

TOWN OF EROS
Eros, Louisiana

Annual Financial Statements

As of and for the Year Ended
December 31, 2003

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

Release Date 6-2-04

TOWN OF EROS
Eros, Louisiana

Annual Financial Statements

As of and for the Year Ended December 31, 2003

C O N T E N T S

	Statement	Page No.
Accountant's Compilation Report		3
Required Supplemental Information:		
Management's Discussion and Analysis		4
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Assets	A	9
Statement of Activities	B	10
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C	12
Statement of Revenues, Expenditures and Changes in Fund Balances	D	13
Business-Type Activities:		
Statement of Net Assets	E	15
Statement of Revenues, Expenses, and Changes in Net Assets	F	16
Statement of Cash Flows	G	17
Notes to the Financial Statements		18

TOWN OF EROS
 Eros, Louisiana
 Annual Financial Statements
 As of and for the Year Ended December 31, 2003

C O N T E N T S (Contd.)

	Schedule	Page No.
Required Supplemental Information:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and And Actual - General Fund	1	28
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and And Actual - Eros Volunteer Fire Department Special Revenue Fund	2	29
Other Supplemental Information Schedules:		
Schedule of Per Diem Paid Aldermen	3	32
Status of Prior Year Findings	4	33
Current Year Findings and Corrective Action Plan	5	34

M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

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Accountant's Compilation Report

MAYOR AND BOARD OF ALDERMEN
TOWN OF EROS
Eros, Louisiana

I have compiled the accompanying basic financial statements and supplemental information schedules, as listed in the foregoing table of contents, of the Town of Eros as of December 31, 2003, and for the year then ended, in accordance with standards established by *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements and schedules, information that is the representation of management. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any form of assurance on them.

I am not independent with respect to the Town of Eros for the year ended December 31, 2003.

Carleen Dumas

Calhoun, Louisiana
May 6, 2004

TOWN OF EROS
Eros, Louisiana

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2003

Our discussion and analysis of Town of Eros' (hereafter referred to as the Town) financial performance provides an overview of the town's financial activities for the fiscal year ended December 31, 2003. Please read it in conjunction with the Town's financial statements that begin on page 9.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities on pages 9 through 11 provide information about the activities of the Town as a whole. Fund financial statements begin on page 12. For governmental activities, these statements provide information on how the general activities of the Town are financed in the short term as well as what remains for future spending. Fund financial statements report the Town's operations in more detail than the government-wide statements.

Reporting the Town as a Whole - The Statement of Net Assets and the Statement of Activities

Our analysis of the Town as a whole begins on page 9 with the Statement of Net Assets and on page 10 with the Statement of Activities. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's *net assets* and the changes in them. Net assets - the difference between assets (what the Town owns) and liabilities (what the Town owes) is a way to measure the financial position of the Town. Over time, increases or decreases in the Town's net assets are an indicator of whether the Town's financial position is improving or deteriorating.

In the Statement of Net Assets and the Statement of Activities, the Town is divided into two kinds of activities:

Governmental activities - all of the Town's governmental services are reported here including the police department, fire department, community development, and general administration.

Business-type activities - the Town's water and sewer system is reported here.

Reporting the Town's Funds - Fund Financial Statements

Our analysis of the Town's funds begin on page 12. The fund financial statements provide more detailed information about the Town's funds. The 2001 and 2002 LCDBG Capital Projects Funds were required to be established by the federal grantor. The Eros Volunteer Fire Department Special Revenue Fund and the Utilities Enterprise Fund were established by the Town to help it

TOWN OF EROS
 Eros, Louisiana
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended December 31, 2003

control and manage money for particular purposes. The Town's two kinds of funds - governmental and business-type funds use different accounting methods.

Governmental funds focus on how money flows into and out of the funds and the balances left at year-end that are available for spending. Governmental funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's operations. Governmental fund information helps to determine whether there are more or fewer financial resources that are available to be spent in the near future. The differences between governmental activities reported in the Statement of Net Assets and the Statement of Activities and governmental funds are reported in a reconciliation at the bottom of the fund financial statements.

Business-type activities funds are reported in the same way that the activities are reported in the Statement of Net Assets and the Statement of Activities.

**COMPARATIVE ANALYSIS OF
 FINANCIAL DATA**

The Town's total net assets increased by \$185,945 during 2003. The increase in net assets is primarily due to the village receiving federal grant funds in the amount of \$214,668 to make improvements to the town water system. The following presents an analysis of net assets and changes in net assets of the Town's governmental and business-type activities:

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2003	2002	2003	2002	2003	2002
Assets						
Current assets	\$177,155	\$158,407	\$62,700	\$60,230	\$239,855	\$218,637
Capital assets	<u>316,639</u>	<u>104,407</u>	<u>434,684</u>	<u>462,712</u>	<u>751,323</u>	<u>567,119</u>
Total assets	<u>493,794</u>	<u>262,814</u>	<u>497,384</u>	<u>522,942</u>	<u>991,178</u>	<u>785,756</u>
Liabilities						
Current liabilities	63,538	44,125	9,490	9,426	73,028	53,551
Long-term liabilities	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>
Total liabilities	<u>63,538</u>	<u>44,125</u>	<u>9,490</u>	<u>9,426</u>	<u>73,028</u>	<u>53,551</u>
Net Assets						
Invested in capital assets	316,639	104,407	434,684	462,712	751,323	567,119
Unrestricted	<u>113,617</u>	<u>114,282</u>	<u>53,210</u>	<u>50,804</u>	<u>166,827</u>	<u>165,086</u>
Total net assets	<u>430,256</u>	<u>218,689</u>	<u>487,894</u>	<u>513,516</u>	<u>918,150</u>	<u>732,205</u>

TOWN OF EROS
Eros, Louisiana
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2003

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2003	2002	2003	2002	2003	2002
Program revenues						
Charges for services	\$25,110	\$32,844	\$32,784	\$36,644	\$57,894	\$69,488
Operating grant	214,668	106,491	18,247	10,937	232,915	117,428
General revenues						
Sales taxes	11,533	8,518			11,533	8,518
Franchise taxes	4,634	3,850			4,634	3,850
Beer taxes	82	77			82	77
Occupational licenses	15,176	14,854			15,176	14,854
Investment earnings	1,790	1,217	857	1,149	2,647	2,366
Other		2,488				2,488
Total revenue	<u>272,993</u>	<u>170,339</u>	<u>51,888</u>	<u>48,730</u>	<u>324,881</u>	<u>219,069</u>
Program expenses						
General government	43,909	90,522			43,909	90,522
Public safety - police	16,387	16,918			16,387	16,918
Public safety - fire	1,130	3,233			1,130	3,233
Water and sewer			77,510	82,486	77,510	82,486
Total expenses	<u>61,426</u>	<u>110,673</u>	<u>77,510</u>	<u>82,486</u>	<u>138,936</u>	<u>193,159</u>
Change in net assets	211,567	59,666	(25,622)	(33,756)	185,945	25,910
Net assets - beginning	218,689	159,023	513,516	547,272	732,205	706,295
Net assets - ending	<u>\$430,256</u>	<u>\$218,689</u>	<u>\$487,894</u>	<u>\$513,516</u>	<u>\$918,150</u>	<u>\$732,205</u>

The town's total revenues increased \$105,812 in 2003 primarily due to receiving a federal grant for \$214,668 and a decrease in state grants of \$41,331. Charges for services decreased \$11,594 primarily due to a decrease in fine revenue. Total expenses decreased \$54,223 due to a decrease in line relocation expenses that were funded by the state grant during 2002.

Governmental Funds

The revenue from governmental activities increased \$102,654 from revenues of the prior year due to a \$149,508 increase in federal grants and a \$41,331 decrease in state grants. The state grant was to reimburse the Town for the cost of relocating utility lines but was accounted for in the General Fund. The expenses of the governmental activities decreased \$49,247 from the prior year amounts due to expenditures incurred in the prior year for relocating the utility lines.

Business-Type Activities

The Town's revenue from business-type activities remained fairly constant from the prior year. There was a \$7,310 increase in state grant revenue. Total expenses decreased \$4,976 primarily due to a decrease in repairs and maintenance expenses.

TOWN OF EROS

Eros, Louisiana

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2003

OVERALL FINANCIAL POSITION

The Town's net assets increased \$185,945 as a result of this year's operations. Unrestricted net assets (those assets available to finance the daily operations of the Town) were \$166,827 at year end. The amount invested in capital assets was \$751,323 at year end.

TOWN'S FUNDS

At the end of the year, the Town's General Fund reported an unreserved fund balance of \$90,139. The decrease in unreserved fund balance for 2003 was \$797. The Eros Volunteer Fire Department Special Revenue Fund had an unreserved fund balance of \$23,478 at year end. The increase in unreserved fund balance of this fund was \$132. The Utilities Enterprise Fund reported unrestricted net assets of \$53,210 at year end. The decrease in net assets was \$25,622 for 2003. The decrease in net assets was a result of operating revenues being insufficient to cover the cost of operations including depreciation expense.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town amended its General Fund budget two times during the year. At year end, actual revenues were \$1,194 more than budgeted revenues and actual expenditures were \$3,162 less than budgeted expenditures. The Town did not amend its budget for the Eros Volunteer Fire Department Special Revenue Fund. At year end, actual revenues were \$863 less than budgeted revenues and actual expenditures were \$505 more than budgeted expenditures. The Town prepares its General Fund and Eros Volunteer Fire Department Special Revenue Fund budgets on the modified accrual basis of accounting.

CAPITAL ASSETS

At the end of the year, the Town had capital assets (net of accumulated depreciation) totaling \$751,323. Capital assets include the water and sewer system and improvements, construction in progress, land, buildings, equipment and vehicles, costing \$500 or more. The Town's construction in progress increased \$214,668 during the year due to improvements to the town's water system and fire protection. The Town also purchased \$9,845 in equipment for the water system from a state grant received in 2003. Additional information about the Town's capital assets is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Town prepared its 2004 budgets on the assumption that revenues and expenditures will remain fairly constant next year. The Town does anticipate an increase in revenues and expenditures during 2004 for the LCDBG Capital Projects Funds due to the ongoing water system improvement project. The Town expects its revenues and expenses of the Utilities Enterprise Fund to remain fairly constant for 2004.

BASIC FINANCIAL STATEMENTS

TOWN OF EROS
Eros, Louisiana

STATEMENT OF NET ASSETS
December 31, 2003

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
Cash	\$88,032	\$59,505	\$147,537
Investments	21,591	3,787	25,378
Receivables (net of allowances for uncollectibles)	64,361	2,579	66,940
Internal balances	3,171	(3,171)	
Capital assets (net)	316,639	434,684	751,323
TOTAL ASSETS	<u>493,794</u>	<u>497,384</u>	<u>991,178</u>
LIABILITIES			
Accounts payable	62,906	452	63,358
Payroll taxes payable	632		632
Customer deposits		9,038	9,038
TOTAL LIABILITIES	<u>63,538</u>	<u>9,490</u>	<u>73,028</u>
NET ASSETS			
Invested in capital assets	316,639	434,684	751,323
Unrestricted	113,617	53,210	166,827
TOTAL NET ASSETS	<u>\$430,256</u>	<u>\$487,894</u>	<u>\$918,150</u>

See accompanying notes and accountant's compilation report.

TOWN OF EROS
Eros, Louisiana

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2003

	Expenses	Program Revenues... Charges for Services	Operating Grants	Governmental Activities	Business- Type Activities	Total	Net (Expense) Revenue andChanges in Net Assets.....
GOVERNMENTAL ACTIVITIES:							
General government	\$43,909	\$6,147		(\$37,762)			(\$37,762)
Public safety - police	16,387	18,963		2,576			2,576
Public safety - fire	1,130			(1,130)			(1,130)
Community development			214,668	214,668			214,668
Total governmental activities	61,426	25,110	214,668	178,352			178,352
BUSINESS-TYPE ACTIVITIES:							
Water and sewer service	77,510	32,784	18,247		(\$26,479)		(\$26,479)
Total business-type activities	\$138,936	\$57,894	\$232,915	178,352	(26,479)		151,873
GENERAL REVENUES:							
Sales taxes				11,533			11,533
Franchise taxes				4,634			4,634
Beer taxes				82			82
Occupational licenses				15,176			15,176
Investment earnings				1,790	857		2,647
Total general revenues				33,215	857		34,072

(Continued)

See accompanying notes and accountant's compilation report.

TOWN OF EROS
 Eros, Louisiana
 STATEMENT OF ACTIVITIES
 For the Year Ended December 31, 2003

		Net (Expense) Revenue and		
	Changes in Net Assets.....		
		Business-		
		Type		
		Activities		
		Total		
Program Revenues..	Operating	Governmental		
Charges	Grant	Activities	Activities	
for				
Services				
Expenses				
		\$211,567	(\$25,622)	\$185,945
		<u>218,689</u>	<u>513,516</u>	<u>732,205</u>
		<u>\$430,256</u>	<u>\$487,894</u>	<u>\$918,150</u>
CHANGE IN NET ASSETS				
NET ASSETS - BEGINNING				
NET ASSETS - ENDING				

(Concluded)

See accompanying notes and accountant's compilation report.

TOWN OF EROS
Eros, Louisiana

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2003

	General Fund	Eros Volunteer Fire Department Special Revenue Fund	2002 LCDBG Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash	\$86,144	\$1,887		\$88,031
Investments		21,591		21,591
Receivables	1,918		\$62,443	64,361
Due from other funds	3,171			3,171
Total Assets	<u>\$91,233</u>	<u>\$23,478</u>	<u>\$62,443</u>	<u>\$177,154</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$462		\$62,443	\$62,905
Payroll taxes payable	632			632
Total liabilities	<u>1,094</u>	<u>NONE</u>	<u>62,443</u>	<u>63,537</u>
Fund balance - unreserved	<u>90,139</u>	<u>\$23,478</u>	<u>NONE</u>	<u>113,617</u>
Total Liabilities and Fund Balances	<u>\$91,233</u>	<u>\$23,478</u>	<u>\$62,443</u>	<u>\$177,154</u>

**Reconciliation of the Balance Sheet of Governmental
Funds To the Statement of Net Assets:**

Fund balances - unreserved - Total Governmental Funds	\$113,617
Amount reported for net assets of governmental activities in the Statement of Net Assets (Statement A) is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund	316,639
Net assets of governmental activities (Statement A)	<u>\$430,256</u>

See accompanying notes and accountant's compilation report.

TOWN OF EROS
Eros, Louisiana

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2003

	General Fund	Eros Volunteer Fire Department Special Revenue Fund	2001 LCDBG Capital Projects Fund	2002 LCDBG Capital Projects Fund	Total Governmental Funds
REVENUES					
Taxes:					
Sales	\$11,533				\$11,533
Franchise	4,634				4,634
Beer	82				82
Licenses and permits	15,176				15,176
Intergovernmental revenue - federal grant			\$140,245	\$74,423	214,668
Fines	18,710				18,710
Rent	2,850				2,850
Fees and charges	3,297				3,297
Investment earnings	1,152	\$637			1,789
Other revenues	253				253
Total revenues	<u>57,687</u>	<u>637</u>	<u>140,245</u>	<u>74,423</u>	<u>272,992</u>
EXPENDITURES					
General government:					
Personal services	22,806				22,806
Operating services	11,916				11,916
Materials and supplies	4,381				4,381
Other charges	3,201				3,201
Public safety:					
Personal services	8,866				8,866
Operating services	7,151				7,151
Materials and supplies	163	505			668
Community development - facilities construction			140,245	74,423	214,668
Total expenditures	<u>58,484</u>	<u>505</u>	<u>140,245</u>	<u>74,423</u>	<u>273,657</u>
NET CHANGE IN FUND BALANCE	(797)	132	NONE	NONE	(665)
FUND BALANCE AT BEGINNING OF YEAR	<u>90,936</u>	<u>23,346</u>	<u>NONE</u>	<u>NONE</u>	<u>114,282</u>
FUND BALANCE AT END OF YEAR	<u>\$90,139</u>	<u>\$23,478</u>	<u>NONE</u>	<u>NONE</u>	<u>\$113,617</u>

(Continued)

See accompanying notes and accountant's compilation report.

TOWN OF EROS

Eros, Louisiana

STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
 For the Year Ended December 31, 2003

	Eros Volunteer Fire Department Special Revenue Fund	LCDBG Capital Projects Fund	LCDBG Capital Projects Fund	Total Governmental Funds
	<u>General Fund</u>		<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities:				
Net change in fund balances - Total Governmental Funds				(\$665)
Amount reported for governmental activities in the Statement of Activities (Statement B) are 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 as depreciation expense. This is the amount by which facilities construction exceeded depreciation expense in the current period.				212,232
Change in net assets of governmental activities (Statement B)				<u>\$211,567</u>

(Concluded)

See accompanying notes and accountant's compilation report.

TOWN OF EROS
Eros, Louisiana

STATEMENT OF NET ASSETS - BUSINESS-TYPE ACTIVITIES
December 31, 2003

	<u>Utilities Enterprise Fund</u>
ASSETS	
Current assets:	
Cash	\$59,505
Investments	3,787
Accounts receivable (net of allowance for doubtful accounts)	2,579
Total current assets	<u>65,871</u>
Noncurrent assets:	
Capital assets (net of accumulated depreciation)	<u>434,684</u>
Total assets	<u>500,555</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$452
Due to other funds	3,171
Customer deposits	9,038
Total liabilities	<u>12,661</u>
NET ASSETS	
Invested in capital assets	434,684
Unrestricted	53,210
Total net assets	<u>\$487,894</u>

See accompanying notes and accountant's compilation report.

TOWN OF EROS
Eros, Louisiana

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - BUSINESS-TYPE ACTIVITIES**
For the Year Ended December 31, 2003

	<u>Utilities Enterprise Fund</u>
OPERATING REVENUES	
Water and sewer sales	\$32,339
Connection fees and meter charges	400
Other operating income	45
Total operating revenue	<u>32,784</u>
OPERATING EXPENSES	
Gas and oil	1,048
Repairs and maintenance	5,595
Utilities	7,624
Supplies	8,376
Insurance	1,319
Salaries and payroll taxes	12,036
Fees and dues	1,309
Sales taxes	797
Depreciation	37,873
Other operating expenses	1,533
Total operating expenses	<u>77,510</u>
OPERATING INCOME (Loss)	<u>(44,726)</u>
NON-OPERATING REVENUES	
Interest earned on deposits	857
State grant - rural development	18,247
Total non-operating revenues	<u>19,104</u>
CHANGE IN NET ASSETS	(25,622)
NET ASSETS - BEGINNING	<u>513,516</u>
NET ASSETS - ENDING	<u>\$487,894</u>

See accompanying notes and accountant's compilation report.

TOWN OF EROS
Eros, Louisiana

STATEMENT OF CASH FLOWS - BUSINESS-TYPE ACTIVITIES
For the Year Ended December 31, 2003

	<u>Utilities Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$33,026
Customer deposit receipts, net	207
Payments to suppliers	(28,190)
Payments to employees	<u>(10,265)</u>
Net cash used by operating activities	<u>(5,222)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	<u>(9,845)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State grant - rural development	<u>18,247</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earnings on bank deposits	857
Purchase of investments	<u>(117)</u>
Net cash provided by investing activities	<u>740</u>
NET INCREASE IN CASH	3,920
CASH AT BEGINNING OF YEAR	<u>55,585</u>
CASH AT END OF YEAR	<u><u>\$59,505</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities	
Operating Loss	<u>(\$44,726)</u>
Adjustments:	
Depreciation	37,873
Decrease in accounts receivable	242
Increase in due to other funds	1,326
Increase in customer deposits	207
Decrease in accounts payable	<u>(144)</u>
Total adjustments	<u>39,504</u>
Net cash used by operating activities	<u><u>(\$5,222)</u></u>
See accountant's compilation report and accompanying notes.	

TOWN OF EROS
Eros, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2003

INTRODUCTION

The Town of Eros was incorporated under the provisions of the Lawrason Act. The town is governed by the mayor-board of aldermen form of government. The mayor and five aldermen serve four-year terms which expire on December 31, 2004. The aldermen receive a \$50 per diem for attending each regular and special meeting. The town provides public safety and general government services to its residents. The town has an elected Chief of Police and two other employees.

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 Town of Eros 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 and local governments. As used in GASB Statement No. 14, fiscally independent means that the municipality 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 town has no component units.

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 activities) report information on all of the activities of the Town of Eros. 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.

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 meeting 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.

See accountant's compilation report.

TOWN OF EROS
Notes to the Financial Statements

Separate financial statements are provided for governmental funds and business-type activities funds. All individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

**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, as are the business-type 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. 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, revenues are considered 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 judgements, are recorded only when payment is due.

Sales taxes, franchise taxes, licenses and permits, 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 town.

The Town of Eros reports the following governmental funds:

General Fund

The General fund is the general operating fund of the town and accounts for all financial resources of the general government.

See accountant's compilation report.

TOWN OF EROS
Notes to the Financial Statements

Special Revenue - Eros Volunteer Fire Department Fund

The Eros Volunteer Fire Department Fund is used to account for financial resources to be used in providing fire protection to the residents of the town.

Capital Projects Funds

The 2001 LCDBG Capital Projects Fund is used to account for a grant from the United States Department of Housing and Urban Development, Division of Administration for the improvement of the town's water system.

The 2002 LCDBG Capital Projects Fund is used to account for a grant from the United States Department of Housing and Urban Development, Division of Administration for the improvement of the town's fire protection.

The Town of Eros reports the following business-type activity fund:

Utilities Enterprise Fund

The Utilities Enterprise fund accounts for the operations of the town's water and sewer systems.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and business-type activities 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 the same limitation. The town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity is eliminated from the government-wide financial statements.

Amounts reported as program revenues include charges to customers for goods, services, or privileges provided and operating grants. General revenues include all taxes.

Business-type activities funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing

See accountant's compilation report.

TOWN OF EROS
Notes to the Financial Statements

services and producing and delivering goods in connection with the fund's ongoing operations. The Utilities Enterprise Fund's operating revenues consist of charges for water and sewer sales and connection fees and meter charges. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

C. Deposits and Investments

Cash includes amounts in demand deposits, interest-bearing demand deposits and petty cash. State law allows the town to invest in collateralized certificates of deposits, government-backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. At December 31, 2003, the town's investments consist of nonnegotiable certificates of deposits with original maturities that exceed 90 days that are reported in the accompanying financial statements at cost.

D. Receivables

All receivables are generally shown net of an allowance for uncollectible amounts. These statements contain no provision for uncollectible accounts. The town is of the opinion that such an allowance would be immaterial in relation to the financial statements taken as a whole.

Sales Taxes

The town levies a one percent sales tax for the purpose of the General Fund. The sales tax is collected by the Jackson Parish Police Jury and remitted to the town net of the cost of collection.

E. Capital Assets

Capital assets, which include the water and sewer systems and improvements, land, buildings, vehicles, equipment, and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost. Approximately 94 percent of the town's capital assets have been capitalized at cost and the remaining 6 percent have been capitalized at estimated cost based on the historical cost of similar assets. The Town of Eros maintains a threshold level of \$500 or more for

See accountant's compilation report.

TOWN OF EROS
Notes to the Financial Statements

capitalizing capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest has been incurred in connection with the construction during the year ended December 31, 2003.

All capital assets, other than land and construction in progress, are depreciated using the straight-line method over the following useful lives:

	<u>Estimated Lives</u>
Infrastructure - water and sewer system and improvements	25 years
Buildings	25 - 40 years
Vehicles and equipment	5-15 years

F. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. At December 31, 2003, the town's governmental fund balances were unreserved and undesignated.

G. 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 certain reported amounts of assets and liabilities, disclosures, and revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget Information

The Town of Eros uses the following budget practices:

See accountant's compilation report.

TOWN OF EROS
Notes to the Financial Statements

A proposed budget for the General Fund and Eros Volunteer Fire Department Special Revenue Fund, prepared on the modified accrual basis of accounting, is formally adopted by the mayor and board of aldermen at the December board meeting each year. The budget is established and controlled by the mayor and board of aldermen at the object level of expenditure. Appropriations lapse at year-end and must be reappropriated for the following year to be expended. Encumbrance accounting is not utilized by the town. Budgeted amounts included in the accompanying financial statement include the original adopted budget amounts and all budget amendments.

B. Excess of Expenditures Over Appropriations

The following individual fund had actual expenditures over budgeted appropriations for the year ended December 31, 2003:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Eros Volunteer Fire Department Special Revenue Fund	<u>NONE</u>	<u>NONE</u>	<u>\$505</u>	<u>\$505</u>

3. DEPOSITS IN FINANCIAL INSTITUTIONS

At December 31, 2003, the town has cash and investments (book balances) as follows:

Checking account	\$1,887
Interest-bearing checking accounts	145,542
Petty cash	108
Investments - certificates of deposit	<u>25,378</u>
Total	<u>\$172,915</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2003, the Town of Eros has \$172,923 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$100,000 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

See accountant's compilation report.

TOWN OF EROS
Notes to the Financial Statements

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the town that the fiscal agent bank has failed to pay deposited funds upon demand.

4. RECEIVABLES

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

	General Fund	2002 LCDBG Capital Projects Fund	Utilities Enterprise Fund	Total
Sales taxes	\$896			\$896
Franchise taxes	1,022			\$1,022
Federal grant		\$62,443		62,443
Accounts			2,579	2,579
Allowance for doubtful accounts	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>
Total	<u>\$1,918</u>	<u>\$62,443</u>	<u>\$2,579</u>	<u>\$66,940</u>

5. INTERFUND RECEIVABLES/PAYABLES

The following is a summary of interfund receivables and payables at December 31, 2003:

	Due From Other Funds	Due To Other Funds
General Fund	\$3,171	
Utilities Enterprise Fund		\$3,171
Total	<u>\$3,171</u>	<u>\$3,171</u>

The amount due to the General Fund is for Utilities Enterprise Fund payroll taxes paid by the General Fund.

See accountant's compilation report.

TOWN OF EROS
Notes to the Financial Statements

6. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2003, is as follows:

	Balance at January 1, 2003	Increases	Decreases	Balance at December 31, 2003
Governmental activities:				
Capital assets not being depreciated - construction in progress	<u>\$65,160</u>	<u>\$214,668</u>	<u>NONE</u>	<u>\$279,828</u>
Capital assets being depreciated:				
Buildings	\$53,270			\$53,270
Vehicles and equipment	<u>69,781</u>			<u>69,781</u>
Total capital assets being depreciated	<u>123,051</u>	<u>NONE</u>	<u>NONE</u>	<u>123,051</u>
Less accumulated depreciation for:				
Buildings	22,415	\$1,421		23,836
Vehicles and equipment	<u>61,389</u>	<u>1,015</u>		<u>62,404</u>
Total accumulated depreciation	<u>83,804</u>	<u>2,436</u>	<u>NONE</u>	<u>86,240</u>
Total assets being depreciated, net	<u>\$39,247</u>	<u>(\$2,436)</u>	<u>NONE</u>	<u>\$36,811</u>
Business-type activities:				
Capital assets not being depreciated - land	<u>\$121</u>	<u>NONE</u>	<u>NONE</u>	<u>\$121</u>
Capital assets being depreciated:				
Water and sewer systems and improvements	\$1,026,295			\$1,026,295
Equipment	<u>2,142</u>	<u>\$9,845</u>		<u>11,987</u>
Total capital assets being depreciated	<u>1,028,437</u>	<u>9,845</u>	<u>NONE</u>	<u>1,038,282</u>
Less accumulated depreciation for:				

See accountant's compilation report.

TOWN OF EROS
Notes to the Financial Statements

	Balance at January 1, 2003	Increases	Decreases	Balance at December 31, 2003
Water and sewer systems and improvements	\$559,680	\$35,719		\$595,399
Equipment	6,166	2,154		8,320
Total accumulated depreciation	565,846	37,873	NONE	603,719
Total assets being depreciated, net	<u>\$462,591</u>	<u>(\$28,028)</u>	<u>NONE</u>	<u>\$434,563</u>

Depreciation expense of \$2,436 for the year ended December 31, 2003 was charged to the following governmental functions:

General government	\$1,605
Public safety - police	206
Public safety - fire	625
Total	<u>\$2,436</u>

7. FEDERAL GRANT CONTINGENCIES

During the year ended December 31, 2003, the Town of Eros received federal grant funds totaling \$214,668. These grant funds are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with the conditions of the grant. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

8. RISK MANAGEMENT

The town purchases commercial insurance to reduce the risk of loss resulting from property damage or liability claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

See accountant's compilation report.

REQUIRED SUPPLEMENTAL INFORMATION

See accountant's compilation report.

TOWN OF EROS
Eros, Louisiana

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND

For the Year Ended December 31, 2003

	BudgetedAmounts.....		Actual Amounts (Budgetary Basis - GAAP)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Sales	7,000	12,000	11,533	(467)
Franchise	3,800	4,900	4,634	(266)
Beer	100	75	82	7
Licenses and permits	13,800	15,451	15,176	(275)
Fines	34,000	16,600	18,710	2,110
Rent	2,000	2,775	2,850	75
Fees and charges	2,100	3,292	3,297	5
Investment earnings	2,200	1,100	1,152	52
Other revenue		300	253	(47)
Total revenues	<u>65,000</u>	<u>56,493</u>	<u>57,687</u>	<u>1,194</u>
EXPENDITURES				
General government:				
Personal services	16,981	22,900	22,806	94
Operating services	13,000	13,500	11,916	1,584
Materials and supplies	4,000	2,500	4,381	(1,881)
Other charges	3,000	3,450	3,201	249
Capital outlay	1,000	1,000		1,000
Public safety - police:				
Personal services	10,335	10,946	8,866	2,080
Operating services	8,490	6,750	7,151	(401)
Materials and supplies	600	300	163	137
Other charges	500	300		300
Total expenditures	<u>57,906</u>	<u>61,646</u>	<u>58,484</u>	<u>3,162</u>
NET CHANGE IN FUND BALANCE	7,094	(5,153)	(797)	4,356
FUND BALANCE AT BEGINNING OF YEAR	<u>81,000</u>	<u>88,277</u>	<u>90,936</u>	<u>2,659</u>
FUND BALANCE AT END OF YEAR	<u><u>\$88,094</u></u>	<u><u>\$83,124</u></u>	<u><u>\$90,139</u></u>	<u><u>\$7,015</u></u>

See accountant's compilation report.

TOWN OF EROS
Eros, Louisiana

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
EROS VOLUNTEER FIRE DEPARTMENT
SPECIAL REVENUE FUND
For the Year Ended December 31, 2003

	BudgetedAmounts.....		Actual Amounts (Budgetary Basis - GAAP)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment earnings	<u>\$1,500</u>	<u>\$1,500</u>	<u>\$637</u>	<u>(\$863)</u>
EXPENDITURES				
Public safety - fire - materials and supplies	<u>NONE</u>	<u>NONE</u>	<u>505</u>	<u>(505)</u>
NET CHANGE IN FUND BALANCE	1,500	1,500	132	(1,368)
FUND BALANCE AT BEGINNING OF YEAR	<u>26,500</u>	<u>26,500</u>	<u>23,346</u>	<u>(3,154)</u>
FUND BALANCE AT END OF YEAR	<u><u>\$28,000</u></u>	<u><u>\$28,000</u></u>	<u><u>\$23,478</u></u>	<u><u>(\$4,522)</u></u>

See accountant's compilation report.

OTHER SUPPLEMENTAL INFORMATION SCHEDULES

See accountant's compilation report.

TOWN OF EROS
Eros, Louisiana

OTHER SUPPLEMENTAL INFORMATION SCHEDULES
As of and For the Year Ended December 31, 2003

COMPENSATION PAID ALDERMEN

The schedule of per diem paid aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the aldermen is included in the general government personal services expenditures of the General Fund. Aldermen receive a per diem of \$50 for attending each regular and special meeting.

STATUS OF PRIOR YEAR FINDINGS

The follow-up and corrective action taken on all prior year findings is presented in Schedule 4.

**CURRENT YEAR FINDINGS AND
CORRECTIVE ACTION PLAN**

The corrective action plan for current year findings is presented in Schedule 5.

See accountant's compilation report.

TOWN OF EROS
Eros, Louisiana

Schedule of Per Diem Paid Aldermen
For the Year Ended December 31, 2003

Daniel Bailey	\$650
Sue Bailey	650
Dorothy Costin	650
Robert Lewis	650
Candace Myers	<u>550</u>
Total	<u>\$3,150</u>

See accountant's compilation report.

TOWN OF EROS
Eros, LouisianaSTATUS OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2003

<u>Reference Number</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken</u>	<u>Planned Corrective Action</u>
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There were no prior year findings.

See accountant's compilation report.

TOWN OF EROS
Eros, Louisiana

CURRENT YEAR FINDINGS AND
CORRECTIVE ACTION PLAN
For the Year Ended December 31, 2003

<u>Reference Number</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
Procedure 8	One disbursement was not adequately supported.	Management will follow up on this monthly disbursement and obtain adequate support for future disbursements.	Jerry Costin, Mayor	12/31/04

See accountant's compilation report.

HILL, INZINA & COMPANY

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Aldermen
Town of Eros, Louisiana
Eros, Louisiana

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of Town of Eros, Louisiana, and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the Town's compliance with certain laws and regulations during the year ended December 31, 2003, included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our applied procedures, together with any findings, follow:

Public Bid Law

1. Select all expenditures made during the year for materials and supplies exceeding \$15,000, or public works exceeding \$100,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).
 - Our review of cash disbursement journals revealed no individual expenditure for materials and supplies exceeding \$15,000 and expenditures in the period under examination for public works, with funding from a community development block grant, totaling \$140,245. We examined documentation which indicated that the applicable expenditures had been properly advertised and accepted in accordance with the provisions of LSA-RS 38:2211-2251.

Code of Ethics for Public Officials and Public Employees

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

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3. Obtain from management a listing of all employees paid during the period under examination.
4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedure (3) were also included on the listing obtained from management in agreed-upon procedure (2) as immediate family members.
 - Management provided the required information. The employees included on the employees listing provided by management in agreed-upon procedure (3) did not appear on the listings provided by management in agreed-upon procedure (2).

Budgeting

5. Obtain a copy of the legally adopted budget and all amendments.
6. Trace the budget adoption and amendments to the minute book.
7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by 5% or more or if actual expenditures exceeded budgeted amounts by 5% or more.
 - Management provided copies of the original and amended budgets for the General and Special Revenue Funds. Final amendments were made to the General Fund budget at a meeting held on November 10, 2003. We traced the adoption of the original budgets to the minutes of a meeting held on December 9, 2002, which indicated that the budgets were adopted by the Alderman of the Town by a unanimous vote.
 - We compared the revenues and expenditures of the final General Fund budget to actual revenues and expenditures. Actual revenues and expenditures for the year did not exceed budgeted amounts by more than 5%. As the Special Revenue Fund had anticipated expenditures of less than \$250,000, amendment requirements were exempted by state law.

Accounting and Reporting

8. Randomly select six disbursements made during the period under examination and: (a) trace payments to supporting documentation as to proper amount and payee; (b) determine if payments were properly coded to the correct fund and general ledger account; and (c) determine whether payments received approval from proper authorities

- We examined supporting documentation for five of the six selected disbursements and found that the payments were for the proper amounts and made to the correct payees; were properly coded to the correct fund and general ledger accounts; and received approval from the full Board of Aldermen.

One of the six selected disbursements was for monthly payment to the elected chief of police as reimbursement of his personal insurance. No supporting documentation was provided to verify the monthly reimbursed cost nor had the Board of Aldermen approved such payment upon its reinstatement in a prior year. We recommend that the Board of Aldermen request supporting documentation from the chief of police as to the reimbursed monthly cost and formally approve the payments upon receipt of adequate documentation.

Meetings

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1-12 (the open meetings law).
 - The Town is only required to post a notice of each meeting and the accompanying agenda on the door of the Town's meeting location. Management has asserted that such documents were properly posted.

Debt

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of banks loans, bonds, or like indebtedness.
 - We scanned cash receipt journals for the period under examination and noted no deposits which appeared to be proceeds of bank loans, bonds, or like indebtedness.

Advances and Bonuses

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees which may constitute bonuses, advances, or gifts.
 - A reading of the minutes of the Town for the year indicated no approval for the payments noted. We also inspected payroll records for the year and noted no instances which would indicate payments to employees which would constitute bonuses, advances, or gifts.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of Town of Eros, Louisiana, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Hill, Argyria & Co.

April 28, 2004

Cindy I. Haynes, CPA
Hill, Inzina, & Co. CPAs
P. O. Box 631
Bastrop, La 71221

Mrs. Haynes,

In accordance with the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on information available to us as of 2-5-04.

PUBLIC BID LAW

1. The provisions of the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office have been complied with.

Yes No N/A

CODE OF ETHICS FOR PUBLIC OFFICIALS AND PUBLIC EMPLOYEES

2. It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone which would constitute a violation of LSA-RS 42:1101-1124.

Yes No N/A

3. It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980 under circumstances which would constitute a violation of LSA-RS 42:1119.

Yes No N/A

BUDGETING

4. We have complied with the state budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-14) or the budget requirements of LSA-RS 39:43.

Yes No [] N/A []

ACCOUNTING AND REPORTING

5. All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36.

Yes No [] N/A []

6. We have filed our annual financial statements in accordance with LSA-RS 24:514, LSA-RS 33:463, and/or LSA-RS 39:92, as applicable.

Yes No [] N/A []

7. We have had our financial statements audited or compiled in accordance with LSA-RS 24:513.

Yes No [] N/A []

MEETINGS

8. We have complied with the provisions of the Opening Meetings Law, LSA-RS 42:1-12.

Yes No [] N/A []

DEBT

9. We have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 47:1410.60.

Yes No [] N/A []

ADVANCES AND BONUSES

10. We have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 79-729.

Yes No [] N/A []

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance which may occur subsequent to the issuance of your report.

Jerry Carter
Name

2-5-04
Date