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Town of Addis, Louisiana
Annual Financial Report
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 11-24-04

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Carroll P. Bourgeois, Mayor
and Members of the Board of Aldermen
Addis, Louisiana

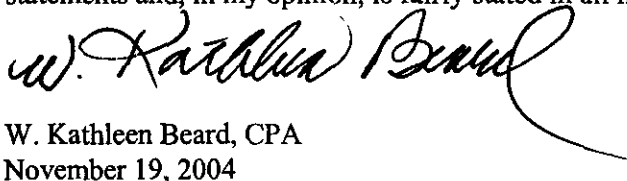
I have audited the accompanying general purpose financial statements of the Town of Addis, Louisiana, as of and for the year ended December 31, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the Town's management. My responsibility is to 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the 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 evaluation 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 the Town of Addis, Louisiana as of December 31, 2003, and the results of its operations and the cash flows of its proprietary fund types 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 November 19, 2004, on my consideration of the Town of Addis, Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

My audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The financial information listed as "Schedules" in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Town of Addis, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects in relation to such statements taken as a whole.


W. Kathleen Beard, CPA
November 19, 2004

GENERAL PURPOSE FINANCIAL STATEMENTS
(Combined Statements Overview)

Town of Addis, Louisiana
 Combined Balance Sheet
 All Fund Types and Account Groups
 December 31, 2003
 with Comparative Totals for December 31, 2002

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
ASSETS			
Cash in governmental funds	\$244,321	\$100	\$46
Cash and cash equivalents in proprietary funds	0	0	0
Investments	216,510	0	0
Receivables -			
Sales tax	68,988	0	0
Intergovernmental -			
Beer & video poker	3,132	0	0
Grants funds	0	0	0
Franchise fees	32,493	0	0
Accounts/other	0	0	0
Due from other funds	11,607	0	0
Advance to Sanitation - Sewer Project	0	0	0
Prepays	0	0	0
Inventory	0	0	0
Land, buildings, and equipment	0	0	0
Utility plant, and equipment (net of depreciation)	0	0	0
Other debits:			
Amount to be provided for payment of note payable	10,000	0	0
Amount to be provided for payment of capital lease payable	6,060	0	0
TOTAL ASSETS AND OTHER DEBITS	\$593,110	\$100	\$46
LIABILITIES AND FUND EQUITY			
Liabilities:			
Current -			
Accounts payable and accrued liabilities	\$13,653	\$0	\$0
Contracts payable	0	0	0
Due to other funds	0	100	46
Due to other governments	5,179	0	0
Advance from General fund - Sewer project	0	0	0
Note payable - Settlement	10,000	0	0
Capital lease payable	6,060	0	0
Note payable - Settlement Long-term portion	0	0	0
Capital lease payable long-term portion	0	0	0
Total Liabilities	34,892	100	46
Fund Equity:			
Contributed Capital (net)	0	0	0
Investment in General Fixed Assets	0	0	0
Fund balance - reserved for Sewer receivable	0	0	0
Fund balance - unreserved	558,218	0	0
Retained Earnings	0	0	0
Total Fund Equity	558,218	0	0
TOTAL LIABILITIES AND FUND EQUITY	\$593,110	\$100	\$46

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

Proprietary Fund Type	Account Groups		Totals (Memorandum Only)	
	General Fixed Assets	General Long-Term Debt	2003	2002
Enterprise				
\$0	\$0	\$0	\$244,466	\$271,988
4,182	0	0	4,182	64,870
0	0	0	216,510	276,508
0	0	0	68,988	57,474
0	0	0	3,132	6,209
0	0	0	0	14,538
0	0	0	32,493	28,338
20,884	0	0	20,884	13,180
0	0	0	11,607	11,142
0	0	0	0	688,841
10,518	0	0	10,518	272
36,930	0	0	36,930	10,908
0	1,732,284	0	1,732,284	3,346,550
4,728,553	0	0	4,728,553	3,023,392
0	0	80,000	90,000	100,000
0	0	8,497	14,558	0
<u>\$4,801,067</u>	<u>\$1,732,284</u>	<u>\$88,497</u>	<u>\$7,215,104</u>	<u>\$7,914,212</u>
\$1,266	\$0	\$0	\$14,919	\$31,262
0	0	0	0	140,314
11,461	0	0	11,607	11,142
0	0	0	5,179	5,339
0	0	0	0	688,841
0	0	0	10,000	10,000
0	0	0	6,060	0
0	0	80,000	80,000	90,000
0	0	8,497	8,497	0
<u>12,727</u>	<u>0</u>	<u>88,497</u>	<u>136,263</u>	<u>976,898</u>
4,809,286	0	0	4,809,286	2,364,151
0	1,732,284	0	1,732,284	3,346,550
0	0	0	0	688,841
0	0	0	558,218	494,600
(20,946)	0	0	(20,946)	43,172
<u>4,788,340</u>	<u>1,732,284</u>	<u>0</u>	<u>7,078,842</u>	<u>6,937,314</u>
<u>\$4,801,067</u>	<u>\$1,732,284</u>	<u>\$88,497</u>	<u>\$7,215,104</u>	<u>\$7,914,212</u>

Town of Addis, Louisiana
 Combined Statement of Revenues, Expenditures and Changes in
 Fund Balance - All Governmental Fund Types
 Year ended December 31, 2003 with comparative totals for 2002

Exhibit B

	General	Special Revenue	Capital Projects LCDBG	Totals "Memorandum Only"	
				2003	2002
REVENUES:					
Taxes:					
Parish sales tax	\$705,220	\$0	\$0	\$705,220	\$694,113
Intergovernmental:					
State -					
Beer tax	1,953	0	0	1,953	2,760
Video poker tax	30,513	0	0	30,513	29,187
LA Law enforcement grants	1,770	0	0	1,770	971
Rural development grant	20,000	0	0	20,000	16,000
Federal -					
LCDBG	0	0	0	0	1,000,000
FEMA	0	0	0	0	6,142
Law enforcement grants	15,999	0	0	15,999	18,939
Charges for services	5,736	0	0	5,736	7,796
Licenses and permits	74,272	0	0	74,272	58,926
Franchise fees	104,389	0	0	104,389	88,466
Fines and forfeitures	115,641	0	0	115,641	74,869
Investment income	12,413	0	0	12,413	20,530
Sale of fixed assets	549	0	0	549	3,628
Miscellaneous	1,673	0	0	1,673	1,239
Local revenues	0	0	30,658	30,658	580,877
Total revenues	1,090,127	0	30,658	1,120,785	2,604,442
EXPENDITURES:					
Current -					
General government	336,986	0	0	336,986	282,872
Public safety - Police Department	288,640	0	0	288,640	269,399
Public works - Streets	165,806	0	0	165,806	157,398
Capital outlay	62,320	0	30,658	92,978	1,633,035
Debt Service	17,599	0	0	17,599	100,000
Total expenditures	871,351	0	30,658	902,009	2,442,704
Excess (deficiency) Revenues over Expenditures	218,776	0	0	218,776	161,738
OTHER FINANCING SOURCES (USES):					
Proceeds of Capital Leases	21,268	0	0	21,268	0
Operating transfers In (Out)	0	0	0	0	(9,275)
Total other financing sources (uses)	21,268	0	0	21,268	(9,275)
Excess (deficiency) of Revenues and other sources over expenditures and other (uses)	240,044	0	0	240,044	152,463
FUND BALANCE - BEGINNING	1,183,441	0	0	1,183,441	1,643,775
Residual Equity Transfers In (Out)	(865,267)	0	0	(865,267)	(612,797)
FUND BALANCE - ENDING	\$558,218	\$0	\$0	\$558,218	\$1,183,441

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

Town of Addis, Louisiana
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balance - Budget (GAAP Basis) and Actual
 Governmental Fund Types - General Fund
 Year ended December 31, 2003 with comparative totals for 2002

Exhibit C

	<u>General Fund</u>			
	Revised Budget	Actual	Variance Favorable (Unfavorable)	2002 Actual
REVENUE:				
Taxes:				
Sales tax	\$565,000	\$705,220	\$140,220	\$694,113
Intergovernmental:				
State -				
Beer tax	1,300	1,953	653	2,760
Video poker tax	30,000	30,513	513	29,187
Capital law enforcement grant	1,900	1,770	(130)	971
Holiday grant	1,000	0	(1,000)	0
Rural development grant	20,000	20,000	0	16,000
Federal -				
FEMA	0	0	0	6,142
COPS Grant	6,000	2,378	(3,622)	11,522
Criminal patrols/ICAP	10,000	9,113	(887)	3,969
Highway Safety	0	0	0	502
LLEBG Police Grant	5,000	4,508	(492)	2,946
Charges for services:				
Grass cutting	4,450	4,246	(204)	4,246
Hall receipts	3,000	1,490	(1,510)	3,550
Licenses and permits	70,900	74,272	3,372	58,926
Franchise fees	89,500	104,389	14,889	88,466
Fines and forfeitures	110,000	115,641	5,641	74,869
Investment income	8,000	12,413	4,413	20,530
Sale of fixed assets	0	549	549	3,628
Miscellaneous	1,900	1,673	(228)	1,239
Total revenues	927,950	1,090,127	162,177	1,023,565
EXPENDITURES:				
Current -				
General government	346,010	336,986	9,024	282,872
Public safety - Police Department	309,550	288,640	20,910	268,885
Public works - Streets	182,200	165,806	16,394	157,398
Capital outlay	57,000	62,320	(5,320)	52,158
Debt service	10,000	17,599	(7,599)	100,000
Total expenditures	904,760	871,351	33,409	861,313
Excess Revenues Over (Under) Expenditures	23,190	218,776	195,586	162,252
OTHER FINANCING SOURCES (USES):				
Proceeds of Capital leases	0	21,268	21,268	0
Operating transfers In (Out)	0	0	0	(9,275)
Total other financing sources (uses)	0	21,268	21,268	(9,275)
Excess (deficiency) of Revenues and other financing sources over (under) expenditures and other financing uses	23,190	240,044	216,854	152,977
FUND BALANCE - BEGINNING	1,183,441	1,183,441	(0)	1,643,261
Residual equity transfers In (Out)	(304,820)	(865,267)	(560,447)	(612,797)
FUND BALANCE - ENDING	\$901,811	\$558,218	(\$343,593)	\$1,183,441

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

Town of Addis, Louisiana
 Combined Statement of Revenues, Expenses and
 Changes in Retained Earnings - Proprietary Fund Types
 Year ended December 31, 2003, with comparative totals for 2002

Exhibit D

	<u>Enterprise Fund - Sewer Fund</u>	
	<u>2003</u>	<u>2002</u>
OPERATING REVENUE		
Sewer fees	\$165,336	\$139,080
Installations	15,123	13,025
Miscellaneous	75	1,000
	-----	-----
Total operating revenue	180,534	153,105
OPERATING EXPENSE		
Salaries	57,621	56,636
Medicare & OAB tax	4,805	4,510
Health insurance	18,507	11,761
Deferred compensation expense	5,172	2,323
Utilities	29,028	16,758
Telephone	819	724
Expense allowance, gas and oil	2,455	1,880
Office supplies, postage, printing	178	573
Repairs and maintenance	12,004	9,277
Dues and permits	1,314	1,266
Supplies, small tools and chemicals	13,395	9,634
Testing expense & sludge removal	1,958	1,680
Insurance	8,718	7,858
Uniforms	1,229	1,189
Engineering	2,880	0
Legal fees	10,214	0
Miscellaneous	8,199	1,190
Depreciation	154,745	110,884
	-----	-----
Total Operating Expense	333,240	238,142
NET OPERATING (LOSS) BEFORE OPERATING TRANSFERS	(152,706)	(85,037)
	-----	-----
OPERATING TRANSFERS		
Operating transfer in - General Fund	0	9,275
	-----	-----
NET (LOSS)	(152,706)	(75,762)
Add back depreciation on assets acquired with Contributed Capital	88,587	65,331
	-----	-----
INCREASE (DECREASE) IN RETAINED EARNINGS	(64,119)	(10,431)
RETAINED EARNINGS - BEGINNING	43,172	54,983
Residual equity transfer out - Capital Projects Fund	0	(1,380)
	-----	-----
RETAINED EARNINGS - ENDING	(\$20,946)	\$43,172
	=====	=====

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

Town of Addis, Louisiana
 Combined Statement of Cash Flows
 Proprietary Fund Types
 Year ended December 31, 2003
 With Comparative Totals for 2002

Exhibit E

	<u>Enterprise Fund - Sewer Fund</u>	
	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$172,830	\$152,120
Cash payments for goods and services	(161,338)	(74,800)
Cash payments for salaries	(57,621)	(56,636)
Operating transfer in from general fund	0	9,275
	-----	-----
Net Cash Provided by (Used for) Operating Activities	(46,129)	29,960
	-----	-----
CASH FLOWS FOR NONCAPITAL FINANCING ACTIVITIES:		
Operating loan from general fund	465	218
	-----	-----
Net Cash Provided by (Used for) NonCapital and related financing activities	465	218
	-----	-----
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(1,859,906)	(100,628)
Residual equity transfer from General Fund	145,768	33,300
Residual equity transfers (to) from Capital Projects	1,699,113	(1,380)
	-----	-----
Net Cash Provided by (Used for) Capital and related financing activities	(15,025)	(68,708)
	-----	-----
INCREASE (DECREASE) IN CASH	(60,689)	(38,531)
CASH AND CASH EQUIVALENTS - BEGINNING	64,871	103,401
	-----	-----
CASH AND CASH EQUIVALENTS - ENDING	\$4,182	\$64,871
	=====	=====
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating income (loss)	(\$152,706)	(\$75,762)
Adjustments to reconcile operating income to net cash provided by operating activities -		
Depreciation	154,745	110,884
Change in Assets and Liabilities -		
(Increase) Decrease in accounts receivable	(7,704)	(985)
(Increase) Decrease in prepaid insurance	(10,246)	3,928
(Increase) Decrease in inventory	(26,021)	(2,605)
Increase (Decrease) in accounts payable & accrued liabilities	(4,196)	(5,500)
	-----	-----
Net Cash Provided by (Used for) Operating Activities	(46,129)	29,960
	=====	=====

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

Introduction

The Town of Addis was incorporated September 1915, under the provisions of Title 33, Chapter 2, Part 1, of the Louisiana Revised Statutes (Lawrason Act - Act No. 36 of 1898). The "Town" operates under a Mayor - Council form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning and general administrative services.

1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying financial statements of the Town of Addis, Louisiana have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental funds. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (where applicable). As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the Town has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

B. Financial Reporting Entity

GASB Codification Section 2100, as amended by GASB Statement No. 14, established criteria for determining which component units should be considered part of the reporting entity. 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 the ability of the reporting entity to impose its will on that organization's governing body, and/or the potential for the organization to provide specific financial benefits to or impose specific financial burdens to the reporting entity; (2) organizations for which the reporting entity does not appoint a voting majority but are fiscally dependent on the reporting entity; and (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.*

For financial reporting purposes, in conformance with GASB Statement No. 14, the Town of Addis, includes all funds, account groups, and activities that are controlled by, or dependent on, the Town executive and legislative branches (Mayor and Board of Aldermen). Control by or dependence on the Town is determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility. The accompanying financial statements present only information on the funds maintained by the Town and do not present information on any other governmental entity.

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting

The accounts of the Town of Addis are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts which include assets, liabilities, fund equity, revenues and expenses or expenditures, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two generic fund types under two broad fund categories as follows:

Governmental Funds Types:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by Proprietary Funds.

Proprietary Fund Types:

Enterprise Fund - Used to account for operations that are financed and operated in a manner similar to private business enterprises, where the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis are financed through user charges.

General Fixed Asset Group:

The General Fixed Asset Group is used to record the fixed assets used in governmental fund type operations.

D. Basis of Accounting

All governmental fund types use 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 Town considers sales taxes available when in the hands of the intermediary collecting governments and is recognized as revenues at that time. Expenditures are recorded when the related fund liability is incurred.

Proprietary fund types utilize the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

1. Summary of Significant Accounting Policies (Continued)

E. Use of 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 and disclosures. Accordingly, actual results could differ from those estimates.

F Budget and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The Mayor prepares a proposed budget and submits same to the Board of Aldermen prior to the beginning of each year.
2. *The budget for the next fiscal year is adopted through passage of a resolution at the last council meeting of each fiscal year.*
3. All budgetary appropriations lapse at the end of each fiscal year.
4. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended from time to time by the Board of Aldermen.
5. *Expenditures may exceed budgeted amounts providing funds are available and subsequent to the board's approval.*
6. Formal budgetary integration is employed as a management control device. Budgeted amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments. All budgetary appropriations lapse at the end of each fiscal year.

The Town of Addis Police Department does not adopt a budget for the Special Revenue Fund - Asset Forfeiture Fund since the revenue derived from seized assets related to drug law enforcement is not predictable and therefore, does not lend itself to reasonable estimate.

G. Encumbrances

Encumbrance accounting is not employed by the Town of Addis.

H. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Enterprise Fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

1. Summary of Significant Accounting Policies (Continued)

I. Comparative Data

Comparative totals for the prior year have been presented in the accompanying combined financial statements in order to provide an understanding of changes in the City's financial position and operations. However, presentation of prior year totals by fund type has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

Total columns on the statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations 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.

J. Property, Plant and Equipment

General Fixed Assets Account Groups - Fixed assets used in governmental fund type operations 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, and drainage systems. Depreciation is not provided on general fixed assets. Interest has not been capitalized on fixed assets in Governmental Fund Type operations. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair value on the date donated.

Proprietary Fund Types - The property, plant and equipment owned by the Proprietary Funds are recorded at cost, or if contributed property, at their fair market value on date contributed. Depreciation is computed on the straight-line method over estimated useful lives of 8-50 years. Depreciation expense was recorded in the proprietary fund. Interest costs incurred during the construction phase is capitalized.

K. Inventory

Inventory in the Proprietary Fund consists of sewer tanks which have been purchased but not yet installed into the sewer system. The tanks are recorded at cost.

L. Compensated Absences

Employees of the Town earn vacation or sick leave at varying rates based upon length of service. Vacation leave in non-cumulative, unused personal/sick leave may be carried into the ninety days of the subsequent year. Any unused personal/sick leave is immaterial, therefore, no accrual has been made.

2. Cash and Investments

Cash - State statutes require that all deposits in financial institutions be fully collateralized and that the market value of the deposit collateral have a market value of not less than the principal amount of the deposits. At December 31, 2003 the carrying amount (book balance) of the Town's deposits was \$248,649 (excluding cash on hand of \$300) and is comprised of checking, savings and money market accounts, having a maturity of one year or less. The respective bank balance of the Town's deposits was \$293,656. Of the bank balances, \$199,038 was covered by federal depository insurance and \$15,119 was insured by Securities Investor Protection Corporation. The remainder was covered by collateral comprised of pledged securities having a market value of \$300,000 held by First National Bankers Bank in the name of Iberville Trust and Savings Bank (Uncollateralized - Category 3).

Investments - State statutes, and Town investment policies authorize the Town to invest in obligations of the U. S. Government and its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality and insured or collateralized certificates of deposit of state banks organized under the laws of Louisiana or national banks having their principal offices in the state of Louisiana. The General Fund holds the following investments:

	<u>Cost Basis</u>	<u>Carrying Value Fair Value</u>
U. S. Treasury Notes	\$ 145,373	\$ 142,383
FNMA Notes	<u>75,000</u>	<u>74,127</u>
Total Investments	<u>\$ 220,343</u>	<u>\$ 216,510</u>

Town of Addis, Louisiana
Notes to the Financial Statements
December 31, 2003

3. Interfund Transactions

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
Special Revenue - Federal Asset Forfeiture	General Fund	100
Capital Projects - LCDBG	General Fund	46
Enterprise Fund	General Fund	<u>11,461</u>
		<u>\$ 11,607</u>

Residual Equity Transfers Out:

General Fund	(\$ 865,267)
Capital Projects - LCDBG Completed Sewer Project	<u>(1,966,113)</u>
	<u>(\$2,831,380)</u>

Local Revenues:

Capital Projects LCDBG	<u>\$ 30,658</u>
------------------------	------------------

Contributed Capital:

Capital Projects - LCDBG Completed Sewer Project	
Federal Share	\$1,000,000
Local Share	966,113
General Fund - Parker Lane Project	145,768
General Fund - Advance to Sewer	<u>688,841</u>
	<u>\$2,800,722</u>

Town of Addis, Louisiana
Notes to the Financial Statements
December 31, 2003

4. Fixed Assets

A summary of the general fixed assets transactions for the year ended December 31, 2003, follows:

	<u>Balance</u> <u>1/1/03</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/03</u>
Land	\$ 55,803	\$ 0	\$ 0	\$ 55,803
Buildings	555,192	6,900	0	562,092
Museum	190,254	0	0	190,254
Water System	1	0	0	1
Furniture & Fixtures	40,822	2,270	0	43,092
Equipment & Vehicles	248,228	19,347	8,112	259,463
Police department - Equipment & Vehicles	291,095	33,803	0	324,898
Fire department - Equipment & Vehicles	286,811	0	0	286,811
Website	9,870	0	0	9,870
Construction in progress-LCDBG	<u>1,688,474</u>	<u>30,658</u>	<u>1,699,133</u>	<u>0</u>
	<u>\$ 3,346,550</u>	<u>\$ 92,978</u>	<u>\$ 1,707,245</u>	<u>\$ 1,732,284</u>

The following is a summary of the changes in property, plant and equipment of the Enterprise Fund for the year ending December 31, 2003:

	<u>Balance</u> <u>1/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/03</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>BookValue</u> <u>12/31/03</u>
Utility Plant	\$ 3,761,719	\$ 1,844,881	\$ 0	\$ 5,606,600	\$ 982,354	\$ 4,624,246
Land	16,755	0	0	16,755	0	16,755
Vehicles	18,882	0	0	18,882	11,329	7,553
Equipment	<u>197,254</u>	<u>15,025</u>	<u>0</u>	<u>212,278</u>	<u>132,279</u>	<u>79,999</u>
	<u>\$ 3,994,610</u>	<u>\$ 1,859,906</u>	<u>\$ 0</u>	<u>\$ 5,884,515</u>	<u>\$ 1,125,962</u>	<u>\$ 4,728,553</u>

5. Contributed Capital

The following is a summary of capital contributed for construction of the Town's sewer system. This contributed capital is being amortized over a period of 43 years using the straight-line method.

EPA	\$ 1,719,980
LCD Block Grant	628,806
West Baton Rouge Parish Police Jury	68,000
State of Louisiana	50,000
West Baton Rouge Parish	10,000
1994 LCD Block Grant	332,452
Municipality - General Fund	211,692
Municipality - General Fund	33,300
2001 LCDBG Federal Grant	1,000,000
Municipality - General Fund - 2001 LCDBG	699,113
Municipality - General Fund - Parker Lane Project	145,768
Municipality - General Fund - Advance (Prior Years)	<u>688,841</u>
Total	5,587,951
Less: Accumulated Amortization	<u>(778,665)</u>
Net Contributed Capital	<u><u>\$ 4,809,286</u></u>

6. Capital Leases

The Town began leasing computers under terms which qualify as capital leases as follows:

	<u>(4) Computers - General Administrative</u>	<u>(7) Computers - Police Department</u>
Cost of Computers	\$8,976	\$12,292
Amount Financed	\$8,433	\$11,547
Term	3 Years	3 Years
Monthly Payments	\$ 271.69	\$372.51
Implicit Interest Rate	6.36%	6.45%

Future minimum annual lease payments for the term of the leases are as follows:

Year Ending December 31,	<u>General Administrative</u>		<u>Police Department</u>	
	Principal	Interest	Principal	Interest
2004	\$ 2,776	\$ 213	\$ 3,285	\$ 441
2005	2,123	51	4,181	289
2006	<u>0</u>	<u>0</u>	<u>2,194</u>	<u>41</u>
Totals	<u><u>\$ 4,899</u></u>	<u><u>\$ 264</u></u>	<u><u>\$ 9,660</u></u>	<u><u>\$ 771</u></u>

7. Long-Term Debt

The Town issued a note to pay the balance due on the settlement of a lawsuit. The Town paid \$100,000 during 2002 and agreed to pay ten yearly installments of \$10,000 per year commencing on September 1, 2003, with interest paid at the rate of 0%. In the event that any installment is not promptly paid when due, all remaining installments will become immediately due with an additional 25% of both principal and interest due as attorney's fees. Annual payments to retire the note are as follows:

<u>September 1,</u>	
2004	\$ 10,000
2005	10,000
2006	10,000
2007	10,000
2008	10,000
2009-2013	<u>40,000</u>
	<u>\$ 90,000</u>

8. Sewer User Fees

Charges for sewer use are as follows:

\$10 plus \$1.50 per 1,000 gallons after 4,000 for residential
\$20 plus \$1.50 per 1,000 gallons after 4,000 for non-residential

9. Pension Plan

Plan Description Police employees of the Town of Addis are members of the state retirement system for municipal police employees, a cost sharing multiple-employer public employee retirement system. Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211-11:2233. Any member is eligible for normal retirement after he has been a member of the System for 1 year, if he has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. Benefits rates are 3 1/3% of average final compensation per number of years of creditable service no to exceed 100% of final salary. The plan also provides for disability benefits calculated a 3% of average final compensation multiplied by years of creditable service, but not less than forty percent nor more than sixty percent of average final compensation. The Municipal Police Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. The report may be obtained by calling 1-225-929-7411.

9. Pension Plan (Continued)

Funding Policy The payroll for employees covered by the System for the year ended December 31, 2003 was \$126,307, the Town's total payroll was \$398,066. Covered employees are required by State statute to contribute 7.5% of their salary to the plan. The Town is required by the same statute to contribute the remaining amounts necessary to pay benefits when due. The contribution requirement for the year ended December 31, 2003 was \$24,950, which consisted of \$15,477 from the Town and \$9,473 from employees; these contributions represent 9% (through 6/30)/15.75% (7/1 through 12/31) and 7.5% of covered payroll respectively.

10. Deferred Compensation Plan

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all permanent Town employees, permits them to defer until future years up to 25% of annual gross earnings not to exceed, for 2003, \$12,000. The Town contributes on behalf of its employees based upon employee contributions with a maximum match of 9%. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. In accordance with GASB No. 32, the Town is no longer required to report the plan in its financial statements.

11. Intergovernmental Agreements

Fire Protection Sub-District No. 1 of West Baton Rouge -

The Town entered into a local services agreement with the Sub - District in January 1992 to provide fire protection within the Town of Addis. Under the terms of the agreement, the Town has agreed to do the following:

- 1) Lease all vehicles, equipment, and supplies belonging to the Town and for the use of the Addis Volunteer Fire Department to the Sub - District, provided that the Sub - District shall bear the cost of insurance coverage on all vehicles, equipment and supplies, said coverage to be approved by the Town with certificates of such insurance to be presented.
- 2) Permit the Sub - District to use the Town's existing fire stations and Old Town Hall during the term of the agreement, provided that the Sub - District shall provide insurance coverage thereon at least equal to the amount which the Town has in force on the date of the agreement and further provided that the Town is listed as an additional insured on the policy. However, insurance costs as to Station #2 shall be fifty (50%) percent to Town and Fifty (50%) percent to Sub District

The Town entered into a lease agreement with the District for the lease of one 1995 Ford Truck. In consideration for use of the truck, the District is responsible for maintaining insurance coverage and paying all costs related to the truck.

At December 31, 2003, the Town owed the Fire Sub - District \$5,179 which is reported as "Due to Other Governments".

11. Intergovernmental Agreements (Continued)

West Baton Rouge Parish Water Works District No. 1 -

A service agreement effective through December 31, 2003, was formed between the District and the Town to continue an on-going activity in which the District invoices and collects sewer fees from water customers living within the Town. The sewer rates are based on water usage, and customers may have their water service discontinued for non-payment of sewer fees. No compensation is paid to the District, but the Town accepts customer payments for water, sewer, and garbage charges on behalf of the District. The amount due from the District for customer sewer fees billed through December 31, 2003 was \$10,200.

West Baton Rouge Water Works District No. 2 -

A service agreement effective through December 31, 2003, was formed between the District and the Town in which the District shall prepare sewer bills and collect sewer charges for the Town on a monthly basis for those properties being provided said service by the Town which are on the District's water system. The Town shall pay the District \$.33 per bill with the fee to be included on the District's water bill. The fee is shall be deducted from monies collected by the District for the Town. The amount due from the District for customer sewer fees billed through December 31, 2003 was \$3,376 .

12. Risk Management

The Town of Addis is exposed to various risks of loss for which the Town carries commercial insurance. There have been no reductions in insurance coverage during the last year. Settled claims have not exceeded coverage in the last three years.

13. Contingencies

Litigation -

In the opinion of the Town's management, after consultation with legal counsel, the potential loss for any claims and lawsuits will not materially effect the Town's financial position.

14. Retained Earnings Deficit

At December 31, 2003, the Enterprise Fund - Sewer System reported a deficit balance in retained earnings of \$20,946. The deficit is due to depreciation of fixed assets of \$154,745 with only \$88,587 added back to retained earnings for depreciation on fixed assets acquired or constructed with contributed capital externally restricted for that purpose.

SUPPLEMENTARY INFORMATION

Town of Addis, Louisiana
Schedule of Per Diem Paid to Council Members
Year Ended 12/31/2003

Schedule 1

The schedule of per diem paid to council members was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Legislature.

The per diem of the council members is included in the current expenditures of the General Fund.

	<u>Per Diem</u>
Council Members -	
Wilson E. Cazes	\$1,000
Joseph G. Landry	1,000
Harry J. Landry	1,000
Lance Gauthreaux	1,000
Russell L. Parish	800

Total	\$4,800
	=====

Town of Addis, Louisiana
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget (GAAP Basis) and Actual - General Fund
 Year ended December 31, 2003 with comparative totals for 2002

Schedule 2

	Revised Budget	Actual	Favorable (Unfavorable)	2002 Actual
REVENUE:				
Taxes:				
Sales tax - Parish	275,000	333,616	58,616	347,820
Sales tax - District	290,000	371,604	81,604	346,294
Intergovernmental:				
State -				
Beer tax	1,300	1,953	653	2,760
Video poker	30,000	30,513	513	29,187
Capital District Law Enforcement	1,900	1,770	(130)	971
Holiday Grant	1,000	0	(1,000)	0
Rural Development grant	20,000	20,000	0	16,000
Federal -				
FEMA	0	0	0	6,142
COPS FAST grant	6,000	2,378	(3,622)	11,522
LLEBG police grant	0	0	0	2,946
Criminal patrols/ICAP grant	10,000	9,113	(887)	3,969
Highway Safety Commission - Safe and Sober Campaign	0	0	0	502
Domestic violence program	0	0	0	0
Law enforcement equipment grant (LLEBG)	5,000	4,508	(492)	0
Charges for services:				
Grass mowing state contract	4,250	4,246	(4)	4,246
Grass mowing town	200	0	(200)	0
Hall rent receipts	3,000	1,490	(1,510)	3,550
Licenses & Permits:				
Occupational licenses	66,000	69,563	3,563	58,245
Trailer moving permits	200	(235)	(435)	(110)
Building permits	4,500	4,830	330	665
Bartenders' permits	200	114	(86)	126
Fines & forfeitures	110,000	115,641	5,641	74,869
Cable TV franchise fees	4,500	11,126	6,626	10,305
Energy franchise fees	85,000	93,263	8,263	78,161
Investment income:				
Interest income	8,000	17,996	9,996	22,896
Net increase (decrease) in fair value of investments	0	(5,583)	(5,583)	(2,366)
Sale of fixed assets	0	549	549	3,628
Miscellaneous:				
Planning & zoning	400	500	100	200
WBR Emergency Task Force Police Grant	0	0	0	0
Miscellaneous	1,500	1,173	(327)	1,038
Total Revenue	927,950	1,090,127	162,177	1,023,565

Town of Addis, Louisiana
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget (GAAP Basis) and Actual - General Fund
 Year ended December 31, 2003 with comparative totals for 2002

Schedule 2

	Revised Budget	Actual	Favorable (Unfavorable)	2002 Actual
Expenditures:				
Current:				
General Government -				
Salaries - General Administration	83,000	82,421	579	79,157
Councilmen's salaries	24,000	24,800	(800)	18,000
Councilmens' per diem	6,000	4,800	1,200	4,600
Salaries - Cops General Administrative expense	0	0	0	552
Medicare expense	1,800	1,766	34	1,534
OAB Expense	7,000	7,553	(553)	6,559
Deferred compensation contributions	11,000	10,693	307	6,088
Unemployment insurance	550	67	483	64
Health insurance	12,500	13,578	(1,078)	8,879
Utilities	13,500	14,354	(854)	12,349
Utilities - Street lights	9,000	7,519	1,481	8,864
Telephone expense	5,700	2,755	2,945	3,936
Computer cable	900	424	476	0
Expense allowance	13,000	13,732	(732)	14,950
Oil and gas (personal cars)	500	417	83	198
Office supplies	6,500	4,603	1,897	5,620
Postage	1,000	1,604	(604)	0
Printing	1,000	559	441	0
Repairs to equipment	2,300	2,780	(480)	11,937
Repairs to buildings	12,000	4,372	7,628	2,084
Dues & Subscriptions	2,000	5,541	(3,541)	2,017
Tools & Supplies	1,700	1,630	70	1,457
Miscellaneous expense	15,800	6,773	9,027	23,877
Insurance and bonds	11,500	14,955	(3,455)	10,826
Uniforms	1,000	942	58	1,011
Training	900	660	240	0
Planning and zoning commission	300	0	300	0
Computer upgrade	1,250	0	1,250	0
Building inspector	1,010	3,490	(2,480)	0
Legal services	18,000	21,441	(3,441)	23,700
Accounting	6,500	6,500	0	4,500
Offical journal	8,500	9,064	(564)	4,714
Cleaning contract - Town Hall	4,300	4,580	(280)	4,140
Jackson Uniforms (Mats)	1,300	1,462	(162)	0
Computer maintenance	10,500	16,207	(5,707)	8,282
Equipment maintenance	3,200	1,587	1,613	0
Engineering fees	1,000	0	1,000	0
Recreation and parks	5,000	34	4,966	100
Dog pound and related expenses	9,500	11,710	(2,210)	8,913
Rural development	20,000	20,156	(156)	0
Case Management Fund	2,700	2,848	(148)	1,210
LACLE Training Fund	2,700	2,791	(91)	1,186
LACLE Crime Victim Fund	800	758	43	293
Court Witness fees	1,300	1,000	300	1,275
Museum expenses	4,000	4,061	(61)	0
Total General Government	346,010	336,986	9,024	282,872

Town of Addis, Louisiana
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget (GAAP Basis) and Actual - General Fund
 Year ended December 31, 2003 with comparative totals for 2002

Schedule 2

	<u>Revised Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>2002 Actual</u>
Police Department -				
Salaries	143,000	138,462	4,538	133,277
Medicare expense	2,000	2,271	(271)	2,194
OAB Expense	2,000	826	1,174	2,283
Police Retirement	15,000	16,088	(1,088)	9,110
Unemployment insurance	300	296	4	141
Health insurance	38,000	36,644	1,356	30,120
Telephone and pagers	2,800	2,278	522	2,279
Computer cable	800	233	567	0
Expense allowance	1,800	1,273	527	3,761
Gas & Oil	16,300	16,190	110	11,230
Office supplies	900	842	58	2,114
Postage	250	106	144	0
Printing	450	97	353	0
Repairs to equipment	7,000	7,615	(615)	19,376
Dues and subscriptions	500	225	275	304
Tools and supplies	8,800	9,642	(842)	5,783
Miscellaneous	2,800	2,655	145	4,125
Insurance and bonds	27,000	25,580	1,420	22,163
Uniforms	2,500	3,162	(662)	3,273
Training	4,500	4,849	(349)	2,727
Narcotics	1,000	1,873	(873)	1,328
Public awareness	300	0	300	25
Computer upgrade	1,300	0	1,300	1,108
Computer maintenance	5,200	3,230	1,970	0
Salaries - Holiday grants	750	0	750	501
Capital District grant	375	0	375	971
Salaries - Cops Grant - Federal Share	6,000	5,323	677	2,339
Salaries - Criminal patrols/ICAP	8,000	8,880	(880)	8,352
Holiday grant - Town match	250	0	250	0
Capital District grant - Town match	175	0	175	0
COPS Grant	7,000	0	7,000	0
Criminal patrol - Town match	2,500	0	2,500	0
Total Police Department	309,550	288,640	20,910	268,885

Town of Addis, Louisiana
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget (GAAP Basis) and Actual - General Fund
 Year ended December 31, 2003 with comparative totals for 2002

Schedule 2

	Revised Budget	Actual	Favorable (Unfavorable)	2002 Actual
Expenditures:				
Current:				
Streets and Sanitation -				
Salaries and wages	77,700	75,760	1,940	71,915
Medicare Tax expense	1,100	1,321	(221)	1,184
OAB Tax expense	4,500	5,649	(1,149)	4,487
Deferred compensation	3,500	5,452	(1,952)	2,725
Unemployment	400	74	326	73
Health insurance	24,800	27,872	(3,072)	14,970
Expense allowance	500	113	387	0
Gas & oil	3,900	3,889	11	3,428
Office supplies	200	100	100	0
Postage	50	40	10	0
Printing	100	0	100	0
Repairs to equipment	4,500	3,219	1,281	4,623
Repairs to buildings	0	6	(6)	0
Dues and subscriptions	150	35	115	0
Tools & supplies	5,000	4,794	206	7,447
Miscellaneous	1,000	581	419	977
Insurance & bonds	12,000	11,567	433	10,061
Uniforms	1,500	1,528	(28)	0
Training	300	175	125	0
Garbage pickup	2,000	1,720	280	1,436
Road repairs and materials	8,000	4,396	3,604	240
Drainage and ditching	4,000	3,337	663	25,875
Street signs	2,500	1,908	592	925
Street overlays	5,000	0	5,000	0
Tree cutting and removal	2,000	0	2,000	1,300
Highway Grass mowing - contract	10,500	12,268	(1,768)	5,733
Equipment maintenance	5,000	0	5,000	0
Engineering fees	2,000	0	2,000	0
Total Streets & Sanitation	182,200	165,806	16,395	157,398
Capital Outlays -				
General Government	30,000	28,517	1,483	21,876
Police Department	22,000	33,803	(11,803)	30,282
Streets and Sanitation	5,000	0	5,000	0
Total Capital outlays	57,000	62,320	(5,320)	52,158
Debt Service -				
General Government - Capital Lease	0	4,619	(4,619)	0
Police Department - Capital Lease	0	2,980	(2,980)	0
Police Department - Law suit settlement	10,000	10,000	0	100,000
Total Capital outlays	10,000	17,599	(7,599)	100,000
Total Expenditures	904,760	871,350	33,410	861,313
Excess Revenues over (under) Expenditures	23,190	218,777	195,588	162,252

Town of Addis, Louisiana
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget (GAAP Basis) and Actual - General Fund
 Year ended December 31, 2003 with comparative totals for 2002

Schedule 2

	Revised Budget	Actual	Favorable (Unfavorable)	2002 Actual
Other Financing Sources (Uses)				
Proceeds of Capital Leases	0	21,268	21,268	0
Operating transfers in (out) - Enterprise fund	0	0	0	(9,275)
Total Other Financing Sources (Uses)	0	21,268	21,268	(9,275)
Excess Revenues and other Financing Sources over (under) Expenditures and other Financing (Uses)	23,190	240,046	216,856	152,977
Fund Balance - Beginning	1,183,441	1,183,441	(0)	1,643,261
Residual Equity Transfer In (Out) - Capital Projects - LCDBG	(154,820)	(30,658)	124,162	(579,497)
Residual Equity Transfer In (Out) - Enterprise Fund - Parker Lane	(150,000)	(145,768)	4,232	(33,300)
Residual Equity Transfer In (Out) - Enterprise Fund	0	(688,841)	(688,841)	0
Total Residual Equity Transfers In (Out)	(304,820)	(865,268)	(560,448)	(612,797)
Fund Balance - Ending	\$901,811	\$558,218	(\$343,592)	\$1,183,441

Town of Addis
 Combining Balance Sheets - Special Revenue Funds
 December 31, 2003 with comparative totals for 2002

Schedule 3

	ASSETS	Federal Asset Forfeiture	<u>2002</u>
Cash on hand		\$0	\$0
Cash in banks		100	100
Grant funds receivable		0	0
	Total Assets	----- \$100 =====	----- \$100 =====
	LIABILITIES		
Accounts payable		0	0
Due to other funds		100	100
	Total Liabilities	----- 100	----- 100
	FUND EQUITY		
Fund balances		0	0
	Total Liabilities and Fund Equity	----- \$100 =====	----- \$100 =====

Town of Addis
 Combining Schedule of Revenue, Expenditures and
 Changes in Fund Balance - Special Revenue Funds
 Year Ended December 31, 2003 with comparative totals for 2002

Schedule 4

	Federal Asset Forfeiture	2002
REVENUE:		
Pro rata share seized assets	\$0	\$0
Federal grant	0	0
Interest income	0	0
Miscellaneous income	0	0
	-----	-----
Total Revenue	0	0
EXPENDITURES:		
Current - Public safety		
Supplies	0	0
Telephone	0	514
	-----	-----
Total Current Expenditures	0	514
Capital Outlays	0	0
	-----	-----
Total Capital Outlays	0	0
	-----	-----
Total Expenditures	0	514
	-----	-----
Excess Revenues over (under) Expenditures	0	(514)
Other Financing Sources (Uses)		
Operating Transfers In (Out)		
General Fund	0	0
	-----	-----
Total Other Financing Sources (Uses)	0	0
	-----	-----
Excess Revenues and Other Financing Sources over (under) Expenditures and Other Financing (Uses)	0	(514)
Fund Balance - Beginning	0	514
	-----	-----
Fund Balance - Ending	\$0	\$0
	=====	=====

Other Reports Required By

Government Auditing Standards

The following pages contain a report on compliance with laws and regulations and on internal control over financial reporting as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or weaknesses in internal control or compliance matters that would be material to the presented financial statements.

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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

To the Honorable Mayor and
Members of the Board of Aldermen
Town of Addis, Louisiana

I have audited the general purpose financial statements of the Town of Addis, Louisiana, as of and for the year ended December 31, 2003, and have issued my report thereon dated November 19, 2004. I have conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town of Addis, Louisiana's general purpose 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2003 - 1.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Addis, Louisiana's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose 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 a material weakness. 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 a material weakness.

This report is intended for the information of the Mayor and Members of the Board of Aldermen of the Town of Addis, Louisiana, management, others within the organization, pass through entities, federal awarding agencies and the Legislative Auditor of the State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

W. Kathleen Beard

W. Kathleen Beard, CPA
November 19, 2004

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses a unqualified opinion on the financial statements of the Town of Addis.
2. No reportable conditions disclosed during the audit of the general purpose financial statements are reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. One instance of noncompliance material to the general purpose financial statements of the Town of Addis was disclosed during the audit.

Findings - Financial Statements Audit

Compliance

2003-1 Condition: The audit was not completed and delivered to the Louisiana Legislative Auditor within the statutory six month deadline.

Cause: The books and records for the Town of Addis were made available to the auditor on September 10, 2004, over two months past the deadline for completion of the audit.

The Clerk cites several reasons for the delay in having the books ready for audit. In January of 2003 the Town began using a new accounting and payroll software package. Problems were encountered in getting the payroll package to function correctly. Installation, debugging, and training for this new software was top priority, consequently, finishing the 2003 accounting and gathering of audit data was delayed. Because the Clerk was focused on 2003 payroll, then on the 2002 audit, the 2003 monthly accounting procedures were not completed until September 2004.

Criteria: LA RS 24:513 requires that the audit must be completed and delivered to the Louisiana Legislative Auditor within six months of the close of the fiscal year end.

Effect: Violation of LA RS 24:513. Additionally, because current posting of transactions is incomplete, and bank accounts are not reconciled monthly, interim financial statements are inaccurate and incomplete. The governing body can not properly monitor budgets with inaccurate and incomplete financial statements; accurate and current bank account balances are not available. Because the governing board is not provided reliable financial data, their ability to make good financial decisions could be impaired.

Perspective Information: This is the third consecutive year the audit for the Town of Addis has been late.

Findings - Financial Statements Audit (Continued)

Compliance (Continued)

Recommendation: To ensure that the 2004 accounting records are maintained current, complete and accurate, I recommend the following steps be taken.

First, an accounting consultant should be engaged to post to the general ledger any unrecorded 2004 transactions and reconcile all bank accounts through October 31, 2004.

Second, the Clerk must completely post transactions and reconcile bank accounts using the computer program for subsequent months of November and December 2004. By the end of January 2005, the 2004 general ledger should be posted and bank accounts reconciled.

Third, the Clerk must develop and institute a monthly accounting process comprised of a series of procedures to ensure that each month is completely posted and reconciled before the end of the subsequent month and in time for meetings.

Fourth, monthly accounting procedures must include reviewing the current month postings and carefully correcting coding errors in that month to prevent the need for numerous journal entries at year end. Also, when correcting entries are made there should be a final review to determine that the correction did indeed correct the error as intended.

Fifth, to be more efficient, the Clerk must utilize data obtained from computer reports in her accounting procedures and abandon obsolete manual worksheets. This is especially true for payroll remittances, computer generated payroll reports should serve as supporting documentation for state and federal tax payments, and for retirement and deferred compensation plan remittances.

Sixth, the accounting process should be reevaluated and revised as necessary to fully utilize the software applications and reporting capabilities and eliminate unnecessary tasks performed manually. The tendency to fall back into old habits should be avoided.

Finally, if, after implementing the above recommendations, the accounting records cannot be maintained on a current basis, there should be an evaluation of whether the Clerk position can be effectively performed on a part-time basis.

Management's Plan of Corrective Action:

An accounting consultant has been engaged to complete posting and reconciling the 2004 accounting records. The cause for the delay in filing this year's audit was related to new software installation, debugging and training. The payroll system proved to be especially troublesome but is now working properly. The Mayor and the Clerk are committed to maintaining the accounting books both accurately and currently. They believe there should be no delays in filing subsequent audits. We express thanks to the Legislative Auditor for his patience and cooperation

**INTERNAL CONTROL AND COMPLIANCE MATERIAL
TO THE FINANCIAL STATEMENTS**

Compliance

Finding 2002-1 Condition: The 2002 audit was not completed and delivered to the Louisiana Legislative Auditor within the statutory six month deadline.

Resolution: There has no resolution to this matter, in fact, the 2003 accounting records were not available until September 10, 2004. (See Current Findings - Schedule 5)

Internal Control - Reportable Condition

Finding 2002-2 Condition: The Clerk (bookkeeper) is not getting copies of police grant applications, requests for funds and other grant documents on a timely basis.

Resolution: In 2003 it appears that the Clerk was provided necessary supporting documentation for police grants on a timely basis.

Finding 2001-3 Noncompliance Material to the Financial Statements: The 2001 audit was not completed and delivered to the Louisiana Legislative Auditor within the statutory six month deadline.

Resolution: No resolution. (See Current Findings - Schedule 5)

MANAGEMENT LETTER SUGGESTIONS

Suggestion 2002-1:

Condition: Numerous journal entries made to reclassify checks and make corrections.

Resolution: There continues to be no supervisory review of coding of expenditures, the Clerk maintains that this is not necessary based on the belief that personnel responsible for coding invoices is capable of properly classifying expenditures and will seek advice when uncertain. Some misclassifications of expenditures were found but not a material amount. However, found that there appeared to be no subsequent review of financial statement amounts after posting correcting entries which would have revealed that some correcting entries were incorrect and only made matters worse.

MANAGEMENT LETTER SUGGESTIONS (Continued)

Suggestion 2002-2:

Condition: Unusual and nonrecurring journal entries lacked appropriate supporting documentation.

Resolution: Found much improved organization of, and supporting documentation for journal entries in 2003.

Suggestion 2002-3:

Condition: Trailer Moving Permit and Hall Rent revenue accounts are used to record refundable deposits and subsequent refund of deposits.

Resolution: Accounting for deposits was changed as recommended.

Suggestion 2002-4:

Condition: No inventory of sewer tanks is maintained. Besides the accounting issues related to treatment of tanks as inventory verses depreciable asset, and internal control over assets, the Town charges customers an installation fee equal to the cost of the tank. Considering ever increasing costs of tanks, accurate cost information would be beneficial for determining the amount of installation fees to charge customers.

Resolution: No formal subsidiary record of inventory of tanks is being maintained. A schedule of tanks on hand prepared as part of the audit was provided to use as a guide for maintaining a perpetual inventory for tanks.

Suggestion 2002-5:

Condition: Numerous minor equipment purchases are recorded as capital outlays and general fixed assets.

Resolution: The \$500 threshold for capitalizing assets was observed.

Suggestion 2002-6:

Condition: Sewer fees are recorded net of collection fee charged.

Resolution: Sewer collection fees were not recorded, however these fees are very immaterial

MANAGEMENT LETTER SUGGESTIONS (Continued)

Suggestion 2002-7:

Condition: Fines for traffic violations are deposited in the bank monthly.

Resolution: Banks deposits were made weekly .

Suggestion 2002-8:

Condition: Invoices received early in the month, after the monthly Board meeting cannot be processed for payment until reviewed and approved by the Board at the subsequent monthly meeting.

Resolution: The Town has instituted a policy of allowing payment of routine, re-occurring invoices without Board approval which has eliminated late payments.

Suggestion 2002-9:

Condition: Requests for funds from Police ICAP grants were not submitted on a timely basis. The request for the period of July 1, 2002 through December 31, 2002 was not submitted until July 2003.

Resolution: Requests for funds appear to be submitted on a timely basis.