**NOTE 1            SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J.            Compensated Absences**

Village of Saline does not compensate its employees for absence from work. Therefore, no liability for compensated absences has been recorded in the accompanying financial statements.

**K.            Estimates**

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

**NOTE 2            LEVIED TAXES**

The Village of Saline levies taxes on real and business personal property located within its boundaries. The Bienville Parish Sheriff collects the Village's property taxes. Ad valorem taxes are levied in September and are payable upon receipt of notice. Ad valorem taxes attach as an enforceable lien on property as of December 31, of each year. Taxes of 8.15 mills were levied on assessed values of \$45,250 for general purposes. Total property taxes levied were \$4,414.

**NOTE 3            DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

**A.            Deposits with Financial Institutions**

For reporting purposes, deposits with financial institutions includes savings, demand deposits, time deposits, and certificates of deposit. Under state law the Village of Saline may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further the fund may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the state of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

Deposits in bank accounts are stated at cost, which approximates market. 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 pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2006, all accounts were fully secured by FDIC insurance.

**NOTE 4            ACCOUNTS RECEIVABLE**

The following is a summary of accounts receivable at June 30, 2006:

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Taxes			
Ad valorem	\$ -	\$ -	\$ -
Franchise	-	-	-
Charges for services	-	5,212	5,212
Total	<u>\$ -</u>	<u>\$ 5,212</u>	<u>\$ 5,212</u>

VILLAGE OF SALINE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2006

**NOTE 5 CAPITAL ASSETS**

A summary of the Village of Saline's capital assets at June 30, 2006 follows:

	Balance July 1, 2005	Additions	Retirements	Balance June 30, 2006
<b>Government Activities</b>				
Land	\$ 4,500	-	-	4,500
Capital Assets, being depreciated				
Buildings and other improvements	10,750	-	-	10,750
Less accumulated depreciation	<u>( 2,141)</u>	<u>( 478)</u>	<u>-</u>	<u>( 2,619)</u>
<b>Total Capital Assets, net</b>	<u>\$ 13,109</u>	<u>\$ ( 478)</u>	<u>\$ -</u>	<u>\$ 12,631</u>
<b>Business-Type Activities</b>				
Capital Assets, being depreciated				
Distribution system	\$ 1,314,704	\$ -	\$ -	\$1,314,704
Less accumulated depreciation	<u>( 338,025)</u>	<u>( 29,049)</u>	<u>-</u>	<u>( 367,074)</u>
<b>Total Capital Assets, net</b>	<u>\$ 976,679</u>	<u>\$ ( 29,049)</u>	<u>\$ -</u>	<u>\$ 947,630</u>
<b>Primary Government</b>				
<b>Total Capital Assets, net</b>	<u>\$ 740,522</u>	<u>\$ ( 1,001)</u>	<u>\$ -</u>	<u>\$ 739,521</u>

**NOTE 6 LONG-TERM DEBT**

The following is a summary of debt transactions of Village of Saline for the year ended June 30, 2006:

	Balance 7/01/2006	Issuances (Retirement)	Balance 06/30/2006
Bonds payable	<u>\$ 40,648</u>	<u>\$ ( 5,347)</u>	<u>\$ 35,301</u>

Bonds payable at June 30, 2006 are comprised of the following individual issue:

Revenue Bonds:

Serial bonds issued December 14, 1995, payable over a twenty year period with interest payments only until January 14, 1997, then due in payments on the 14<sup>th</sup> of each month thereafter through December 14, 2014, payments of \$440 per month, bearing interest at 4.50%.

\$ 35,301

The annual requirements to amortize all long-term debt outstanding as of June 30, 2006 including interest payments of \$4,306 are as follows:

Year Ending <u>December 31</u>	<u>Total</u>
2007	5,281
2008	5,281
2009	5,281
2010	5,281
2011	5,281
2012 and after	<u>13,202</u>
<b>Totals</b>	<u>39,607</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

VILLAGE OF SALINE, LOUISIANA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF  
GOVERNMENTAL FUNDS - BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Original Budget</u>	<u>Amended Budget*</u>	<u>Actual</u>	<u>Variance Fav./ (Unfav.)</u>
Revenues				
Taxes				
Ad valorem	\$ 4,450	\$ 4,450	\$ 4,444	\$ ( 6)
Franchise	6,400	6,400	6,948	548
Licenses and Permits	11,570	11,570	11,807	237
Fines	2,500	2,500	1,363	( 1,137)
Intergovernmental	-	-	-	-
Miscellaneous	<u>48</u>	<u>48</u>	<u>2,087</u>	<u>2,039</u>
Total Revenues	24,968	24,968	26,649	1,681
Expenditures				
General government	17,633	17,633	21,539	( 3,906)
Public safety	4,000	4,000	4,091	( 91)
Capital Projects	-	-	-	-
Total Expenditures	<u>21,633</u>	<u>21,633</u>	<u>25,630</u>	<u>( 3,997)</u>
Excess/(Deficiency) Of Revenues Over Expenditures	3,335	3,335	1,019	( 2,316)
Fund Balances, Beginning of year,	<u>4,280</u>	<u>4,280</u>	<u>4,280</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 7,615</u>	<u>\$ 7,615</u>	<u>\$ 5,299</u>	<u>\$ ( 2,316)</u>

\* The Village did not amend the budget for the year ended June 30, 2006.

**OTHER SUPPLEMENTARY INFORMATION**

VILLAGE OF SALINE, LOUISIANA

Schedule of Compensation Paid -  
Mayor and Aldermen  
For the Year Ended June 30, 2006

Honorable Peggy Choate, Mayor	\$ 3,800
Bert Hood	-
Brenda Matthews	-
Jimmie Rodgers	-
John Thomas	-
Evan Choate	-
	<hr/>
Total	<u>\$ 3,800</u>



**Marsha O. Millican**  
**CERTIFIED PUBLIC ACCOUNTANT**

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

The Honorable Peggy Choate  
and Members of the Board of Aldermen  
Town of Saline, Louisiana

I was engaged to audit the basic financial statements of Village of Saline, Louisiana as of and for the year ended June 30, 2006. Due to lack of segregation of duties and inadequate accounting records, I was unable to obtain sufficient, competent evidential matter about the Village's assets, liabilities, revenue and expenses. Because of the significance of these matters, the scope of my work was not sufficient to enable me to express, and I did not express, an opinion on the Village's financial statements.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Village of Saline's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, I do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the second paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the

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Village's internal control. I consider the Finding #2006-1 and #2006-2 described in the accompanying schedule of findings and responses, lack of segregation of duties, and inadequate accounting records to be significant deficiencies in internal control over financial reporting.

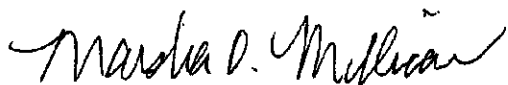
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies and, accordingly, would not disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that Findings 2006-1 and 2006-2, lack of segregation of duties and inadequate accounting records, are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Saline's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs as Findings #2006-3 and #2006-4.

This report is intended solely for the information of management, the Board of Aldermen, and applicable federal and state cognizant agencies and is not intended to be, and should not be, used by anyone other than the specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Certified Public Accountant  
July 31, 2007

VILLAGE OF SALINE, LOUISIANA

Schedule of Findings and Responses

For the Year Ended June 30, 2006

Finding #2006-1:

Condition: The segregation of duties is inadequate to provide effective internal control. This is a repeat finding.

Cause: The condition is due to space and economic limitations.

Recommendation: No action is recommended.

Management's Response and Corrective Action Plan: We agree with the finding. We will make every effort to segregate duties as allowed by space and economic limitations.

Finding #2006-2:

Condition: The 2006 accounting records were inadequate to obtain sufficient competent evidential matter regarding the Village's assets, liabilities, revenues and expenses.

Cause: The Mayor performs substantially all accounting functions. Due to illness, the accounting records were not adequate to permit the application of auditing procedures in accordance with auditing standards generally accepted in the United States of America.

Recommendation: The accounting system utilized by the Village should be reorganized to provide sufficient competent evidential matter regarding the Village's assets, liabilities, revenues and expenditures.

Management's Response and Corrective Action Plan: We will reorganize our accounting system.

Finding #2006-3:

Condition: The Village is not in compliance with the State Budget Law. Actual expenditures exceeded budgeted amounts by more than 5%; the Village did not amend the budget.

Cause: Oversight by management.

Recommendation: The Village should comply with State Law.

Management's Response and Corrective Action Plan: We will comply with the State Budget Law in the future.

Finding #2006-4:

Condition: The Village did not file annual financial statements with the Louisiana Legislative Auditor within the time frame required by LSA-RS 24:513.

Cause: Due to illness of Mayor, the Village's accounting records were inadequate to permit the application of auditing procedures.

Recommendation: I recommend the Village comply with LSA-RS 24:513.

Management's Response and Corrective Action Plan: We will comply with LSA-RS 24:513 in the future.

VILLAGE OF SALINE, LOUISIANA

Corrective Action Taken on Prior Year Findings

For the Year Ended June 30, 2006

Finding #2005-1:

Condition:

The segregation of duties is inadequate to provide effective internal control.

Status:

Unresolved.