

## REPORT

## VILLAGE OF VARNADO, LOUISIANA

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

with Supplemental Information Schedules

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 6-23-04

VILLAGE OF VARNADO, LOUISIANA  
 Financial Statements  
 As of and for the Year Ended December 31, 2003

With Supplemental Information Schedule

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TRANSMITTAL LETTER

ANNUAL FINANCIAL STATEMENTS

DECEMBER 31, 2003


Office of the Legislative Auditor  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Dear Sir:

In accordance with Louisiana Revised Statute 24:514, enclosed are the annual financial statements for the Village of Varnado, Louisiana as of and for the fiscal year ended December 31, 2003.

The report includes all funds under the control and oversight of the Village. The accompanying financial statements have been prepared in accordance with generally accepted accounting principles.

Sincerely

  
\_\_\_\_\_  
Mayor

William R. Durden

*Certified Public Accountant*

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FRANKLINTON, LOUISIANA 70438  
(985)839-4413  
FAX (985)839-4402

MEMBER  
A.I.C.P.A.

MEMBER  
L.C.P.A.

Mayor and Board of Aldermen  
Village of Varnado, Louisiana

I have compiled the accompanying financial statements, of the Village of Varnado, Louisiana, and supplemental information, contained in schedules 1 & 2, which is presented only for supplemental analysis purposes, and the Louisiana Attestation Questionnaire, as of and for the year ended December 31, 2003. These financial statements are reported in accordance with the Statements of 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 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 other form of assurance on them.

The management's discussion and analysis and budgetary comparison information, on pages 3 through 9 and 24 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, I do not express an opinion or any other form of assurance on the supplementary information.

In accordance with the *Louisiana Governmental Audit Guide* and the provisions of state law, I have issued a report, dated May 17, 2004, on the results of our agreed-upon procedures.



William R. Durden  
Certified Public Accountant

May 17, 2004

# Management's Discussion and Analysis

## VILLAGE OF VARNADO

### Varnado, Louisiana

#### Management's Discussion and Analysis

##### Introduction

The Village of Varnado is pleased to present its Annual Financial Report developed in compliance with Governmental Accounting Standard Board Statement No. 34, Basic Financial Statements - Management's Discussion and Analysis – For State and Local Governments (hereinafter referred to as GASB 34) and related standards.

##### Financial Highlights

- Total assets for the year were \$126,572 at December 31, 2003 and exceeded liabilities in the amount of \$121,675 (i.e., net assets). Of the total net assets, \$49,997 was unrestricted and available to support short-term operations, with the balance invested in capital assets net of related debt or restricted for long-term debt service.
- Revenues consist of ad valorem tax, sales taxes, refund on landfill operation, and fines and other fees. The total revenues for the fiscal year ending December 31, 2003 was \$72,402 representing an approximate increase of 7.93% from total revenues for fiscal year December 31, 2002 of \$67,081. This increase was due to increases in fines (\$1,878), occupational license (\$1,521), and landfill refund (\$7,054) and a decrease in grant receipts (\$11,491).
- The District's operating expenditures for the governmental fund, consisting of those expenditures resulting from the District's ongoing operations, remained almost the same, decreasing only \$284. Capital outlay expenditures increase \$22,538 from \$20,000 for the year ended December 31, 2002 to \$42,538 for the year ended December 31, 2003. In the government-wide statement of activities, the total expenses are \$69,202. The government-wide statement of activities recorded depreciation expenses of \$29,488. The difference between government-wide and governmental fund expenses was the depreciation and the capital outlay, as shown on the reconciliation on page 13.
- The village of Varnado had no long-term debt activity for the year ended December 31, 2003, and no outstanding long-term debt at year-end.

## VILLAGE OF VARNADO

Varnado, Louisiana

### Management's Discussion and Analysis

#### Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements. The Village's basic financial statements are comprised of three components: 1) government-wide statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in additions to basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a board overview of the Village's finances, in a manner similar to private-sector business. These financial statements are reported using the full accrual accounting methods.

The statement of net assets presents information on all of the Village's assets and liabilities, with difference between the two reported as net assets. Over time, increases or decreases in nets assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The statement of net assets and the statement of activities display information about the Village as a whole. These statements distinguish between those activities of Village that are governmental and those that are considered business type activities.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resource that has been segregated for specific activities or objective. The Village segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The modified accrual basis of accounting is used by the governmental funds.

**Notes to financial statements.** The notes to the financial statements provide required disclosure essential to the understanding of the financial statements. The notes present information about the Village's accounting policies, significant account balances and activities, commitments, contingencies, and subsequent events, if any. Supplementary information includes a comparative budget schedule.

## VILLAGE OF VARNADO

### Varnado, Louisiana

#### Management's Discussion and Analysis

##### Financial Analysis

Since this is the first year that the Village of Varnado is reporting under GASB 34 rules, which require government-wide statements, we are presenting a financial analysis base on the prior year and current year governmental funds only. The purpose of financial analysis is to help to determine whether the Village is better off as a result of the current year's activities. In this analysis, we compared data from two of the basic financial statements, the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance.

##### Condensed Balance Sheet

	December 31, 2002	December 31, 2003	Dollar Change	Percent Change
Total Assets	<u>\$ 69,913</u>	<u>\$ 67,166</u>	<u>\$ (2,747)</u>	-3.93%
Total Liabilities	<u>\$ 10,066</u>	<u>\$ 17,169</u>	<u>\$ 7,103</u>	70.56%
Fund Balance- Unreserved	59,847	49,997	(9,850)	-19.70%
Fund Balance- Reserved	-	-	-	
Total Fund Balances	<u>59,847</u>	<u>49,997</u>	<u>(9,850)</u>	-16.46%
Total Liabilities and Fund Balances	<u>\$ 69,913</u>	<u>\$ 67,166</u>	<u>(2,747)</u>	-3.93%

"Total Assets consist of cash and cash equivalents, and accounts receivable.

Increase in total assets was due to increase in intergovernmental receivables (\$4,729), and an increase in balance due from other funds (\$6,748), and a decrease in cash and cash equivalents (\$14,077).

"Total Liabilities" consist of accounts payable, due to other funds, and deferred revenue (offset to accounts receivable).

Increase in total liabilities was due to the increase in amounts due to other funds (\$6,748).



## VILLAGE OF VARNADO

Varnado, Louisiana

### Management's Discussion and Analysis

#### Condensed Statement Of Revenues, Expenditures, and Changes in Fund Balance

	December 31, 2002	December 31, 2003	Dollar Change	Percent Change
Total Revenues	\$ 67,081	\$ 72,402	\$ 5,321	7.93%
Expenditures:				
Operating Expenditures	39,998	39,714	(284)	-0.71%
Capital Outlay	20,000	42,538	22,538	112.69%
Total Expenditures	59,998	82,252	22,254	37.09%
Excess Revenue Over Expenditures	7,083	(9,850)	(16,933)	-239.07%
Fund Balance, Beginning of Year	52,764	59,847	7,083	13.42%
Fund Balance , End of Year	59,847	49,997	(9,850)	-16.46%

While the Balance Sheet shows the change in financial position of net assets, the Statement of Revenues, Expenditures, and changes in Fund Balance provide answers to the nature and scope of these changes. The above table gives an indication of how the mayor and board of aldermen operate the Village of Varnado on a conservative basis. Total revenue increased \$5,321, from prior fiscal year. The increased revenues were due to an increase in landfill rebates of \$7,054, an increase in fines and occupational license of \$3,399 and an increase in sales taxes of \$4,507 and a decrease in grant revenue of \$11,498. The "Operating Expenditures" decreased only \$284. There was a shift in expenditures from "general government" to "streets" of approximately \$2,000, while the expenditures for public safety remained approximately \$19,000 from 2002 to 2003. With limited sources for revenue increases the mayor and board of aldermen maintain the operation of the Village of Varnado with only slight shifts between the three categories of expenditures.

**VILLAGE OF VARNADO**  
Varnado, Louisiana

**Management's Discussion and Analysis**

**Budgetary Highlight**

The Village adopted its 2003 budget at our regular meeting of December 9, 2002. The mayor and board of aldermen reviews, the budget/actual financial figures, on a monthly basis. We approved the amended budget at the regular board meeting of December 8, 2003. All appropriations lapse at year-end.

**Budget vs. Actual – Fiscal Year End December 31, 2003**

	<u>General Government-General and Sales Tax Funds</u>		
	Budget Year Ended December 31, 2003	Actual Year Ended December 31, 2003	Favorable (Unfavorable) Variance
<b>Revenues:</b>			
Fines	\$ 10,250	\$ 10,222	\$ (28)
Fees, Licenses, & Permits	11,150	9,474	(1,676)
Ad Valorem Taxes	2,500	2,057	(443)
Sales Taxes	27,300	26,566	(734)
Beer Taxes	1,610	1,060	(550)
Landfill Rebate	14,100	21,123	7,023
Sale of Fixed Assets	1,900	1,900	-
Total Revenue	68,810	72,402	3,592
<b>Expenditures:</b>			
Salaries	15,840	15,599	241
Payroll taxes	1,100	918	182
Professional services	4,500	3,450	1,050
Advertising	100	631	(531)
Dues & subscriptions	725	124	601
Police expenses	5,750	7,002	(1,252)
Capital outlay	43,000	42,538	462
Insurance	1,500	1,903	(403)
Office supplies	500	643	(143)
Repairs	1,250	1,239	11
Street repairs	2,500	3,249	(749)
Utilities	5,020	4,778	242
Other	350	178	172
Total Expenditures	82,135	82,252	(117)
Excess revenues over (under) expenditures	\$ (13,325)	\$ (9,850)	\$ 3,475

Actual revenues exceeded budget revenues by \$3,592, primarily because the landfill rebate was up. Actual expenditures exceeded budget expenditures by \$117, due to unfavorable variance in police expenditures and a favorable variance in professional services.

**VILLAGE OF VARNADO**  
**Varnado, Louisiana**

**Management's Discussion and Analysis**

**Capital Assets**

At the end of the fiscal year December 31, 2003, the Village of Varnado had \$71,678 (net of accumulated depreciation) recorded in capital assets including land. Capital outlays are recorded as expenditures of the General Fund and as assets in the government-wide financial statement. Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings	40 years
Streets & Bridges	15-30 years
Vehicles & Equipment	5-10 year

Fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated assets are valued at fair market value on the date donated. The cost of all assets acquired prior to 1989 have been valued using estimated historical cost.

Capital asset activity for the year ended December 31, 2003

	December 31, 2002	December 31, 2003	Dollar Change	Percentage Change
Streets	\$ 380,150	\$ 395,660	15,510	4.08%
Bridges	5,000	5,000	-	0.00%
Buildings	7,000	7,000	-	0.00%
Tractors & Equipment	4,750	11,950	7,200	151.58%
Police vehicles	-	19,838	19,838	
subtotal	396,900	439,448	42,548	10.72%
Less Accumulated				
Depreciation	(344,782)	(374,270)	(29,488)	8.55%
Net Capital Assets	52,118	65,178	13,060	25.06%

Purchases of capital assets from December 31, 2002 to December 31, 2003 included a street asphalt overlay (\$15,510), tractor (\$7,200), and a police car (\$19,838).

**VILLAGE OF VARNADO  
Varnado, Louisiana**

**Management's Discussion and Analysis**

**Future Economic Plans**

The Village of Varnado's board of aldermen actively monitors revenues and expenses. They are constantly seeking state and or federal grants to fund improvements to the village. Their sources of revenue are limited and any increase in the revenue sources is highly unlikely. Therefore the board's focus is on obtaining new grants, streamlining expenditures, and insuring all revenue is timely collected. The board's plan is always to improve services for the voters of the Village of Varnado, without increasing the tax burden.

  
Paul C. Jernale  
Officer

## **FINANCIAL STATEMENTS**

VILLAGE OF VARNADO  
Varnado, Louisiana

STATEMENT OF NET ASSETS

AS AT DECEMBER 31, 2003

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 30,098
Receivables	23,703
Prepaid insurance	868
Capital assets, net of depreciation	65,178
Land	6,500
Utility deposits	225
 Total Assets	 <u>126,572</u>
<b>LIABILITIES:</b>	
Accounts payable	1,325
Accrued expenses	2,023
Deferred revenue	1,549
 Total Liabilities	 <u>4,897</u>
<b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	71,678
Unrestricted	49,997
 Total Net Assets	 <u>\$ 121,675</u>

See accountant's report and accompanying notes to the financial statements

VILLAGE OF VARNADO  
Varnado, Louisiana

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2003

	Expenses	Charges for Services	Net (Expenses) Revenues
<b>GOVERNMENTAL ACTIVITIES:</b>			
General Government	\$ 11,423	\$ 9,474	\$ (1,949)
Public Safety	22,279	10,222	(12,057)
Streets & Bridges	35,500	-	(35,500)
 Total Governmental Activities	<u>69,202</u>	<u>19,696</u>	<u>(49,506)</u>
 General Revenues:			
Property taxes			2,057
Beer taxes			1,060
Sales taxes			26,566
Landfill operation refund			21,123
Gain on sale of asset			1,900
 Total General Revenues			<u>52,706</u>
 Change In Net Assets			3,200
 Net Assets, Beginning of Year			118,475
 Net Assets, End of Year			<u>\$ 121,675</u>

See accountant's report and accompanying notes to the financial statements

VILLAGE OF VARNADO, LOUISIANA  
BALANCE SHEET  
All Fund Types and Account Groups  
December 31, 2003

	Government Fund Types		Total Governmental Funds
	General Fund	Special Revenue Fund	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 11,634	\$ 18,464	\$ 30,098
Accounts Receivable:			
Taxes	1,549	1,051	2,600
Intergovernmental	21,103	-	21,103
Interfund Assets:			
Due from Sales Tax Fund	12,272	-	12,272
Prepaid Insurance	868	-	868
Utility Deposits	225	-	225
Property, Plant, and Equipment	-	-	-
Total Assets	<u>\$ 47,651</u>	<u>\$ 19,515</u>	<u>\$ 67,166</u>
<b>LIABILITIES AND FUND EQUITY</b>			
Liabilities:			
Accounts Payable	\$ 711	\$ 614	\$ 1,325
Accrued Expenses	1,951	72	2,023
Interfund Liabilities:			
Due to General Fund	-	12,272	12,272
Deferred Income-Property Tax	1,549	-	1,549
Total Liabilities	<u>4,211</u>	<u>12,958</u>	<u>17,169</u>
Fund Balance:			
Unreserved and Undesignated	43,440	6,557	49,997
Total Fund Equity	<u>43,440</u>	<u>6,557</u>	<u>49,997</u>
Total Liabilities & Fund Equity	<u>\$ 47,651</u>	<u>\$ 19,515</u>	<u>\$ 67,166</u>
<b>RECONCILIATION:</b>			
Total Governmental Funds Balance			\$ 49,997
Capital Assets-net of depreciation			65,178
Land			6,500
Net Assets of Governmental Activities			<u>\$ 121,675</u>

See accountant's report and the accompanying notes to the financial statements



VILLAGE OF VARNADO, LOUISIANA  
ALL GOVERNMENTAL FUNDS  
Statement of Revenues, Expenditures  
and changes in Fund Balances  
For the Year Ended December 31, 2003

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
<b>Revenues</b>			
Fines	\$ 10,222	\$ -	\$ 10,222
Franchise Fees	1,350	-	1,350
Occupational Licenses	7,974	-	7,974
Ad Valorem Taxes	2,057	-	2,057
Beer Taxes	1,060	-	1,060
Garbage Taxes	21,123	-	21,123
Building Permits	150	-	150
Gain on sale of assets	1,900	-	1,900
Sales Taxes	6,642	19,924	26,566
State Grants	-	-	-
Total Revenues	<u>52,478</u>	<u>19,924</u>	<u>72,402</u>
<b>Expenditures</b>			
General Government	10,682	-	10,682
Public Safety	19,634	-	19,634
Streets & Sanitation	-	9,398	9,398
Capital Outlays	19,838	22,700	42,538
Total Expenditures	<u>50,154</u>	<u>32,098</u>	<u>82,252</u>
Excess of Revenues over Expenditures	<u>2,324</u>	<u>(12,174)</u>	<u>(9,850)</u>
<b>Other Financing Sources (Uses)</b>			
Operating Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Sources over (under) expenditures and other uses	<u>2,324</u>	<u>(12,174)</u>	<u>(9,850)</u>
Fund Balance - Beginnig of Year	<u>41,116</u>	<u>18,731</u>	<u>59,847</u>
Fund Balance - End of Year	<u>\$ 43,440</u>	<u>\$ 6,557</u>	<u>\$ 49,997</u>
<b>RECONCILIATION:</b>			
Change in Fund Balance-Funds Statement			\$ (9,850)
Capital outlay			42,538
Depreciation expense-Government-Wide Statement			(29,488)
Change in Net Assets			<u>\$ 3,200</u>

See accountant's report and accompanying notes to the financial statements

**NOTES TO FINANCIAL STATEMENTS**

## VILLAGE OF VARNADO, LOUISIANA

### Notes to the Financial Statements For the Year Ended December 31, 2003

#### Note 1 – INTRODUCTION AND REPORTING ENTITY

##### INTRODUCTION

The Village of Varnado, Louisiana, was incorporated in 1947, under the provisions of the Lawrason Act. The Village operates under a Mayor-Board of Alderman form of government. The governing body of the Village of Varnado is elected by the registered voters, residing in the Village. Elected officials include the mayor, three alderman, and a police chief. These positions are compensated. All funds, of the village, are administered by the Mayor and Board of Aldermen. Varnado is located approximately 10 miles south of the Mississippi state line. The Village is approximately 1321 acres in size and services a population of approximately 500. The Village employs one part-time office clerk and one part-time police officer.

##### REPORTING ENTITY

As the municipal governing authority, for reporting purposes, the Village of Varnado is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government, the Village, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

GASB Statement No. 14 established criteria for determining which component units should be considered part of the Village of Varnado, Louisiana, for financial reporting purposes. 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 Village 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 Village.
2. Organizations for which the Village does not appoint a voting majority but are fiscally dependent on the municipality.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

As required by generally accepted accounting principles, these financial statements present only the activity of the Village of Varnado, Louisiana (the primary government). Based on the previous criteria, the Village has determined that there are no component units.

VILLAGE OF VARNADO, LOUISIANA

Notes to the Financial Statements  
For the Year Ended December 31, 2003

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Village of Varnado, Louisiana, have been prepared in conformity with generally accepted accounting principles of the United States of America (GAAP) as applied to governmental units. This is the first year that the accompanying financial statements have been prepared in conformity with Governmental Accounting Standards Board Statement No. 34. Under GASB-34, a statement of net assets and a statement of activities are prepared, which are presented on accrual basis of accounting. The significant differences are the reporting of 1) capital outlays as assets and corresponding depreciation as an expense, 2) long term obligations as liabilities in the government-wide statement. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. BASIS OF PRESENTATION

Government-Wide Statements

The statement of net assets and the statement of activities display information, about the Village of Varnado as a whole. These statements distinguish between those activities of the Village that are governmental and those that are considered business type activities.

Fund Financial Statements

During the year, the Village segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance.

B. FUND ACCOUNTING

The Village uses funds to maintain its financial records during the year. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds of the municipality are classified as governmental funds. Governmental funds account for the Village's general activities, including the collection and disbursements of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. Governmental funds of the village include the following:

Governmental Funds

Governmental funds are used to account for all or most of the Village's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. Governmental funds include:

- a. General Fund – the general operating fund of the Village accounts for all financial resources, except those, required to be accounted for, in other funds.
- b. Special revenue funds – account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

## VILLAGE OF VARNADO, LOUISIANA

### Notes to the Financial Statements For the Year Ended December 31, 2003

#### C. GOVERNMENT-WIDE 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 activities of the Village. 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 inter-governmental 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 expenses 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 would be reported as general revenues.

#### D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the fund statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of governmental funds present increases in revenues and other financing sources, and decreases in expenditures and other financing uses in current assets.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these activities are included on the statement of net assets. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The modified accrual basis of accounting is used by governmental funds. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. Effective for financial statements issued after June 30, 2000, GASB Statement 33, *Accounting and Financial Reporting for Non-exchange Transactions*, defines a non-exchange transaction as a transaction whereby the government gives or receives value without directly receiving or giving equal value in return. Property taxes are imposed non-exchange revenues, which result from assessments imposed on nongovernmental entities including individuals. Assets should be recognized when the government has an enforceable lien or legal claim to the resources, or the resources are received, whichever occurs first. Revenues are recognized in the period when use of the resources is required or first permitted by time requirements, for example for property taxes, the period for which (budget period) they are levied, or at the same time the assets are recognized, if no time requirements have been established. Resources received or recognized as receivable before the time requirements are met, should be recognized as deferred revenue. However, for revenue to be recognized under the modified accrual basis, the measurable and available criteria must also be met. Governmental funds use the following practices in recording revenues and expenditures:

VILLAGE OF VARNADO, LOUISIANA

Notes to the Financial Statements  
For the Year Ended December 31, 2003

Revenues

Revenues are recognized in the accounting period they become available and measurable. Donations and state revenue sharing are recorded when received. Ad valorem taxes become a lien against the assessed property on assessment date or levy date, and therefore, a receivable is recorded at this time. However, the actual amount paid to the governmental unit may not be collected until a later budget period, thus the revenue is recorded as deferred revenue and earned as collected. Sales taxes are considered "measurable" when in the hands of collecting governments and are recognized as revenue at that time. Landfill operation rebates are considered measurable when calculated at year-end for the Parish Government (December 31) and a receivable is set up and the revenue is recorded at that time.

Expenditures

Expenditures are recognized in the accounting period when the fund liability is incurred.

E. BUDGETS

The proposed budget for the calendar year 2003 was presented and adopted at a meeting held by the Village on December 9, 2002. An amended budget was adopted at the Village's December 10, 2003 meeting. All expenditure appropriations lapse at year-end. Unexpended appropriations and any excess of revenue over expenditures are carried forward to the subsequent year as beginning fund balances.

F. ENCUMBRANCES

The Village does not use encumbrance accounting.

G. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits, interest bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits, 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.

H. PREPAID ITEMS

The Village uses the non-allocation method of recording prepaid expenses.

I. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

In the course of the year, numerous transactions occur between individual funds for goods provided or services rendered. In the fund statements these transactions are recorded as receivables and payables are classified as due from other funds or due to other funds on the balance sheet. These items are eliminated in the government-wide statement of net assets.



VILLAGE OF VARNADO, LOUISIANA

Notes to the Financial Statements  
For the Year Ended December 31, 2003

J. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), are reported as expenditures on the governmental funds statements and as assets on the government-wide statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is no available. Donated assets are recorded as capital assets at their estimated fair market value on the date donated. The Village maintains a threshold level of \$500 or more for capitalizing capital assets.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All capital assets, other than land, are depreciated on the government-wide statements using the straight-line method and the following estimated useful lives:

Buildings	40 years
Streets	15years
Bridges	30 years
Vehicles	5 years
Machinery & equipment	7-10 years

K. COMPENSATED ABSENCES

The Village only employs part-time employees and does not have a formal leave policy.

L. SALES TAXES

Proceeds of the 1% sales and use tax levied by the Village are dedicated as follows: 75% for constructing, paving, and improving streets in the Village, and 25% for any lawful corporate purposes of the village.

M. FUND EQUITY

Reserves

Reserves represent those portions of fund equity that is not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designated Fund Balances

Designated fund balances represent tentative management plans for future use of financial resources, but are subject to change.

VILLAGE OF VARNADO, LOUISIANA

Notes to the Financial Statements  
For the Year Ended December 31, 2003

N. ESTIMATES

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

O. RECONCILIATIONS OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets is presented in Statement C of the basic financial statements. Explanation of certain differences between the governmental fund Statement of Revenues, Expenses, and Changes in Fund Balances and the government-wide Statement of Activities is presented in Statement D, of the basic financial statements.

Note 3 - CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents (book balances) at December 31, 2003:

	General Fund	Special Revenue Fund	Totals
Non-interest bearing demand deposits	\$ 11,370	\$ 18,464	\$ 29,834
Interest bearing demand deposits	264		264
Totals	<u>\$ 11,634</u>	<u>\$ 18,464</u>	<u>\$ 30,098</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 Village has \$31,023 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance.

2. LEVIED TAXES

For the year ended December 31, 2003, taxes of 3.75 mills were levied on property with taxable assessed valuations totaling \$674,730. Total taxes levied were \$2,531. This is a permanent tax per constitutional authority and is subject to annual renewal by the Village. The proceeds of this tax are dedicated to general corporate purposes



VILLAGE OF VARNADO, LOUISIANA

Notes to the Financial Statements  
For the Year Ended December 31, 2003

3. RECEIVABLES

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

<u>Class of receivable</u>	<u>General Fund</u>	<u>Sales Tax Fund</u>
Taxes:		
Ad valorem taxes	\$ 1,549	\$ -
Intergovernmental:		
Washington Parish Government:		
Garbage tax	21,103	
Washington Parish Tax Collector:		
Sales taxes		1,759
Totals	<u>\$ 22,652</u>	<u>\$ 1,759</u>

4. INTERFUND RECEIVABLES AND PAYABLES

Inter-fund receivables and payables at December 31, 2003 are as follows:

	Totals	General Fund	Sales Tax Fund
Interfund Receivables:			
General fund share of sales tax (25%)	\$ 12,157	\$ 12,157	\$ -
Payroll taxes paid by General Fund	115	115	-
Totals	<u>12,272</u>	<u>12,272</u>	<u>-</u>
Interfund Payables:			
General fund share of sales tax (25%)	\$ 12,157	-	\$ 12,157
Payroll taxes paid by General Fund	115	-	115
Totals	<u>\$ 12,272</u>	<u>-</u>	<u>\$ 12,272</u>

VILLAGE OF VARNADO, LOUISIANA

Notes to the Financial Statements  
For the Year Ended December 31, 2003

5. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance January 1, 2003	Additions	Deletions	Balance December 31, 2003
Building & Parking Area	\$ 7,000	\$ -	\$ -	\$ 7,000
Police vehicles	-	19,838	-	19,838
Machinery & equipment	4,750	7,200	-	11,950
Streets	380,160	15,500	-	395,660
Land	6,500	-	-	6,500
Bridges	5,000	-	-	5,000
Less accumulated depreciation	(344,782)	(29,488)	-	(374,270)
Totals	<u>\$ 58,628</u>	<u>\$ 13,050</u>	<u>\$ -</u>	<u>\$ 71,678</u>

6. LITIGATION AND CLAIMS

As of December 31, 2003, there were no litigations or claims against the Village.

7. RELATED PARTY TRANSACTIONS

There were no related party transactions during the year ended December 31, 2003

8. SUBSEQUENT EVENTS

There are no significant subsequent events after December 31, 2003.

## SUPPLEMENTAL INFORMATION

## VILLAGE OF VARNADO, LOUISIANA

ALL GOVERNMENTAL FUNDSSchedule of Expenditures  
For the year Ended December 31, 2003

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>General Government:</b>		
Salaries, Administrative	\$ 480	
Payroll taxes	-	
Per Diem, Mayor & Aldermen	2,160	
Utilities	60	
Office Supplies	457	
Advertising	631	
Dues & Subscriptions	124	
Repairs & Maintenance	1,239	
Insurance	1,903	
Professional Services	3,450	
Miscellaneous	178	
Total General Government	<u>\$ 10,682</u>	
<b>Public Safety:</b>		
Salaries, Police Officers	\$ 11,801	
Payroll Taxes	831	
Vehicle Expense	4,185	
Repairs and Maintenance	189	
Supplies	385	
Insurance	2,050	
Miscellaneous	193	
Total Public Safety	<u>\$ 19,634</u>	
<b>Streets and Sanitation:</b>		
Street Lights		\$ 4,718
Street Repairs & Maintenance		3,249
Salaries		1,158
Payroll Taxes		87
Office Supplies & Expense		186
Other		-
Total Streets & Sanitation		<u>\$ 9,398</u>

See accountant's report and accompanying notes to the financial statements

VILLAGE OF VARNADO, LOUISIANA

ALL GOVERNMENTAL FUND TYPES

Statement of Revenues, Expenditures  
and Changes in Fund Balances - Budget and Actual

For the Year Ended December 31, 2003

	General Fund			Sales Tax Fund				
	Original Budget	Amended Budget	Actual	Variance	Original Budget	Amended Budget	Actual	Variance
<b>Revenues</b>								
Fines	\$ 9,000	\$ 10,250	\$ 10,222	\$ (28)	\$ -	\$ -	\$ -	\$ -
Franchise Fees	4,000	3,000	1,350	(1,650)	-	-	-	-
Occupational Licenses	7,000	8,000	7,974	(26)	-	-	-	-
Ad Valorem Taxes	2,500	2,500	2,057	(443)	-	-	-	-
Beer Taxes	3,000	1,610	1,060	(550)	-	-	-	-
Garbage Taxes	9,000	14,100	21,123	7,023	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Sales Taxes	-	-	6,642	6,642	22,000	27,300	19,924	(7,376)
Building Permits	-	150	150	-	-	-	-	-
Sale of Fixed Assets	-	1,900	1,900	-	-	-	-	-
State Grants	1,500	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>36,000</b>	<b>41,510</b>	<b>52,478</b>	<b>10,968</b>	<b>22,000</b>	<b>27,300</b>	<b>19,924</b>	<b>(7,376)</b>
<b>Expenditures</b>								
General Government	13,500	11,655	10,682	973	-	-	-	-
Public Safety	24,000	18,750	19,634	(884)	-	-	-	-
Streets & Sanitation	-	-	-	-	8,000	8,730	9,398	(668)
Capital Outlays	-	20,000	19,838	162	-	23,000	22,700	300
<b>Total Expenditures</b>	<b>37,500</b>	<b>50,405</b>	<b>50,154</b>	<b>251</b>	<b>8,000</b>	<b>31,730</b>	<b>32,098</b>	<b>(368)</b>
Excess of Revenues over (under) expenditures	(1,500)	(8,895)	2,324	11,219	14,000	(4,430)	(12,174)	(7,744)
Other Financing Sources (uses)								
Operating Transfers in (out)	5,500	5,500	-	(5,500)	(5,000)	(5,500)	-	5,500
Excess of Revenues and other sources over (under) expenditures and other uses	\$ 4,000	\$ (3,395)	2,324	\$ 5,719	\$ 9,000	\$ (9,930)	(12,174)	\$ (2,244)
Fund Balance - Beginning of Year			41,116				18,731	
Fund Balance - End of Year			\$ 43,440				\$ 6,557	

See accountant's report and accompanying notes to the financial statements

VILLAGE OF VARNADO, LOUISIANA

Schedule of Compensation Paid Board Members  
For the Year Ended December 31, 2003

The schedule of compensation paid to board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

The Board of Aldermen of the Village consists of three members elected by the registered voters of the Village. The following is a schedule of the compensation of the mayor and aldermen. Compensation did not exceed provisions of R.S. 33:4305.B.[1].

<u>Paid Elected Officials</u>	<u>POSITION</u>	<u>Board Member Per-Diem</u>	<u>Police Chief Salary</u>	<u>Adm. Salary</u>
Paris Sumrall	Mayor	\$ 720.00	\$ -	\$ -
Sally Law	Alderman	480.00		
Albert Boone	Alderman	480.00		
Mary Thigpen	Alderman	480.00		
Leroy Seal	Police Chief		2,400.00	
Mary Thigpen	Administrator			480.00
<b>Total</b>		<b>\$ 2,160.00</b>	<b>\$ 2,400.00</b>	<b>\$ 480.00</b>

**INDEPENDENT  
ACCOUNTANT'S REPORT**

**WILLIAM R. DURDEN**

*Certified Public Accountant*

820 11<sup>TH</sup> AVENUE  
FRANKLINTON, LOUISIANA 70438  
(985)839-4413  
FAX (985)839-4402

MEMBER  
A.I.C.P.A.

MEMBER  
L.C.P.A.

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

To the Mayor and Board of Aldermen  
of the Village of Varnado, Louisiana

I have performed the procedures included in the Louisiana Government Audit Guide and enumerated below, which were agreed to by the Board of Alderman of the Village of Varnado, Louisiana, and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the Village'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, I make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

1. Select all expenditures made during the year for material and supplies exceeding \$15,000, or public works exceeding \$100,000, and determine whether such purchases were made in accordance with LAS-RS 38:2211-2251 (the public bid law).

The Village resurfaced Fonea Road at a total cost of \$15,500. The Mayor and Board of Aldermen did obtain quotes on the project and award the job in accordance with LAS-RS 38:2211-2251 (the public bid law).

The Village purchased a police car for \$19,838. The vehicle was purchased under the state approved contract. No bids were required.



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.

Management provided me with the required list including the noted information.

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided me with the required list-

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 procedure (2) as immediate family members.

The only exception – Mary Adams, alderman, is married to Lewis Adams, police officer employed by the Village of Varnado. Both held their respective positions prior to their marriage. Ms. Adams abstains from voting on any items concerning policemen (pay, benefit, hours of work, ect.).

Budgeting

5. Obtain a copy of the legally adopted original budget and all amendments.

Management provided me with copies of the original and amended budgets.

6. Trace the budget adoption and amendments to the minute book.

I traced the adoption of the original budget to the minutes of a meeting held on December 9, 2002 which indicated that the budget was adopted by the aldermen of the Village of Varnado, Louisiana by a vote of three in favor and zero opposed. I also traced the adoption of an amended budget to the minutes of a meeting held on December 8, 2003, which indicated it was adopted by the aldermen by a vote of three in favor and zero opposed.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues or expenditures exceed budgeted amounts by more than 5%.

I compared the revenues and expenditures of the final budget to actual revenues and expenditures. The following unfavorable variances were noted:

General Fund:

The budget line item for "transfers in" from Sales Tax Fund, was over budget by 20.76%. This is considered an income item and therefore is a favorable variance.

Sales Tax Fund:

Actual "transfers out" exceeded budget amount by 20.76%

Actual "Salaries" exceeded budget amount by 75.45%

### Accounting and Reporting

8. Randomly select twelve disbursements made during the period under examination and:

(a) trace payments to supporting documentation as to proper amount and payee:

I examined supporting documentation for each of the twelve selected disbursements.  
I found each payment to be for the proper amount and made to the correct payee.

(b) determine if payments were properly coded to the correct fund and general ledger account;

The twelve payments I examined were coded to the correct general ledger accounts and proper funds.

(c) determine whether payments received approval from proper authorities.

Inspection, of documentation supporting the twelve selected disbursements,  
Indicates approval by the Board of Alderman.

### 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 Village of Varnado is only required to post a notice of each meeting and the accompanying agenda on the door of the Village's town hall, prior to the day of the meeting. Management stated that the meeting time and day of the month were advertised in the newspaper one time during the year, since the meeting is held the same time and day each month. No agenda was posted on the door at town hall. Notices of special meetings are advertised in the newspaper.

### Debt

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds or like indebtedness.

I inspected copies of all bank deposits for the period under examination and noted no deposits which appeared to be proceeds of bank loans, bonds or any kind of indebtedness.

### Advances and Bonuses

11. Examine payroll records and minutes for the period to determine whether any payments have been made to employees, which may constitute bonuses, advances, or gifts.

A review of the minutes of the Village indicated no approval for bonuses or advances.  
I also inspected payroll records for the year and noted no instances, which would indicate payments that would constitute bonuses, advances, or gifts.

Prior Comments and Recommendations

12. Review any prior year suggestions, recommendations, and/or comments and indicate the extent to which such matters have been resolved.

Agendas of meetings are still not posted on the door of town hall 24 hours prior to meetings.  
Budget still not properly amended.

I was 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, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the use of management of the Village of Varnado, Louisiana, the Legislative Auditor, State of Louisiana and the Washington Parish Government 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. However, this report is a matter of public record and its distribution is not limited.



William R. Durden  
Certified Public Accountant  
May 17, 2004


**SUMMARY OF PRIOR YEAR FINDINGS  
AND  
MANAGEMENT'S CORRECTIVE ACTION PLAN**

**VILLAGE OF VARNADO, LOUISIANA**  
**Summary Schedule of Prior Year Findings**  
**For the Year Ended December 31, 2003**

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken Yes, No Partially	Planned Corrective Action/Partial Corrective Action Taken
<b>Section 1 - Independent Accountant's report on Applying Agreed-Upon Procedures:</b>				
2002-1	2002	The Village failed to post the meeting agenda on the door of town hall prior to the day of the meeting.	yes	Agenda's for meetings are posted on the door of town hall prior to day of meeting, along with the notice of the meeting
2002-2	2002	The Village failed to properly amend their budget for 2002. Transfers out of Sales Tax Fund exceeded budget by 10.3%, and there was no budget item for the transfer in for the General fund. The budget was not reviewed except at year-end.	partially	The Village failed to properly amend their budget, to eliminate the unfavorable variances in excess of 5%. There were budget items for transfers in and transfers out.

VILLAGE OF VARNADO, LOUISIANA  
 MANAGEMENT'S CORRECTIVE ACTION PLAN  
 FOR THE YEAR ENDED DECEMBER 31, 2003

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken Yes, No Partially	Planned Corrective Action/Partial Corrective Action Taken
<b>Section 1 - Independent Accountant's Report on Applying Agreed-upon Procedures:</b>				
2003-1	2002	The Village failed to post the meeting agenda on the door of town hall prior to the day of the meeting.	yes	Board of Aldermen has instructed the village clerk to post the notice of the meeting and the agenda for the meeting on the door at town hall prior to the day of the meeting.
2003-2	2002	The Village failed to properly amend their budget for 2003. Transfers out of Sales Tax Fund exceeded budget by 20.8%, and salaries exceeded budget amount by 75.5%.	yes	The Mayor and Board of Aldermen will review a budget/actual statement each month. Variances will be discussed and the budget amended throughout the year as needed. They have included in the 2003 budget the transfers "in" and transfers "out" for all funds.

  
 Paris Sumrall, Mayor  
 Village Of Varnado

May 20, 2003

**LOUISIANA ATTESTATION QUESTIONNAIRE**  
**(For Attestation Engagements of Government)**  
\_\_\_\_\_ (Date Transmitted)

Village of Varnado  
\_\_\_\_\_  
\_\_\_\_\_

William R. Durden, CPA (Auditor)

In connection with your compilation of our financial statements as of [date] and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulation 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 the information available to us as of (date of completion/representations).

**Public Bid Law**

It is true that we have complied with the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office..  
Yes [] No [ ]

**Code of Ethics for Public Officials and Public Employees**

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 that would constitute a violation of LSA-RS 42:1101-1124.  
Yes [] No [ ]

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 that would constitute a violation of LSA-RS 42:1119.  
Yes [] No [ ]

**Budgeting**

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 39:34.  
Yes [] No [ ]

**Accounting and Reporting**

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 [ ]

We have filed our annual financial statements in accordance with LSA-RS 24:514, 33:463, and/or 39:92, as applicable.  
Yes [] No [ ]

We have had our financial statements audited or compiled in accordance with LSA-RS 24:513.  
Yes [] No [  ]

**Meetings**

We have complied with the provisions of the Open Meetings Law, provided in RS 42:1 through 42:12.

Yes [] No [  ]

**Debt**

It is true 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 39:1410.60-1410.65.

Yes [] No [  ]

**Advances and Bonuses**

It is true 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 [  ]

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.

<u>Mary S. Adams</u>	Secretary	<u>1/19/04</u>	Date
	Treasurer		Date
<u>Paul C. Durrall</u>	President	<u>1/19/04</u>	Date

**Note:** If the engagement is for a routine compilation/attest that will be completed within six months of the entity's fiscal year-end and the CPA will submit either a Fax Approval Form or an Email engagement approval form to the legislative auditor, the space for the legislative auditor's approval may be omitted.