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VILLAGE OF CREOLA, LOUISIANA

FINANCIAL REPORT

Year Ended June 30, 2008

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 3/4/09

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INDEPENDENT AUDITOR'S REPORT

To Honorable Wayne Nugent, Mayor
and Members of the Board of Aldermen
Village of Creola, Louisiana

I have audited the accompanying financial statements of the governmental activities and the business-type activities of the Village of Creola, Louisiana, as of and for the year ended June 30, 2008, 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 of Creola's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinions.

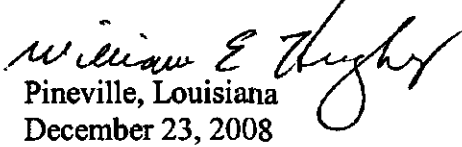
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of the Village of Creola, Louisiana, as of June 30, 2008, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Village of Creola 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 a part of, the basic financial statements.

In accordance with Government Auditing Standards, I have also issued a report dated December 23, 2008, on my consideration of the Village of Creola's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report

is to describe the scope of my testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

The required supplementary information on page 28 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.


Pineville, Louisiana
December 23, 2008

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

VILLAGE OF CREOLA, LOUISIANA

STATEMENT OF NET ASSETS

June 30, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 16,970	\$ 8,076	\$ 25,045
Receivables	13,201	-	13,201
Prepaid Exp	2,617	-	2,617
Internal Balances	-	-	-
Land	9,700	20,000	29,700
Depreciable capital assets, net	<u>57,579</u>	<u>17,171</u>	<u>74,750</u>
TOTAL ASSETS	100,067	45,247	145,313
LIABILITIES			
Accounts and other payables	2,965	3,825	6,790
Payroll Taxes Payable	<u>3,132</u>	<u>-</u>	<u>3,132</u>
Total Liabilities	<u>6,097</u>	<u>3,825</u>	<u>9,922</u>
NET ASSETS			
Invested in capital assets, net of related debt	67,279	37,171	104,450
Unrestricted	<u>26,691</u>	<u>4,251</u>	<u>30,942</u>
Total Net Assets	<u>\$ 93,970</u>	<u>\$ 41,422</u>	<u>\$ 135,392</u>

The accompanying notes are an integral part of the basic financial statements.

VILLAGE OF CREOLA, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

PROGRAM REVENUES				Net (Expenses) Revenues and Changes in Net Assets		
Expenses	Fees, Fines, and Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities						
General Government	\$ 89,540	\$ -	\$ 18,602	\$ (70,938)	\$ -	\$ (70,938)
Public Safety						
Law Enforcement	127,703	152,182		24,479		24,479
Total Governmental Activities	217,243	152,182	18,602	(46,459)	-	(46,459)
Business-type Activities						
Sewer	14267	7,172	7,015		(80)	(80)
Total Business-Type Activities	14267	7,172	7,015		(80)	(80)
Total	231,510	159,354	25,617	(46,459)	(80)	(46,539)
General Revenues:						
Taxes						
Ad Valorem				3,313	-	3,313
Franchise				11,072	-	11,072
Sales				39,265	-	39,265
Interest and Miscellaneous				2,028	-	2,028
Occupational Licenses				3,431	-	3,431
Transfers				(19,770)	19,770	-
Total General Revenues and Transfers				39,339	19,770	59,109
Change in Net Assets				(7,119)	19,690	12,571
Net Assets Beginning				101,089	21,732	122,821
Net Assets Ending				\$ 93,970	\$ 41,422	\$ 135,392

The accompanying notes are an integral part of the basic financial statements.

FUND FINANCIAL STATEMENTS

VILLAGE OF CREOLA, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	General Fund
ASSETS	
Cash and cash equivalents	\$ 16,970
Receivables	13,201
Prepaid Expenses	2,617
TOTAL ASSETS	<u>\$ 32,788</u>
LIABILITIES AND FUND BALANCES	
<u>Liabilities</u>	
Accounts and Other Payables	\$ 2,965
Accrued Salaries Payable	-
Payroll Taxes Payable	<u>3,132</u>
Total Liabilities	6,097
<u>Fund Balances</u>	
Unreserved, reported in:	
General Fund	<u>26,691</u>
Total Fund Balances	<u>26,691</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 32,788</u>

The accompanying notes are an integral part of the basic financial statements.

VILLAGE OF CREOLA, LOUISIANA**Reconciliation of the Government Funds Balance Sheet
to the Government-Wide Financial Statement of Net Assets - Governmental Activities****June 30, 2008**

Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Fund Balance, Total Governmental Funds (Statement C)	\$ 26,691
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Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the governmental
funds.

Governmental capital assets	\$ 85,687	
Less: Accumulated Depreciation	<u>(18,408)</u>	67,279

Net Assets of Governmental Activities (Statement A)	<u><u>\$ 93,970</u></u>
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The accompanying notes are an integral part of the basic financial statements.

VILLAGE OF CREOLA, LOUISIANA
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2008

	<u>General Fund</u>
REVENUES	
Taxes:	
Ad valorem	\$ 3,313
Other taxes	53,768
Intergovernmental	18,602
Court Revenue	152,182
Investment and Miscellaneous	2,027
Contributions	-
Total Revenues	<u>229,893</u>
EXPENDITURES	
Current	
General Government	80,766
Public Safety - Law Enforcement	127,703
Capital Outlay	27,953
Total Expenditures	<u>236,422</u>
Excess (deficiency) of revenues over expenditures	(6,529)
OTHER FINANCING SOURCES (USES)	
Operating Transfers in (out)	<u>(19,770)</u>
Net Change in Fund Balance	(26,299)
Fund Balance - Beginning of Year	<u>52,990</u>
Fund Balance - End of year	<u><u>\$ 26,691</u></u>

The accompanying notes are an integral part of the basic financial statements.

VILLAGE OF CREOLA, LOUISIANA

**Reconciliation of The Statement of Revenues, Expenditures
and Changes in the Fund Balances of Governmental Funds
To the Statement of Activities - Governmental Activities**

For the Year Ended June 30, 2008

Amounts reported for governmental activities in the Statement of Activities
are different because:

Net Change in Fund Balances, Total governmental funds (Statement E)	\$ (26,299)
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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 of capital assets recorded in the current period.

\$ 27,953

Depreciation expense on capital assets is reported in the government-
wide statement of activities and changes in net assets, but they do not
require the use of current financial resources. Therefore, depreciation
expense is not reported as an expenditure in governmental funds.

<u>(8,773)</u>	<u>19,180</u>
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Changes in Net Assets of Governmental Activities, (Statement B)	<u><u>\$ (7,119)</u></u>
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The accompanying notes are an integral part of the basic financial statements.

VILLAGE OF CREOLA
Statement of Net Assets
PROPRIETARY FUNDS
BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS
June 30, 2007

	Sewerage Utility
ASSETS	
CURRENT ASSETS	
Cash	\$ 8,076
Accounts Receivable	-
Total Current Assets	<u>8,076</u>
NON-CURRENT ASSETS	
Capital Assets	
Land	20,000
Utility System	22,538
Less: Accumulated Depreciation	<u>(5,367)</u>
Total Non-current Assets	37,171
Total Assets	45,247
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	<u>3,825</u>
Total Current Liabilities	3,825
NET ASSETS	
Invested in capital assets, net of related debt	37,171
Unrestricted	<u>4,251</u>
Total Net Assets	<u>\$ 41,422</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF CREOLA
Statement of Revenues, Expenses, and Changes in Fund Net Assets
PROPRIETARY FUNDS
BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS
For the Year Ended June 30, 2008

	Sewerage Utility
Operating Revenue	
Charges for services	\$ 7,172
Operating Expenses	
Professional Fees	8,385
Taxes and Licenses	515
Depreciation	5,367
Total Operating Expenses	<u>14,267</u>
Operating Loss	(7,095)
Non-Operating Revenues (Expenses)	
Intergovernmental - State of La.	7,015
Net Gain Before Transfers	(80)
Transfers	
Transfers In	19,770
Transfers Out	<u>-</u>
Change in Net Assets	19,690
Net Assets, Beginning	<u>21,732</u>
Net Assets, Ending	<u><u>\$ 41,422</u></u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF CREOLA
Statement of Cash Flows
PROPRIETARY FUNDS
BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS
For the Year Ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 7,856
Payments to suppliers	<u>(8,205)</u>
Net cash provided by operating activities	(349)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Grant - State of La.	7,015
Transfers from Other Funds	19,275

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of Capital Assets	(19,213)
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Net Increase in Cash	6,728
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Cash, beginning of Year	<u>1,348</u>
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Cash, end of year	<u><u>\$ 8,076</u></u>
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The accompanying notes are an integral part of the financial statements.

VILLAGE OF CREOLA
Statement of Cash Flows
PROPRIETARY FUNDS
BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS
For the Year Ended June 30, 2008

Reconciliation of Operating Loss to	
Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ (7,395)
Adjustments to reconcile operating loss to	
net cash provided (used) by operating activities:	
Depreciation	5,367
Changes in assets and liabilities	
(Increase) Decrease in accounts receivable	684
(Increase) decrease in due from	
other funds	-
Increase (Decrease) in Accounts Payable	<u>3,525</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 2,181</u></u>
Total Cash and Cash Equivalents:	
Sewer Operating Fund	<u><u>\$ 8,076</u></u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF CREOLA, LOUISIANA
Notes to Financial Statements
June 30, 2008

INTRODUCTION

The Village of Creola was incorporated January 23, 2002, under the provisions of the Lawrason Act. The Village operates under a Mayor – Board of Aldermen form of government.

The accounting and reporting policies of the Village of Creola conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:517 and to the guides set forth in the *Louisiana Municipal Audit and Accounting Guide*, and to the industry audit guide, *Audits of State and Local Government Units*.

The Village maintains a general fund that provides police protection and general administrative functions, including coordination of related services with parish, state, and federal governing bodies.

The Village is located within Grant Parish in the central part of the State of Louisiana and is comprised of approximately 250 residents. The governing board is composed of three elected aldermen that are compensated for the regular and special board meetings they attend. There are three employees that provide police protection and perform clerical duties for the Village.

Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, established 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 is considered a primary government, as 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 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.

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 municipality to impose its will on that organization and/or
 - b. the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or

VILLAGE OF CREOLA, LOUISIANA
Notes to Financial Statements
June 30, 2008

significance of the relationship.

Based on the criteria, the Town has no component units.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund 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 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) 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.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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

VILLAGE OF CREOLA, LOUISIANA
Notes to Financial Statements
June 30, 2008

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.

Property 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

Governmental Funds

The municipality reports the following major governmental funds:

The General Fund is the municipality's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in an other fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide 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 inter-fund 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 these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) 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

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus is concerned with determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned, and

VILLAGE OF CREOLA, LOUISIANA
Notes to Financial Statements
June 30, 2008

expenses recognized when incurred. Allocation of costs are recorded in proprietary funds.

Proprietary funds distinguish operating revenues and expenses from non-operating 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. Principal operating revenues are utility billings. 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 non-operating revenues and expenses.

The proprietary fund of the Village consists of the following:

Sewer System Fund – This fund reflects activity related to providing waste water services to the residents of the Village.

C. Budget

The Village of Creola's management has recently adopted procedures to comply with the State's budget laws that are reflected in the financial statements:

1. The Village Clerk will prepare a proposed budget and submits the same to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget will be published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing will be called.
3. A public hearing will be held on the proposed budget at least ten days after the publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget will be adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated will require the approval of the Board of Aldermen.
6. All budgetary appropriations will lapse at the end of each fiscal year.

VILLAGE OF CREOLA, LOUISIANA

Notes to Financial Statements

June 30, 2008

7. Budget for the General Fund will be adopted on a basis consistent with generally accepted accounting principles (GAAP).
8. The Town does not utilize the budget in comparison form in financial statement presentation during the year.

D. Encumbrances

The Village of Creola does not use encumbrance accounting.

E. Cash and Cash Equivalents and Investments

The Village's cash is considered to be cash on hand, demand deposits, interest bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits, with maturities of three months or less when acquired. Under state law, the

municipality may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Under state law, the municipality may invest in United States bonds, treasury notes, or certificates. These are classified as investments of their original maturities exceed 90 days; if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

F. Inventories and Prepaid Items

The Village of Creola does not maintain an inventory. Purchases are made as needed for repair and maintenance. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. Receivables and Payables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include ad valorem taxes, sales and use taxes, and franchise taxes. Uncollectible ad valorem taxes are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. At June 30, 2008, an allowance for ad valorem taxes was considered unnecessary due to immateriality.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide or financial statements. Capital assets are capitalized at historical cost

VILLAGE OF CREOLA, LOUISIANA
Notes to Financial Statements
June 30, 2008

or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Utility System and Improvements	40 years
Equipment and Vehicles	5 years
Infrastructure	20 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Capital assets used in proprietary fund operations are accounted for the same as in government-wide statements.

I. Sales Tax

A two-percent sales and use tax was levied in the Village beginning January, 2003. The tax is to be used for general operating purposes of the Village.

J. Compensated Absences

The Village's leave policy does not provide for the accumulation and vesting of leave.

K. Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

L. Equity Classifications

In the government-wide statements, equity is classified as net assets and displayed in three components:

VILLAGE OF CREOLA, LOUISIANA

Notes to Financial Statements

June 30, 2008

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved or unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

N. Non-Exchange Transactions

Revenue from certain non-exchange transactions cannot be properly measured prior to collection. Furthermore, it is not practical to determine the probability of collection resulting from certain non-exchange transactions such as traffic citations. Consequently, revenue from franchise taxes, fines and court costs are not recognized until collected.

O. Internal Balances

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as internal balances on the statement of net assets and as due from/to other funds in the fund financial statements.

Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the government-wide governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

VILLAGE OF CREOLA, LOUISIANA
Notes to Financial Statements
June 30, 2008

P. Interfund Transactions

All interfund transactions are reported as transfers.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The general fund had actual expenditures over budgeted expenditures for the year ended June 30, 2008, in the amount of \$ 35,609.

NOTE 3 – AD VALOREM TAXES

The Village levies taxes on real and business personal property located within the boundaries of Village limits. Property taxes are levied by the Village on property values assessed by the Grant Parish Tax Assessor and approved by the State of Louisiana Tax Commission.

The Village is permitted to levy taxes up to 10% of the assessed property valuation for each specified purpose. Property taxes are recorded as revenues and receivables in the year assessed.

For the year ended June 30, 2008, taxes of 6.94 mills were levied on property with assessed value of \$ 477,422 and were dedicated as follows:

General corporate purposes	6.94
Total taxes levied were	\$ 3,313.29

Property Tax Calendar:

Assessment date	January 1, 2007
Levy date	June 30, 2007
Tax bills mailed	November 1, 2007
Penalties and interest added	January 1, 2008
Lien Date	March 1, 2008

VILLAGE OF CREOLA, LOUISIANA
Notes to Financial Statements
June 30, 2008

NOTE 4 – CASH AND CASH EQUIVALENTS

Under state law, the Village may 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.

Cash and cash equivalents – governmental and business-type activities

At June 30, 2008, the Village has cash and cash equivalents (book balances) totaling \$39,634 as follows:

Demand deposits	\$25,046
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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 fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all time equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2008, the carrying amount of the Village's deposits were \$25,046, and the bank balances (collected bank balances) were \$25,591. These deposits are secured from risk by \$25,591 of federal deposit insurance.

State statutes relating to cash and cash equivalents are located at Note 1E., "Cash and cash equivalents."

NOTE 5 – INVESTMENTS

The Village of Creola had no investments as of June 30, 2008.

NOTE 6 – RECEIVABLES

Receivables at June 30, 2008 consist of the following:

	<u>General</u>
Receivables:	
Sales taxes	\$ 7,578
Fees and Fines	<u>5,623</u>
Total receivables	<u>\$ 13,201</u>

VILLAGE OF CREOLA, LOUISIANA
Notes to Financial Statements
June 30, 2008

NOTE 7 – CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2008 follows:

	<u>Balance 6/30/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/08</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 9,700	\$ -	\$ -	\$ 9,700
Capital assets being depreciated:				
Equipment	24,966	14,313	-	39,279
Buildings	<u>23,069</u>	<u>13,640</u>	-	<u>36,709</u>
Total	48,035	27,953	-	75,988
Less accumulated depreciation for:				
Buildings and Equipment	<u>(9,635)</u>	<u>(8,774)</u>	-	<u>(18,409)</u>
Net Capital Assets being depreciated	<u>\$38,400</u>	<u>\$ 19,179</u>	<u>\$ -</u>	<u>\$ 57,579</u>

Depreciation expense of \$8,774 was charged to the following governmental functions:

General government	\$ 1,589
Public Safety	<u>7,185</u>
Total depreciation expense for governmental activities	<u>\$ 8,774</u>

	<u>Balance 6/30/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/08</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$20,000	\$ -	\$ -	\$ 20,000
Capital assets, depreciated	<u>-</u>	<u>22,538</u>	-	<u>22,538</u>
Less: accumulated depreciation	<u>-</u>	<u>(5,367)</u>	-	<u>(5,367)</u>
Net Capital Assets	<u>\$20,000</u>	<u>\$ 17,171</u>	<u>\$ -</u>	<u>\$ 37,171</u>

VILLAGE OF CREOLA, LOUISIANA
Notes to Financial Statements
June 30, 2008

NOTE 8 – ACCOUNTS AND OTHER PAYABLES

The following is a summary of payables at June 30, 2008:

<u>Class of Payable</u>	<u>General Fund</u>	<u>Proprietary Fund</u>
Accounts	\$ 2,965	\$ 3,825
Payroll taxes	<u>3,132</u>	<u> </u>
Total Payable	<u>\$ 6,097</u>	<u>\$ 3,825</u>

NOTE 9 – LEASES

The Village of Creola had no leases as of June 30, 2008.

NOTE 10 – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2008 consist of the following:

	<u>Transfers From:</u> <u>General Fund</u>
Transfers To:	
Sewerage Utility Fund	<u>\$ 19,770</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the fund required to pay the debt, and (3) use unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 11 – PENSION PLAN

The employees of the Village are members of the Social Security System. In addition to the employee contributions withheld at 7.65% of gross salary, the Village contributes an equal amount to the Social Security System. The Village does not guarantee the benefits granted by the Social Security System.

NOTE 12 - RISKS AND CONTINGENCIES

The Village 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 carries commercial insurance to reduce the risk of loss resulting from property damage or liability claims.

VILLAGE OF CREOLA, LOUISIANA

Notes to Financial Statements

June 30, 2008

NOTE 13 – COMPENSATION PAID TO MAYOR AND BOARD OF ALDERMEN

In accordance with the requirements of the Office of the Legislative Auditor, State of Louisiana, the following report reflects compensation paid to the Mayor and members of the Board of Aldermen of the Village of Creola, Louisiana, for the fiscal year ending June 30, 2008.

Lisa Butchee, Alderman	\$ 2,250
Sharon Fisher, Alderman	2,250
Sherry Hardwick, Alderman	2,250
Wayne Nugent, Mayor	6,000

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF CREOLA
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
GENERAL FUND
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final	Amounts	Variance
REVENUES				
Taxes:				
Ad Valorem Taxes	\$ 2,000	\$ 2,000	\$ 3,313	\$ 1,313
Sales and use taxes	38,000	38,000	39,265	1,265
Franchise taxes	17,000	17,000	11,072	(5,928)
Licenses and permits	-	-	3,431	3,431
Court Revenue	150,000	150,000	152,182	2,182
Grant Income	25,000	25,000	18,602	(6,398)
Miscellaneous Income	1,000	1,000	1,350	350
Interest	650	650	678	28
Total Revenues	233,650	233,650	229,893	(3,757)
EXPENDITURES				
General Government:				
Advertising	900	900	865	35
Auto Exp	16,900	16,900	18,710	(1,810)
Bank Charges	300	300	310	(10)
Contract Services	7,500	7,500	7,598	(98)
Dues and Subscriptions	165	165	165	-
Insurance	7,500	7,500	8,228	(728)
Outside Services	400	400	420	(20)
Office Expenses	3,525	3,525	3,833	(108)
Taxes and Licenses	900	900	796	104
Payroll Taxes	9,500	9,500	9,662	(162)
Professional Fees	31,000	31,000	12,655	18,345
Repairs and Maintenance	12,000	12,000	12,631	(631)
Salaries - Aldermen	6,750	6,750	6,750	-
Salaries and Wages	108,000	108,000	106,320	1,680
Supplies	8,000	8,000	8,346	(346)
Telephone	6,500	6,500	6,578	(78)
Uniforms	1,500	1,500	1,450	50
Utilities	3,000	3,000	3,352	(352)
Total General Government	224,340	224,340	208,469	15,871
Capital Outlay	-	-	27,953	(27,953)
Total Expenditures	224,340	224,340	236,422	(12,082)
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	9,310	9,310	(6,529)	(15,839)
Other Financing Sources				
Transfers In (Out)	-	-	(19,770)	(19,770)
Total Other Financing Sources	-	-	(19,770)	(19,770)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures			(26,299)	(35,609)
FUND BALANCE - BEGINNING OF YEAR	52,990	52,990	52,990	-
FUND BALANCE - END OF YEAR	\$ 62,300	\$ 62,300	\$ 26,691	\$ (35,609)

GAAP serves as the budgetary basis of accounting.
See independent auditor's report.

**OTHER REPORTS REQUIRED BY
GOVERNMENTAL AUDITING STANDARDS**

WILLIAM E. HUGHES, JR., APC
CERTIFIED PUBLIC ACCOUNTANT

1815-B Military Hwy.
Pineville, LA 71360
Phone (318) 443-5444 Fax (318) 443-5496
email WHUGHESCPA@TP-SOLVE.COM

**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**

To Honorable Wayne Nugent, Mayor
and Members of the Board of Aldermen
Village of Creola, Louisiana

I have audited the accompanying financial statements of the governmental activities of the Village of Creola, Louisiana as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements of the Village, and have issued my report thereon dated December 23, 2008. I conducted my 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.

Internal Control Over Financial Reporting

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

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 of Creola'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 of Creola's financial statements that is more than inconsequential will not be prevented or detected by the Village of Creola's internal control.

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 of Creola's internal control.

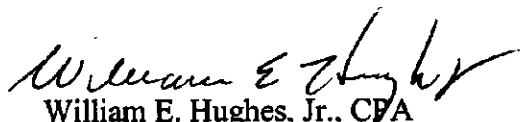
My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Creola'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 three instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and responses as items 2008-01, 2008-02, and 2008-03.

Village of Creola's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. I did not audit the Village of Creola's response and, accordingly, express no opinion on it.

This report is intended solely for the information and use of the Honorable Mayor, members of the Board of Aldermen, management of the Village of Creola and the Louisiana State Legislative Auditor. This report is not intended to be, and should not be, used by anyone other than these specified parties. However, under Louisiana Revised Statute 21:513, this report is in fact a public document.


William E. Hughes, Jr., CPA
December 23, 2008

VILLAGE OF CREOLA, LOUISIANA
Schedule of Findings and Responses
For the Year Ended June 30, 2008

I have audited the financial statements of the Village of Creola as of and for the year ended June 30, 2008, and have issued by report thereon dated December 23, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of June 30, 2008, resulted in an unqualified opinion.

Section I – Summary of Auditor’s Results

Report on Internal Control and Compliance over Financial Reporting:

Internal control

Material weaknesses identified? ☐ Yes ☒ No

Significant deficiencies identified
not considered to be
material weaknesses ☒ Yes ☐ No

Compliance

Non-Compliance Material to Financial Statements ☐ Yes ☒ No

Management’s Summary Schedule of Prior Audit Findings See attached

Management’s Corrective Action Plan See attached

Other Comments and Recommendations Not Applicable

Section II – Financial Statement Findings in Accordance with *Government Auditing Standards*

The following finding relates to the financial statements and is required to be reported in accordance with *Government Auditing Standards*:

Compliance

2008-01 - Compliance with Local Budget Act

Condition: LA R.S. 33: 406 A. states, in part, that any act of a municipal government board which provides for appropriation of funds shall be by ordinance. For the year ended June 30, 2008, the Village of Creola did not adopt their budget by ordinance.

VILLAGE OF CREOLA, LOUISIANA
Schedule of Findings and Responses
For the Year Ended June 30, 2008

Cause: Oversight by management to ensure the budget was adopted by ordinance.

Recommendation: The Village of Creola should establish procedures to ensure that procedures be developed to ensure that the budgets are adopted by use of an ordinance.

Management's Response: See Management's Corrective Action Plan

2008-02 – Employee Advances

Condition: An employee of the Village of Creola received cash in advance of scheduled payroll dates. Louisiana State Law, LSA-R.S. 14:138, prohibits municipal employees from receiving cash advances.

Cause: Oversight by management to ensure compliance with the applicable revised statute.

Recommendation: The Village should implement a policy to comply with State Law that prohibits any employees from receiving payroll advances.

Management's Response: See Management's Corrective Action Plan

2008-03 – Alleged Misappropriation of Assets

Condition: During the current year inventory of fixed assets, management noted that former employees of the Village of Creola appeared to have misappropriated equipment and other assets. Management has attempted to recover these assets, but has not been successful at the audit report date.

Cause: Alleged employee theft

Recommendation: The Village of Creola should contact appropriate law enforcement agencies to recover the missing equipment.

Management's Response: See Management's Corrective Action Plan

VILLAGE OF CREOLA, LOUISIANA
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2008

2007-01 Improved Controls over Traffic Citations

Condition: As part of my tests of the Village of Creola's traffic citation's revenue recording procedures, I examined related supporting documentation for those selected citations. It was determined that a lack of documentation exists for those citations where fines have been reduced or nol-prossed.

Status – This condition has been corrected as of June 30, 2008

**Village of Creola, Louisiana
Management's Corrective Action Plan
Year Ended June 30, 2008**

The Village of Creola respectfully submits the following corrective action plan for the year ended June 30, 2008.

Independent Public Accounting Firm: William E. Hughes, Jr., CPA APC
1815-B Military Hwy.
Pineville, LA 71360
(318) 443-5444

Auditee Contact Person: Sheila Girlinghouse, Town Clerk
Village of Creola, LA
241 Grays Creek Road
Dry Prong, LA 71423
(318) 641-0430

Audit Period: July 1, 2007 through June 30, 2008

The findings from the Schedule of Findings and Responses

2008-01 - Compliance with Local Budget Act

Condition: LA R.S. 33: 406 A. states, in part, that any act of a municipal government board which provides for appropriation of funds shall be by ordinance. For the year ended June 30, 2008, the Village of Creola did not adopt their budget by ordinance.

Recommendation: The Village of Creola should establish procedures to ensure that the budget is amended when actual revenues are less than budgeted by more than 5% and/or actual expenditures are more than budgeted expenditures by more than the 5% allowed and that procedures be developed to ensure that the budgets are adopted by use of an ordinance.

Management's Response: The Village of Creola's management agrees with and will implement the recommendation.

2008-02 – Employee Advances

Condition: An employee of the Village of Creola received cash in advance of scheduled payroll dates. Louisiana State Law, LSA-R.S. 14:138, prohibits municipal employees from receiving cash advances.

Recommendation: The Village should implement a policy to comply with State Law that prohibits any employees from receiving payroll advances.

Management's Response: The Village of Creola's management agrees with and will implement the recommendation.

2008-03 – Alleged Misappropriation of Assets

Condition: During the current year inventory of fixed assets, management noted that former employees of the Village of Creola appeared to have misappropriated equipment and other assets. Management has attempted to recover these assets, but has not been successful at the audit report date.

Recommendation: The Village of Creola should contact appropriate law enforcement agencies to recover the missing equipment.

Management's Response: The Village of Creola's management agrees with and will implement the recommendation.