

RECEIVED
LEGISLATIVE A
04 JUN 25 AM

VILLAGE OF CONVERSE, LOUISIANA

FINANCIAL STATEMENTS

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 7-21-04

Marsha O. Millican
Certified Public Accountant
Shreveport, Louisiana

VILLAGE OF CONVERSE, LOUISIANA

Table of Contents

December 31, 2003

	<u>EXHIBIT</u>	<u>PAGE</u>
Independent Auditor's Report		1
General Purpose Financial Statements		
Combined Balance Sheet - All Fund Types and Account Group	1	2
Statement of Revenues, Expenditures, and Changes in Fund Balance - All Governmental Fund Types	2	3
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual General Fund	3	4
Statement of Revenues, Expenses, and Changes in Retained Earnings - Proprietary Fund Type	4	5
Statement of Cash Flows - Proprietary Fund Type	5	6
Notes to Financial Statements		7-12
Corrective Action Taken on Prior Year Findings		13
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		14-15
Schedule of Findings		16
Data Collection Form		17

Marsha O. Millican

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

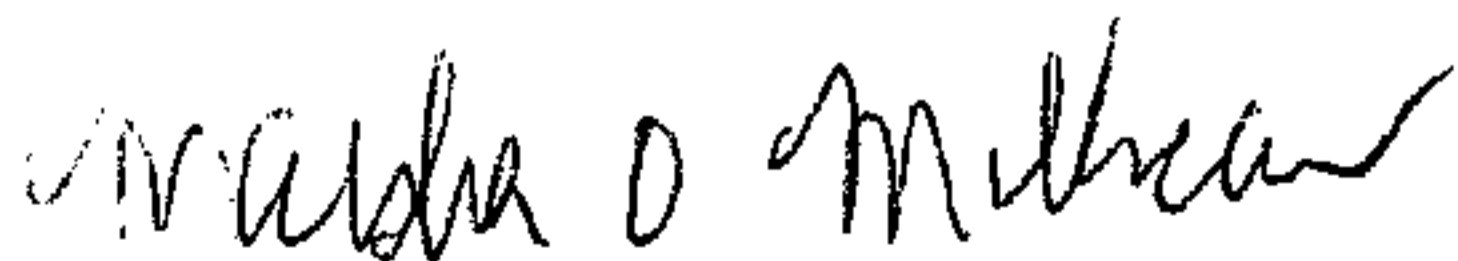
The Honorable Harold Brumley, Mayor
and Board of Alderman
Village of Converse
Converse, Louisiana

I have audited the accompanying general purpose financial statements of Village of Converse, as of and for the year ended December 31, 2003. These general purpose financial statements are the responsibility of Village of Converse's, management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Village of Converse as of December 31, 2003, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated June 10, 2004 on my consideration of Village of Converse's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of my audit.



Certified Public Accountant
June 10, 2004

VILLAGE OF CONVERSE, LOUISIANA

Combined Balance Sheet - All Fund Types and Account Group
December 31, 2003

	Governmental Proprietary		Account Group	Totals
	Fund Type	Fund Type		
	General	Enterprise	Fixed Assets	(Memorandum Only)
<u>Assets</u>				
Cash	\$ 36,037	\$ -	\$ -	\$ 36,037
Receivables:				
Taxes	9,193	-	-	9,193
Accounts	-	5,170	-	5,170
Other	6,912	-	-	6,912
Due from other funds	16,230	-	-	16,230
Prepaid Expenses	2,893	984	-	3,877
Restricted Assets - Cash	-	68,296	-	68,296
Buildings	-	-	49,278	49,278
Equipment	-	-	113,833	113,833
Land	-	-	3,140	3,140
Utility plant and equipment (net of accumulated depreciation)	-	576,656	-	576,656
Total assets	\$ 71,265	\$ 651,106	\$ 166,251	\$ 888,622

Liabilities

Accounts payable	\$	1,832	\$	1,263	\$	-	\$	3,095
Payroll taxes payable		1,560		-		-		1,560
Due to other funds		-		16,230		-		16,230
Customer Meter Deposits		-		7,550		-		7,550
Notes payable		-		<u>3,595</u>		-		<u>3,595</u>
Total liabilities		<u>3,392</u>		<u>28,638</u>		-		<u>32,030</u>

Fund Equity

Contributed capital		-		44,787		-		44,787
Investment in general fixed assets		-		-		166,251		166,251
Retained earnings:		-		-		-		-
Reserved		-		60,746		-		60,746
Unreserved		-		516,935		-		516,935
Fund balance:								
Reserved - Street Fund		821		-		-		821
Undesignated		<u>67,052</u>		-		-		<u>67,052</u>
Total retained earnings/ fund balance		<u>67,873</u>		<u>577,681</u>		-		<u>645,554</u>
Total fund equity		<u>67,873</u>		<u>622,468</u>		<u>166,251</u>		<u>856,592</u>
Total liabilities and fund equity		<u>\$ 71,265</u>		<u>\$ 651,106</u>		<u>\$ 166,251</u>		<u>\$ 888,622</u>

The accompanying notes are an integral part of this financial statement.

VILLAGE OF CONVERSE, LOUISIANA

Combined Statement of Revenues, Expenditures and Changes in Fund Balance -
 All Governmental Fund Types
For the Year Ended December 31, 2003

	<u>General</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<u>REVENUES:</u>			
Taxes	\$ 43,446	\$ -	\$ 43,446
Licenses and Permits	18,852	-	18,852
Fines	14,877	-	14,877
Intergovernmental	6,912	44,787	51,699
Other	<u>4,751</u>	<u>-</u>	<u>4,751</u>
Total revenues	<u>88,838</u>	<u>44,787</u>	<u>133,625</u>
<u>EXPENDITURES:</u>			
General government	39,261	-	39,261
Public safety	52,538	-	52,538
Street and sanitation	18,327	-	18,327
Capital projects	<u>-</u>	<u>44,787</u>	<u>44,787</u>
Total expenditures	<u>110,126</u>	<u>44,787</u>	<u>154,913</u>
Excess (deficiency) of revenues over expenditures	(21,288)	-	(21,288)
<u>FUND BALANCE:</u>			
Beginning of year	<u>89,161</u>	<u>-</u>	<u>89,161</u>
End of year	<u>\$ 67,873</u>	<u>\$ -</u>	<u>\$ 67,873</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF CONVERSE, LOUISIANA

Combined Statement of Revenues, Expenditures and Changes in Fund Balance -
 Budget (GAAP Basis) - General Fund
For the Year Ended December 31, 2003

	<u>General</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<u>REVENUES:</u>			
Taxes	\$ 43,446	\$ 40,688	\$ 2,758
Licenses and Permits	18,852	15,000	3,852
Fines	14,877	16,000	(1,123)
Intergovernmental	6,912	6,912	-
Other	<u>4,751</u>	<u>4,300</u>	<u>451</u>
Total revenues	<u>88,838</u>	<u>82,900</u>	<u>5,938</u>
<u>EXPENDITURES:</u>			
General government	39,261	38,975	286
Public safety	52,538	58,635	6,097
Street and sanitation	<u>18,327</u>	<u>20,650</u>	<u>2,323</u>
Total expenditures	<u>110,126</u>	<u>118,260</u>	<u>8,134</u>
Excess (deficiency) of revenues over expenditures	(21,288)	(35,360)	14,072
<u>FUND BALANCE:</u>			
Beginning of year	<u>89,161</u>	<u>89,161</u>	<u>-</u>
End of year	<u>\$ 67,873</u>	<u>\$ 53,801</u>	<u>\$ 14,072</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF CONVERSE, LOUISIANA

Statement of Revenues, Expenses, and Changes in
Retained Earnings
Year Ended December 31, 2003

Revenues:	
Water sales	\$ 31,893
Sewer usage fees	29,457
Other	<u>4,018</u>
Total revenues	<u>65,368</u>
Expenditures:	
Water expenses	25,382
Sewer expenses	27,651
Depreciation	<u>24,015</u>
Total expenditures	<u>77,048</u>
Operating loss	(11,680)
Nonoperating Revenues (Expense)	
Interest income	294
Interest expense	<u>(206)</u>
Net income (loss)	(11,592)
Retained earnings, beginning of year	<u>589,273</u>
Retained earnings, end of year	<u>\$ 577,681</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF CONVERSE, LOUISIANAStatement of Cash Flows - Proprietary Fund Type
Year Ended December 31, 2003

Cash flows from operating activities:	
Cash received from customers	\$ 61,267
Cash paid to suppliers and employees	(44,511)
Other operating income	<u>4,018</u>
Net cash provided by operating activities	<u>20,774</u>
Cash flows from capital and related financing activities:	
Expenditures for construction in progress	(44,787)
Contributions from Federal grant	44,787
Interest paid on long term debt	(206)
Principal payments on long term debt	<u>(3,582)</u>
Net cash provided by capital and related financing activities	<u>(3,788)</u>
Cash flows from investing activities:	
Interest received on investments	<u>294</u>
Net cash provided by investing activities	<u>294</u>
Net increase in cash	17,280
Cash, beginning of year (including \$51,016 in restricted assets)	<u>51,016</u>
Cash, end of year (including \$68,296 in restricted assets)	<u>\$ 68,296</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	\$(11,680)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	24,015
Changes in assets and liabilities:	
Increase in accounts receivable	(83)
Increase in prepaid expenses	(48)
Increase in customer deposits	900
Increase in due to other funds	7,378
Increase in accounts payable	<u>292</u>
Net cash provided by operating activities	<u>\$ 20,774</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF CONVERSE, LOUISIANA

Notes to Financial Statements
December 31, 2003

The Village of Converse, Louisiana, was incorporated under the provisions of the Lawrason Act and operates under a Mayor-Board of Alderman form of government.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Village of Converse, Louisiana, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Governmental Audit Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

The following is a summary of the more significant accounting policies:

Reporting Entity. These financial statements include all funds and account groups over which the Village exercises control, authority, management, influence or accountability. Control by or influence over by the Village was determined on the basis of budget, adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

Fund Accounting. The accounts of the Village of Converse, Louisiana, are organized on the basis of funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into two categories: governmental and proprietary. Each category, in turn, is divided into separate "fund types".

Governmental funds are used to account for all or most of a government's general activities, including acquisition or construction of general fixed-assets (capital project funds). The general fund is used to account for all activities of the general government not accounted for in some other fund. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound

VILLAGE OF CONVERSE, LOUISIANA

Notes to Financial Statements
December 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

Basis of Accounting. The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes available if they are collected within sixty days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Those revenues susceptible to accrual are property taxes, franchise taxes, interest revenue and charges for services. Fines, permits, and licenses revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by the proprietary fund type. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Budgets and Budgetary Accounting. The Village follows these procedures in establishing the budgetary data reflected in these financial statements:

A proposed budget is submitted to the Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.

Public hearings are conducted at Town Hall to obtain taxpayer comments.

The budget is legally enacted through passage of a resolution.

Budgetary amendments involving the transfer of funds from one department, program or function to another or amendments involving increases in expenditures require the approval of the Board of Aldermen.

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

The budget is employed as a management control device during the year for the General Fund.

VILLAGE OF CONVERSE, LOUISIANA

Notes to Financial Statements
December 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Budgeted amounts presented in the accompanying financial statements include the original adopted budget amounts and all subsequent amendments.

All budget appropriations lapse at year end.

Bad Debts. Taxes and accounts receivable from utility customers are considered to be fully collectible.

Cash and Cash Equivalents. The Village considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Prepaid Items. Payments made to vendors for services that will benefit periods beyond December 31, 2003, are recorded as prepaid items.

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

Property, plant, and equipment used in governmental fund type organizations (general fixed assets) are accounted for in the General fixed assets account group, and are recorded as expenditures in the governmental fund types when purchased. Public domain "infrastructure" general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All property, plant, and equipment are stated at historical cost, or estimated cost if actual historical cost is not available. Donated fixed assets are stated at their estimated fair value on the date donated.

The account group is not a fund. It is concerned only with the measurement of financial position and is not involved with the measurement of results of operations.

VILLAGE OF CONVERSE, LOUISIANA

Notes to Financial Statements
December 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus and all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets.

Depreciation is provided in the Enterprise Fund in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight line basis. The estimated service lives by asset type are as follows:

Water system	10-40 years
Equipment	5 years

Management's 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, results may differ from those estimates.

Total Columns on Combined Statements - Overview. Total columns on the combined statements - overview are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. DEPOSITS WITH FINANCIAL INSTITUTIONS:

All funds on deposit with banks were fully collateralized by FDIC insurance at December 31, 2003.

3. AD VALOREM TAXES:

Ad valorem taxes attach as an enforceable lien on property as of January 1, each year. Taxes are levied by the Village and billed to the taxpayers in September, and become delinquent on January 1, of the following year. Revenues from Ad Valorem taxes are budgeted in the year billed. For the year ended December 31, 2003, taxes of 16.68 mills were levied on property with assessed valuations totaling \$ 828, 090 and were dedicated as follows: general corporate purposes - 7.00 mills, street fund - 9.68 mills. Total taxes levied for the year ended December 31, 2003, were \$13,813.

VILLAGE OF CONVERSE, LOUISIANA

Notes to Financial Statements
December 31, 2003

4. **FIXED ASSETS:**
A summary of proprietary fund type property, plant, and equipment at December 31, 2003 follows:

Water system	\$ 158,937
Sewer System	746,086
Construction in Progress	44,788
Land	<u>10,000</u>
Total	959,811
Less: accumulated depreciation	<u>383,155</u>
Net property, plant, and equipment	<u>\$ 576,656</u>

5. **LONG-TERM DEBT:**

Notes payable at December 31, consisted of the following:

Note payable to USDA Rural Economic and Community Development Agency:

Note dated June 2, 1966 in the original amount of \$77,000, bearing interest at the rate of 3.75%, maturing June 2, 2006. The monthly payment is \$316, including interest. The note is secured by certain real estate owned by the Village and used by the Enterprise Fund.

\$ 3,595

The annual requirements to amortize all debt outstanding as of December 31, 2003 including interest payments of \$38 are as follows:

<u>Year Ending December 31</u>	<u>Total</u>
2004	<u>\$ 3,633</u>

6. **GENERAL FIXED ASSETS:**

General fixed assets consisted of the following at December 31, 2003:

	<u>Balance 1/1/03</u>	<u>Additions (Deletions)</u>	<u>Balance 12/31/03</u>
Buildings	\$ 49,278	\$ -	\$ 49,278
Equipment	89,474	24,359	113,833
Land	<u>3,140</u>	<u>-</u>	<u>3,140</u>
Totals	<u>\$141,892</u>	<u>\$ 24,359</u>	<u>\$166,251</u>

VILLAGE OF CONVERSE, LOUISIANA

Notes to Financial Statements
December 31, 2003

7. RESTRICTED ASSETS:

Cash resources generated by the Village's Enterprise Fund are classified as restricted assets on the balance sheet because of the Village's liability for meter deposit refunds, and in addition, their use is limited by applicable Resolution, which requires the Village establish and maintain amounts on deposit in connection with the loan to USDA. Retained earnings has been restricted for the amount of these funds in connection with the USDA loan agreement.

8. CONTINGENCIES:

The Village is subject to possible examinations made by federal and state regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the Village in current and prior years. These examinations may result in required refunds by the Village to grantors and/or program beneficiaries.

9. COMMUNITY DEVELOPMENT BLOCK GRANT:

The Village was awarded a Community Development Block Grant on December 11, 2002 for \$596,626 for fire protection. Revenue and expenditures under this grant for the year ended December 31, 2003 were \$44,787.

10. COMPENSATION PAID TO MAYOR AND ALDERMEN:

Compensation paid to mayor and aldermen for the year ended December 31, 2003 was as follows:

Harold Brumley, Mayor	\$ 3,600
Dean Graham	900
Troy Terrell	900
David Gentry	<u>900</u>
Total	<u>\$ 6,300</u>

VILLAGE OF CONVERSE, LOUISIANA

CORRECTIVE ACTION TAKEN ON PRIOR YEAR FINDINGS

December 31, 2003

There were no findings for the year ended December 31, 2002.

Marsha O. Millican

CERTIFIED PUBLIC ACCOUNTANT

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

Honorable Harold Brumley, Mayor
and Board of Alderman
Village of Converse
Converse, Louisiana

I have audited the accompanying general purpose financial statements of Village of Converse as of and for the year ended December 31, 2003, and have issued my report thereon dated June 10, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of American, and Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Village of Converse's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Village of Converse's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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

Marsha O. Miller

Certified Public Accountant
June 10, 2004

VILLAGE OF CONVERSE, LOUISIANA

SCHEDULE OF FINDINGS

December 31, 2003

There were no findings for the year ended December 31, 2003.

[This form is an unaudited informational document prepared by management of the agency.]

LEGISLATIVE AUDITOR
BATON ROUGE LA 70804

DATA COLLECTION FORM

FOR REPORTING ON STATE AND LOCAL GOVERNMENT AND QUASI-PUBLIC ENTITIES

OMB Form 0348-0057 may be used as a substitute for this form.

Date Submitted 0622/04

RETURN to: Legislative Auditor
Attn: Engagement Processing
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

1. Fiscal Year Ending Date For This Submission:

12/31/03

3. Audit Period Covered

Annual Biennial
 Other to

2. Type of Report:

Single Audit GAO Audit Standards Audit
 Compilation Compilation/Attestation
 Program Audit Other

4. AUDITEE INFORMATION

Auditee Name

Village of Converse

Street Address (Number and Street)

P O Box 40

Mailing Address (PO No.)

City State Zip
Converse La 71419

Auditee Contact

Name Title
Harold Brumley Mayor

Telephone Fax
318 567 3312 318 567 3315

5. AUDITOR INFORMATION

Firm Name

Marsha O. Millican

Street Address (Number and Street)

810 Wilkinson

Mailing Address (PO No.)

City State Zip
Shreveport La 71104

Auditor Contact

Name Title
Marsha Millican CPA

Telephone Fax
318 221 3881 318 221 4641

Component Units Included Within the Report and for Which No Separate Report Will Be Issued:

N/A

If there are no modifications to the auditor's financial opinion, no reported deficiencies in internal control, no reported instances of noncompliance, and no management letter, check this box and do not complete the rest of the form.

6. FINANCIAL STATEMENTS

a. Type of audit report on financial statements. Not Applicable
 Unqualified Opinion Qualified Opinion Adverse Opinion Disclaimer of Opinion
b. Is a 'going concern' explanatory paragraph included in the audit report? Yes No
c. Do any of the funds have deficit balances? Yes No

7. INTERNAL CONTROL

Do the comments on internal control include: material weaknesses other conditions

8. COMPLIANCE

Do the comments on compliance include: criminal acts/fraud & abuse other noncompliance not applicable

9. CURRENT YEAR MANAGEMENT LETTER (Finding Caption and No.)

Resolved Yes No No Longer Applicable
Resolved Yes No No Longer Applicable
Resolved Yes No No Longer Applicable

10. SCHEDULE OF CURRENT YEAR FINDINGS/QUESTIONED COSTS (Finding Caption and No.)

\$ _____ Resolved Yes No No Longer Applicable
\$ _____ Resolved Yes No No Longer Applicable
\$ _____ Resolved Yes No No Longer Applicable
\$ _____ Resolved Yes No No Longer Applicable
\$ _____ Resolved Yes No No Longer Applicable
\$ _____ Resolved Yes No No Longer Applicable

Do any findings address nepotism, ethics violations or related party transactions? Yes No

Do any findings address violation of bond indenture covenants? Yes No

11. SCHEDULE OF PRIOR YEAR FINDINGS/QUESTIONED COSTS/MANAGEMENT LETTER COMMENTS

(Finding/Comment Caption and No.)

Resolved Yes No No Longer Applicable
Resolved Yes No No Longer Applicable
Resolved Yes No No Longer Applicable
Resolved Yes No No Longer Applicable

AUDITEE SIGNATURE

Harold W. Brumley

Date 6/18/04

CPA'S SIGNATURE

Marsha O. Millican

Date 6/18/04