

25.1

VILLAGE OF NAPOLEONVILLE
Napoleonville, Louisiana

General Purpose Financial Statements
and Independent Auditor's Reports

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 12-1-04

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

**To the Mayor and Board of Aldermen
Village of Napoleonville
Napoleonville, Louisiana**

I was engaged to audit the accompanying general purpose financial statements of **The Village of Napoleonville**, Napoleonville, Louisiana, as of December 31, 2003, and for the year then ended, as listed in the Table of Contents. These general purpose financial statements are the responsibility of **The Village of Napoleonville's** management.

Detailed explanations for several hundred journal entries made to the accounting records were not available for my audit. Therefore, I was not able to satisfy myself about the amounts charged to the general ledger accounts affected by the numerous journal entries.

As reflected in the accompanying financial statements, the Village has incurred an operating loss in the Sewer Fund in recent years. The fund has negative retained earnings and did not have enough cash to adequately fund required reserves associated with loans outstanding. Additionally, the General Fund continues to expend more than it receives and has only a minimal fund equity. It is uncertain, at this time, that the Village can continue as a going concern with its present funding base and level of expenditures.

Because of the significance of the matters discussed in the preceding paragraphs, the scope of my work was not sufficient, to enable me to express, and I do not express, an opinion on the financial statements referred to in the first paragraph.

In accordance with *Governmental Auditing Standards*, I have also issued a report dated November 5, 2004, on my consideration of **The Village of Napoleonville's** internal control structure and on its compliance with laws and regulations.

I was engaged for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying individual fund financial statements and schedules listed 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 Village of Napoleonville**. Such information has been not subjected to the auditing procedures applied in the audit of the general purpose financial statements, and, accordingly, I express no opinion on them.

Leroy J. Chustz

Certified Public Accountant, APAC
November 5, 2004

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

**To the Mayor and Board of Aldermen of
Village of Napoleonville, Louisiana**

I was engaged to audit the basic financial statements of the Village of Napoleonville, as of and for the year ended December 31, 2003, and have issued my report thereon dated November 5, 2004. 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, and the *Louisiana Governmental Audit Guide*.

Compliance

As part of obtaining reasonable assurance about whether the Village of Napoleonville's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 our audit and, accordingly, I do not express such an opinion. The results of my tests disclosed four instances of noncompliance that is required to be reported under *Government Auditing Standards* and the *Louisiana Governmental Audit Guide* see finding number 2003-1 through 2004-4 on the schedule of findings.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Village of Napoleonville's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. Reportable conditions are described in the accompanying schedule of findings and questioned costs. 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 basic 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. However, I believe the reportable condition 2003-5 is a material weakness.

This report is intended for the information and use of the Village of Napoleonville and its management, the Louisiana Legislative Auditor, and 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.

Leroy J. Chustz

Leroy J. Chustz, CPA, APAC

November, 5, 2004

GENERAL PURPOSE FINANCIAL STATEMENTS
(COMBINED STATEMENTS - OVERVIEW)

VILLAGE OF NAPOLEONVILLE
COMBINED BALANCE SHEET — ALL FUND TYPES AND ACCOUNT GROUPS

Statement A

December 31, 2003

	GENERAL FUND	CAPITAL PROJECT	ENTERPRISE FUND	GENERAL FIXED ASSET GROUP	Memo Only Current Year
ASSETS					
Current Assets					
Cash	\$ 33,158.32	\$ 263.76	\$ -	\$ -	\$ 33,422.08
Due from other funds	-	-	7,165.57	-	7,165.57
Restricted Assets					
Cash	-	-	28,797.52	-	28,797.52
Fixed Assets					
Machinery and equipment - net	-	-	1,989,106.86	-	1,989,106.86
General Fixed Assets					
General fixed assets	-	-	-	845,689.80	845,689.80
TOTAL ASSETS	\$ 33,158.32	\$ 263.76	\$2,025,069.95	\$ 845,689.80	\$ 2,904,181.83
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Curr Liab (from Curr Assets)					
Accounts payable	\$ 376.00	\$ -	\$ 1,125.81	\$ -	\$ 1,501.81
Due to other funds	7,165.57	(712.92)	-	-	6,452.65
Due to other governments	2,410.36	-	-	-	2,410.36
Arrest bonds payable	800.00	-	-	-	800.00
Payroll taxes payable	4,496.06	-	-	-	4,496.06
Curr Liab (from Restr Assets)					
Accrued interest payable	-	-	2,092.09	-	2,092.09
Deferred Revenue					
Deferred revenue	1,713.72	-	-	-	1,713.72
Long-Term Liabilities					
Bonds payable	-	-	292,237.81	-	292,237.81
USDA Loan Payable	-	-	327,723.38	-	327,723.38
TOTAL LIABILITIES	16,961.71	(712.92)	623,179.09	-	639,427.88
FUND EQUITY					
Unreserved	16,196.61	-	-	-	16,196.61
Investment in fixed assets	-	-	-	845,689.80	845,689.80
Contributed capital	-	-	627,970.24	-	627,970.24
Contribution from FmHA	-	-	1,062,004.31	-	1,062,004.31
Unreserved	-	-	(288,083.69)	-	(288,083.69)
Unreserved-Undesignated	-	976.68	-	-	976.68
Excess (deficiency) of revenues over expenditures and other sources (uses)	-	-	-	-	-
TOTAL FUND EQUITY	16,196.61	976.68	1,401,890.86	845,689.80	2,264,753.95
TOTAL LIABILITIES AND FUND EQUITY	\$ 33,158.32	\$ 263.76	\$2,025,069.95	\$ 845,689.80	\$ 2,904,181.83

See the accompanying notes to the financial statements.

VILLAGE OF NAPOLEONVILLE

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—
 ALL GOVERNMENTAL FUND TYPES
 Statement B
 Year Ended December 31, 2003

	GENERAL FUND			CAPITAL PROJECT		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Revenues						
Ad valorem tax	\$ -	\$ 35,941.54	\$ 35,941.54	\$ -	\$ -	\$ -
Sales tax	175,781.00	76,390.40	(99,390.60)	-	-	-
Licenses and permits	10,500.00	3,207.59	(7,292.41)	-	-	-
Intergovernmental revenue	-	6,405.23	6,405.23	-	-	-
Federal grants	-	55,371.22	55,371.22	-	216,280.05	216,280.05
State grants	49,500.00	21,023.88	(28,476.12)	-	-	-
Fees, charges and commissions	52,350.00	35,981.54	(16,368.46)	-	-	-
Fines and forfeitures	10,700.00	22,157.50	11,457.50	-	-	-
Use of money and property	-	3,424.24	3,424.24	-	95.34	95.34
Miscellaneous revenue	10,100.00	13,100.34	3,000.34	-	-	-
TOTAL REVENUES	308,931.00	273,003.48	(35,927.52)	-	216,375.39	216,375.39
EXPENDITURES						
Current Expenditures						
Other general administration	104,500.00	127,108.17	(22,608.17)	-	-	-
Public safety	110,000.00	85,914.32	24,085.68	-	-	-
Public works	41,600.00	32,504.89	9,095.11	-	-	-
Health and welfare	-	40,613.24	(40,613.24)	-	-	-
Culture and recreation	10,700.00	27,144.54	(16,444.54)	-	-	-
Capital Outlay						
Public safety	-	3,740.67	(3,740.67)	-	-	-
Public works	-	-	-	-	216,524.63	(216,524.63)
Culture and recreation	-	5,468.50	(5,468.50)	-	-	-
TOTAL EXPENDITURES	266,800.00	322,494.33	(55,694.33)	-	216,524.63	(216,524.63)
Excess (deficiency) of revenues over expenditures	42,131.00	(49,490.85)	(91,621.85)	-	(149.24)	(149.24)
OTHER FINANCING SOURCES (USES)						
Operating Transfers In						
Transfers in	-	7,000.00	7,000.00	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	7,000.00	7,000.00	-	-	-

See the accompanying notes to the financial statements.

VILLAGE OF NAPOLEONVILLE

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—
 ALL GOVERNMENTAL FUND TYPES
 Statement B
 Year Ended December 31, 2003

	GENERAL FUND			CAPITAL PROJECT		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Excess (deficiency) of revenues over expenditures and other sources (uses)	\$ 42,131.00	\$ (42,490.85)	\$ (84,621.85)	\$ -	\$ (149.24)	\$ (149.24)
Fund Balances at beginning of year	25,500.00	58,687.46	33,187.46	-	1,125.92	1,125.92
Residual Equity Transfers In	-	-	-	-	-	-
Residual Equity Transfers Out	-	-	-	-	-	-
Fund Balances at end of year	\$ 67,631.00	\$ 16,196.61	\$ (51,434.39)	\$ -	\$ 976.68	\$ 976.68

See the accompanying notes to the financial statements.

VILLAGE OF NAPOLEONVILLE

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—
BUDGET AND ACTUAL (GAAP BASIS) GENERAL FUND TYPE

Statement C

For the Year Ended December 31, 2003

ENTERPRISE
FUND

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Operating Revenues			
Fees, charges and commissions	\$ 110,500.00	\$ 117,944.80	\$ 7,444.80
Nonoperating Revenues			
Miscellaneous revenue	2,000.00	44.45	(1,955.55)
TOTAL REVENUES	112,500.00	117,989.25	5,489.25
EXPENDITURES			
Operating Expenses			
Health and welfare			
Insurance	-	7,940.23	(7,940.23)
Billing and collecting fees	-	4,877.13	(4,877.13)
Salaries and wages	-	24,079.50	(24,079.50)
Electricity	-	9,263.21	(9,263.21)
Tools and sundry equipment	-	156.48	(156.48)
Sewerage material and supply	71,200.00	8,453.28	62,746.72
Miscellaneous	-	10,080.10	(10,080.10)
Inspection and testing	-	1,216.00	(1,216.00)
Water	-	3,535.05	(3,535.05)
D E Q fees	-	934.40	(934.40)
Depreciation	24,697.00	47,756.14	(23,059.14)
Operation of plant	-	992.00	(992.00)
Legal and professional	-	(10.92)	10.92
Bond interest	37,376.00	30,208.37	7,167.63
TOTAL EXPENDITURES	133,273.00	149,480.97	(16,207.97)
Excess (deficiency) of revenues over expenditures	(20,773.00)	(31,491.72)	(10,718.72)
OTHER FINANCING SOURCES (USES)			
Operating Transfers Out	-	(7,000.00)	(7,000.00)
TOTAL OTHER FINANCING SOURCES (USES)	-	(7,000.00)	(7,000.00)
Excess (deficiency) of revenues over expenditures and other sources (uses)	(20,773.00)	(38,491.72)	(17,718.72)

See the accompanying notes to the financial statements.

VILLAGE OF NAPOLEONVILLE

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—
BUDGET AND ACTUAL (GAAP BASIS) GENERAL FUND TYPE

Statement C

For the Year Ended December 31, 2003

ENTERPRISE
FUND

	Budget	Actual	Variance Favorable (Unfavorable)
Fund Balances at beginning of year	\$ 45,000.00	\$ (249,591.97)	\$ (294,591.97)
Fund Balances at end of year	\$ 24,227.00	\$ (288,083.69)	\$ (312,310.69)

See the accompanying notes to the financial statements.

VILLAGE OF NAPOLEONVILLE

COMBINED STATEMENT OF CASH FLOWS

ALL PROPRIETARY FUND TYPES
Statement D

For the Year Ended December 31, 2003
Increase (Decrease) in Cash and Cash Equivalents

Cash flows from operating activities:	
Operating income (loss)	\$(31,536.17)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	47,756.14
(Increase) decrease in receivables	(7,165.57)
Increase (decrease) in accounts payable	1,125.81
Increase (decrease) in accrued liabilities	<u>824.18</u>
Net cash provided (used) by operating activities	<u>11,004.39</u>
Cash flows from investing activities:	
Payments for acquisition of plant improvements	<u>(221,820.93)</u>
Cash flows from capital financing activities:	
Interest earned	44.45
Bonds redeemed	(7,592.42)
Transfers to General Fund	(7,000.00)
Contribution of capital from USDA for plant improvements	<u>221,820.93</u>
Net cash provided (used) by capital financing activities	<u>207,272.96</u>
Net increase (decrease) in cash and equivalents	<u>(3,543.58)</u>
Cash and cash equivalents, beginning of year	32,341.10
Cash and cash equivalents, end of year	<u>\$ 28,797.52</u>

Supplemental disclosures of cash flow information-Cash paid during the year for:

Interest	\$32,208.37
Income taxes	-0-

See the accompanying notes to the financial statements.

VILLAGE OF NAPOLEONVILLE
Napoleonville, Louisiana
Notes to the Financial Statements
For the Year Ended December 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Napoleonville operates under a mayor - board of aldermen form of government in accordance with the provisions of the Village's charter. The accounting and reporting practices of the Village conform to generally accepted accounting principles as applicable to governmental units applied on a consistent basis between periods. Such accounting procedures also conform to the accounting requirements of the Louisiana Revised Statutes 24:517 and to the guides set forth in the *Louisiana Municipal Audit and Accounting Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*, published by the American Institute of Certified Public Accountants.

The following is a summary of the more significant policies:

A. FINANCIAL REPORTING ENTITY

This report includes all funds and account groups which are controlled by or dependent on the Village executive and legislative branches (the Mayor and Board of Aldermen). Control by or dependence on the Village was determined on the basis of budget adoption, taxing authority, election or appointment of governing body, and other general oversight responsibility.

B. FUND ACCOUNTING

The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and 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 following fund category, fund types, and account groups are used by the Village:

Governmental Funds:

General Fund

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

Special Revenue Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditure for specified purposes.

VILLAGE OF NAPOLEONVILLE, LOUISIANA
Notes to the Financial Statements, Continued
December 31, 2003

Proprietary Funds:

Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Account Group:

General Fixed Asset Account Group

This account group is established to account for fixed assets of the Village other than those accounted for in proprietary funds or trust funds. General fixed assets are accounted for in the General Fixed Asset Account Group rather than in the governmental funds.

Overview total columns on the combined statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not represent financial position, results of operation, or changes in financial position in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

C. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental funds are accounted for on the modified accrual basis of accounting, wherein revenues are recognized in the accounting period in which they become available and measurable. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components.

D. BUDGET AND BUDGETARY ACCOUNTING

The Village's budgetary procedures provide that the Clerk prepare a proposed budget which must be presented to the Mayor and Board of Aldermen prior to the beginning of each fiscal year. A summary of the proposed budget is published and the public is notified that the proposed budget is available for public inspection. At that time, a public hearing is called. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to commencement of the fiscal year for which the budget is being adopted. All budgetary amendments involving the transfer of funds require

VILLAGE OF NAPOLEONVILLE, LOUISIANA
Notes to the Financial Statements, Continued
December 31, 2003

approval of the Board of Aldermen. All budgetary appropriations lapse at the end of each fiscal year. Budgets for the General and Special Revenue funds were adopted on a basis consistent with generally accepted accounting principles.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Village.

E. FIXED ASSETS

Fixed assets have been acquired for general governmental purposes. Assets purchased are recorded as expenditures in the governmental fund types and capitalized at cost in the general fixed assets account group.

Fixed assets consisting of certain improvements other than buildings, including roads, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, have not been capitalized. Such assets are normally immovable and of value only to the Village. Therefore, the stewardship for such capital expenditures is satisfied without recording these assets.

No depreciation has been recorded on general fixed assets.

All fixed assets of proprietary funds are valued at historical costs. It is the policy of the Village not to capitalize interest costs incurred during the period of construction.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Depreciation is calculated using the straight line method with estimated lives ranging from ten to forty years. All infrastructure assets are accounted for and depreciated.

F. CASH

Cash includes demand deposits and interest bearing demand deposits which are fully secured through the pledge of bank-owned securities or federal deposit insurance. For purposes of the statement of cash flows, the Village considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Under state law, the Village may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. At December 31, 2003, the Village has cash and cash equivalents (book balances) as follows:

Demand deposits	<u>\$ 62,219.57</u>
Total	<u>\$ 62,219.57</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. Deposits (bank balances) at December 31, 2003, are secured as follows:

VILLAGE OF NAPOLEONVILLE, LOUISIANA
Notes to the Financial Statements, Continued
December 31, 2003

Bank Balance	\$ 68,099.18
Federal deposit insurance	68,099.18
Pledged securities (Category 1)	0.00
Total insurance and pledged securities	<u>68,099.18</u>
Unsecured deposits at 12/31/03	<u>\$ 0.00</u>

G. REVENUE RECOGNITION POLICIES

The following describes the revenue recognition practices for the major revenue sources of the Village.

1. AD VALOREM TAXES

Ad valorem taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied by the Village in September and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed. There were no taxes receivable at December 31, 2003 according to the accounting records.

The Village bills and collects its own property taxes using the assessed values determined by the tax assessor of Assumption Parish.

For the year ended December 31, 2003, taxes of 6.88 mills were levied and were dedicated for general operating purposes and 6.8 mills for maintenance.

2. SALES TAXES

Sales taxes, and licenses and permits are recognized as revenues whenever they are received by the collecting authority or collectibility has been clearly established.

3. SERVICE FEE REVENUES

Charges for services are recognized as revenues when customers are billed for services as provided.

Substantially all other revenues are recognized when received.

H. VACATION AND SICK LEAVE

Vacation and sick leave are recorded as expenditures of the period in which they are paid. The amount of accumulated vacation and sick leave cannot be reasonably estimated at this time; however, it is immaterial in amount.

I. INTERFUND TRANSFERS

Advances between funds which are not expected to be repaid are accounted for as transfers. In those cases where repayment is expected, the advances are accounted for through the various due to and due from accounts.

VILLAGE OF NAPOLEONVILLE, LOUISIANA
Notes to the Financial Statements, Continued
December 31, 2003

J. UNCOLLECTIBLE ACCOUNTS

The statements contain no provision for uncollectible ad valorem taxes and other receivables. Village officials are of the opinion that such allowance would be immaterial in relation to the financial statements taken as a whole.

K. ESTIMATES

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

2. BOND RESERVE REQUIREMENTS

The Village is required to maintain the following reserves by the Farmers Home Administration as a condition of the loan made to the Village.

A. RESERVE BOND SINKING FUND

Each month the Village must transfer into the revenue bond sinking fund, a sum equal to one-twelfth of the interest falling due on the next interest payment date and, in addition, a sum equal to one-twelfth of the principal falling due on the next principal payment date, together with such additional proportionate sum as may be required as the same respectively become due. The fiscal agent bank shall make available from the revenue bond sinking fund to the paying agent for all installments on the bond payable from said fund, at least ten days in advance of the date on which each payment of principal or interest falls due, funds fully sufficient to pay promptly the principal and interest so falling due on such date.

B. SEWERAGE SYSTEM REVENUE BOND RESERVE FUND

Each month the Village must transfer into the reserve fund, a sum equal to five per cent of the sum required to be transferred in each month into the revenue bond sinking fund as required in the reserve bond sinking fund, the payments to continue until such time as there has been accumulated therein a sum equal to the highest combined principal and interest requirement in any succeeding fiscal year on the outstanding principal of the bonds. The money in the reserve fund is to be retained solely for the purpose of paying the principal of and the interest on bonds payable from the revenue bond sinking fund as to which there would otherwise be default.

C. DEPRECIATION AND CONTINGENCY FUND

Each month the Village must transfer into the depreciation and contingency fund the sum of \$ 96.00. All monies in the depreciation and contingency fund may be drawn on and used by the Village for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, replacements, and extensions; and the costs of improvements to the sewerage system which will either enhance its revenue producing capacity or provide a higher degree of service.

As of 12/31/2003	Sinking Fund	Reserve Fund	Depreciation & Contingency
Amount Required	\$ 1,875.99	\$ 15,736.16	\$ 15,858.00
Actual Deposit	(2,796.64)	15,736.16	15,858.00
Over (Under) Funded	<u>\$ (4,672.63)</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

VILLAGE OF NAPOLEONVILLE, LOUISIANA
Notes to the Financial Statements, Continued
December 31, 2003

3. GENERAL FIXED ASSETS AND FIXED ASSETS USED IN PROPRIETARY FUNDS

A summary of general fixed assets at December 31, 2003, is as follows:

	BALANCE			BALANCE
	01/01/03	ADDITIONS	DELETIONS	12/31/03
Buildings	\$ 468,975			\$ 468,975
Improvements other than buildings	215,439			215,439
Equipment	161,275			161,275
Total	<u>\$ 845,689</u>	<u></u>	<u></u>	<u>\$ 845,689</u>

A summary of fixed assets used in proprietary funds is as follows:

	BALANCE			BALANCE
	01/01/03	ADDITIONS	DELETIONS	12/31/03
Sewer system	\$ 1,180,830	\$ 1,385,039		\$ 2,565,869
Equipment	5,550			5,550
Accumulated depreciation	(534,556)	(47,756)		(582,312)
Total	<u>\$ 651,824</u>	<u>\$ 1,337,283</u>	<u></u>	<u>\$ 1,989,107</u>

4. PENSION PLANS

MERS-

All of the Village of Napoleonville's full-time non-police employees participate in the Municipal Employees Retirement System Plan "B" ("System"), a multiple-employer public employee retirement system. The payroll for employees covered by the System for the year ended December 31, 2003, was \$81,668.45; the Village's total payroll was \$167,933.88. The system provides retirement benefits to employees of all incorporated villages, towns, and cities within the State which do not have their own retirement system and which elect to become members of the System. The System was established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana. Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five hours per week, not participating in another public funding retirement system and under age sixty at date of employment.

Any member of Plan B can retire providing he meets one of the following criteria:

1. Age fifty-five with thirty years of creditable service.
2. Age sixty with a minimum of ten or more years of creditable service.
3. Under age sixty with ten years of creditable service eligible for disability benefits.
4. Survivor's benefits require twenty years creditable service at death of member.

VILLAGE OF NAPOLEONVILLE, LOUISIANA
Notes to the Financial Statements, Continued
December 31, 2003

Generally, the monthly amount of the retirement allowance for any member of Plan B shall consist of an amount equal to two per cent of the member's final compensation multiplied by his years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Covered employees are required by State statute to contribute five per cent of their salary to the plan. The Village was required by the same statute to contribute 6.25 per cent. The contribution requirement for the year ended December 31, 2003, was \$9,509.08, which consisted of \$5,425.65 from the Village and \$4,083.43 from employees. The actuarially determined contribution requirement for 2000 has not yet been provided by the retirement system.

Trend information showing the progress of the System in accumulating sufficient assets to pay benefits when due is presented in its annual financial reports. Copies of these reports may be obtained from the Municipal Employees Retirement System of Louisiana.

MPERS-

All of the Village of Napoleonville's full-time police employees participate in the Municipal Police Employees Retirement System ("System"), a multiple-employer public employee retirement system. The payroll for employees covered by the System for the year ended December 31, 2003, was \$40,643.77; the Village's total payroll was \$167,291.95.

Membership is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing he does not have to pay social security and providing he meets the statutory criteria.

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 one 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.

Benefit rates are three and one-third percent of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

A member is eligible to receive disability benefits if he was an active contributing member of the system, or if he is no longer a member but has 20 years creditable service established in the System, and suffers disability which has been certified by examination by a member of the State-wide Medical Disability Board. A service-related disability requires no certain number of years of creditable service; however, a non-service connected disability requires five years of creditable service.

The disability benefits are calculated at three percent of average final compensation multiplied by years of creditable service, but shall not be less than forty percent nor more than sixty of average final compensation. Upon reaching the age required for regular retirement, the disability pensioner receives the greater of disability benefit or accrued benefit earned to date of disability.

Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation.

A member is eligible upon receiving 25 years of credit regardless of age or 20 years of credit and attaining the age of 50, to elect to enter the deferred retirement option plan (DROP). Upon filing the application for the program, the employee's active membership in the system is terminated. At the entry date into the DROP, the employee and employer

VILLAGE OF NAPOLEONVILLE, LOUISIANA
Notes to the Financial Statements, Continued
December 31, 2003

contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the DROP is specified for a period of three years or less. If employment is terminated after the three year period the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into the system shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of the System's investment portfolio as certified by the actuary on an annual basis.

Covered employees are required by State statute to contribute 7.5 per cent of their salary to the plan. The Village was required by the same statute to contribute 9.0 per cent. The contribution requirement for the year ended December 31, 2003, was \$7,883.37, which consisted of \$4,347.39 from the Village and \$3,048.37 from employees. The actuarially determined contribution requirement for 2001 has not yet been provided by the retirement system.

Trend information showing the progress of the System in accumulating sufficient assets to pay benefits when due is presented in its annual financial reports. Copies of these reports may be obtained from the Municipal Police Employees Retirement System of Louisiana.

5. LONG-TERM DEBT

The following is a summary of loan transactions of the Village for the year ending December 31, 2003:

	<u>LOAN R-1</u>
Loan payable at December 31, 2002	\$ 624,487
New debt issued	
Principal retired	<u>4,526</u>
Loan payable at December 31, 2003	<u>\$ 619,961</u>

Long-term debt consists of one loan made by the Village and held by the Farmers Home Administration. Loan R-1 in the amount of \$336,500 bears interest of six per cent per annum to be paid from the revenues of the sewer system.

Repayment is to be made as follows:

\$326,500 SEWERAGE SYSTEM LOAN NUMBER R-1

Only interest will be paid on the first annual payment starting on December 11, 1990. Payments of \$22,512 annually thereafter on each December 11th until principal and interest are fully paid, except the final payment of the entire indebtedness, if not sooner paid, shall be due and payable on the last annual payment date, which is forty years from the date of the bond.

The annual requirements to amortize loan R-1 long-term debt outstanding at December 31, 2003, are as follows:

VILLAGE OF NAPOLEONVILLE, LOUISIANA
Notes to the Financial Statements, Continued
December 31, 2003

<u>YEAR ENDED</u>	<u>LOAN R-1</u>		
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2004	4,977	17,534	22,511
2005	5,275	17,236	22,511
2006	5,592	16,919	22,511
2007	5,927	16,584	22,511
2008-2018	6,283	16,228	22,511
2013-2017	37,543	75,012	112,555
2018-2022	50,241	62,314	112,555
2023-2027	67,234	45,321	112,555
2028-2032	89,974	22,581	112,555
2029 to 2033	19,192	1,152	20,344
TOTAL	\$ 292,238	\$ 290,881	\$ 583,119

\$331,000 SEWERAGE SYSTEM LOAN

Only interest will be paid on the first annual payment starting on December 3, 2002. The bond is payable over a forty year period with the first payment which falls on the first anniversary of the bond consisting of interest only. Interest at four and one half percent for forty years payable in payments of \$1,502.74 monthly.

The annual requirements to amortize the 2001 long-term debt outstanding at December 31, 2002, are as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2004	3,313	14,720	18,033
2005	3,506	14,527	18,033
2006	3,667	14,366	18,033
2007	3,836	14,197	18,033
2008 to 2012	4,012	14,021	18,033
2013 to 2017	22,999	67,165	90,164
2018 to 2022	28,791	61,374	90,165
2023 to 2027	36,040	54,125	90,165
2028 to 2032	45,115	45,050	90,165
2033 to 2037	56,474	33,690	90,164
2038 to 2042	70,694	19,470	90,164
2039 to 2043	49,277	3,402	52,679
TOTAL	\$ 327,724	\$ 356,107	\$ 683,831

VILLAGE OF NAPOLEONVILLE, LOUISIANA
Notes to the Financial Statements, Continued
December 31, 2003

6. CONTRIBUTED CAPITAL

Contributed capital is comprised of funding from a grant from the USDA, Rural Utility Service and the fund balance of the Sewer fund previously reported as a special revenue fund.

7. PAYMENTS TO BOARD OF ALDERMEN

Board of Aldermen members are compensated at \$150.00 per month and the mayor is compensated at \$350.00 per month. The following payments were made to the Board members.

<u>BOARD MEMBER</u>	<u>PER DIEM</u>
Darrel C. Jupiter, Mayor Post Office Box 400 Napoleonville, Louisiana 70390	\$ 4,800
Joyce T. Bell Post Office Box 962 Napoleonville, Louisiana 70390	1,800
Eugene Buggage Post Office Box 847 Napoleonville, Louisiana 70390	2,250
Dianne Cheavois Post Office Box 453 Napoleonville, Louisiana 70390	<u>1,800</u>
Total	<u>\$ 10,650</u>

8. CONTINGENCIES AND PENDING LITIGATION

According to legal counsel, there are two matters pending against the Village of Napoleonville. The Village has adequate insurance in the event of an adverse finding.

FINANCIAL STATEMENTS OF INDIVIDUAL FUNDS
(SUPPLEMENTAL INFORMATION)

GENERAL FUND

The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

VILLAGE OF NAPOLEONVILLE
GENERAL FUND
Schedule 1
COMPARATIVE BALANCE SHEET

December 31, 2003 and 2002

	2003	2002
ASSETS		
Current Assets		
Cash	\$ 33,158.32	\$ 28,603.43
Accounts receivable	-	1,809.12
Licenses receivable	-	13,746.04
Taxes receivable	-	18,973.95
TOTAL ASSETS	\$ 33,158.32	\$ 63,132.54
 LIABILITIES AND FUND BALANCE		
LIABILITIES		
Curr Liab (from Curr Assets)		
Accounts payable	\$ 376.00	\$ 101.00
Due to other funds	7,165.57	-
Due to other governments	2,410.36	1,830.36
Arrest bonds payable	800.00	800.00
Payroll taxes payable	4,496.06	-
Deferred Revenue		
Deferred revenue	1,713.72	1,713.72
TOTAL LIABILITIES	16,961.71	4,445.08
 FUND BALANCE		
Fund Balance		
Unreserved		
Fund balance	16,196.61	58,687.46
TOTAL FUND BALANCE	16,196.61	58,687.46
TOTAL LIABILITIES AND FUND BALANCE	\$ 33,158.32	\$ 63,132.54

VILLAGE OF NAPOLEONVILLE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE—BUDGET (GAAP BASIS)
Schedule 2

Year Ended December 31, 2003
With Comparative Actual Amounts for Year Ended December 31, 2002

	2003	Variance— favorable (unfavorable)	2002 Actual
	Budget	Actual	Actual
REVENUES			
Revenues			
Ad valorem tax	\$ -	\$ 35,941.54	\$ 30,895.24
Sales tax	175,781.00	76,390.40	114,061.23
Licenses and permits	10,500.00	3,207.59	78,810.83
Intergovernmental revenue	-	6,405.23	4,940.83
Federal grants	-	55,371.22	-
State grants	49,500.00	21,023.88	43,518.70
Fees, charges and commissions	52,350.00	35,981.54	38,999.16
Fines and forfeitures	10,700.00	22,157.50	20,105.14
Use of money and property	-	3,424.24	3,290.86
Miscellaneous revenue	10,100.00	13,100.34	29,315.10
TOTAL REVENUES	308,931.00	273,003.48	363,937.09
EXPENDITURES			
Current Expenditures			
Other general administration			
Unemployment insurance	-	140.04	119.60
Social security tax	-	4,089.30	4,631.83
Insurance	104,500.00	7,643.90	9,805.26
Official publications	-	467.49	1,216.80
Dues and subscriptions	-	681.76	500.68
Group health insurance	-	11,337.96	12,430.41
Miscellaneous expenditures	-	-	1,262.64
Billing and collecting fees	-	2,854.23	3,516.02
Municipal employees retirement	-	5,425.65	8,323.44
Sales tax collectors fees	-	1,330.00	1,690.75
Mayor's vehicle	-	1,831.10	2,931.92
Other insurance	-	5,370.68	18,726.10
Mayor and board of aldermen	-	10,650.00	10,200.00
Travel and entertainment	-	968.00	3,931.18
Legal fees	-	625.00	-
Elections	-	630.91	-
Finance-salaries and wages	-	42,724.95	50,343.27
Legal and professional	-	8,800.00	4,920.74
Telephone, elect, gas, water	-	9,861.63	11,452.98
Office supplies	-	3,586.68	2,271.83
Sundry expense	-	5,655.30	-
Repairs to office equipment	-	-	2,068.34
Repairs to building	-	215.00	88.28

VILLAGE OF NAPOLEONVILLE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE—BUDGET (GAAP BASIS)
Schedule 2

Year Ended December 31, 2003

With Comparative Actual Amounts for Year Ended December 31, 2002

	2003		Variance— favorable (unfavorable)	2002
	Budget	Actual		Actual
Miscellaneous	\$ -	\$ 2,218.59	\$ (2,218.59)	\$ 1,154.03
Public safety				
Police employees retirement	-	5,360.57	(5,360.57)	1,916.38
Payroll taxes	-	4,563.52	(4,563.52)	4,167.81
Police dept. salaries & wages	110,000.00	61,514.80	48,485.20	52,757.10
Repairs to equipment	-	5,347.18	(5,347.18)	3,597.76
Gas & oil	-	4,953.79	(4,953.79)	3,223.28
Equipment	-	1,582.64	(1,582.64)	8,820.56
Uniforms and accessories	-	1,525.90	(1,525.90)	1,293.09
Sundry expenses	-	249.67	(249.67)	501.29
Assumption Parish Sheriffs Res	-	-	-	50,000.00
Conferences & Conventions	-	816.25	(816.25)	1,801.47
Public works				
Payroll taxes	-	3,046.05	(3,046.05)	1,225.46
Street dept. salaries & wages	41,600.00	15,732.76	25,867.24	15,963.16
Repair to streets and ditches	-	1,784.37	(1,784.37)	-
Repair and upkeep of equipment	-	414.97	(414.97)	665.80
Gas and oil	-	627.31	(627.31)	1,159.84
Street lights	-	8,618.63	(8,618.63)	7,867.14
Supplies and equipment	-	1,095.84	(1,095.84)	9,759.65
Utilities - Maintenance	-	346.41	(346.41)	2,047.75
Miscellaneous	-	838.55	(838.55)	5,757.06
Health and welfare				
Repair of equipment	-	-	-	512.77
Landfill expense	-	-	-	15,992.73
Garbage collector fees	-	38,071.68	(38,071.68)	24,964.03
Miscellaneous	-	2,541.56	(2,541.56)	-
Culture and recreation				
Payroll taxes	-	1,017.71	(1,017.71)	1,035.48
Community center salaries & wa	10,700.00	13,300.00	(2,600.00)	13,532.40
Utilities	-	4,864.75	(4,864.75)	4,432.86
Supplies	-	1,069.93	(1,069.93)	667.04
Repair of building & grounds	-	3,941.51	(3,941.51)	9,110.03
Miscellaneous	-	2,950.64	(2,950.64)	2,840.75
Capital Outlay				
Public safety				
Additions to general fixed ass	-	3,740.67	(3,740.67)	-
Culture and recreation				
Additions to general fixed ass	-	5,468.50	(5,468.50)	-
TOTAL EXPENDITURES	266,800.00	322,494.33	(55,694.33)	397,198.79
Excess (deficiency) of revenues over expenditures	42,131.00	(49,490.85)	(91,621.85)	(33,261.70)

VILLAGE OF NAPOLEONVILLE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE—BUDGET (GAAP BASIS)
Schedule 2

Year Ended December 31, 2003

With Comparative Actual Amounts for Year Ended December 31, 2002

	2003		Variance— favorable (unfavorable)	2002
	Budget	Actual		Actual
OTHER FINANCING SOURCES (USES)				
Operating Transfers In				
Transfers in	\$ -	\$ 7,000.00	\$ 7,000.00	\$ -
TOTAL OTHER FINANCING SOURCES (USES)	-	7,000.00	7,000.00	-
Excess (deficiency) of revenues over expenditures and other sources (uses)	42,131.00	(42,490.85)	(84,621.85)	(33,261.70)
Fund Balances at beginning of year	25,500.00	58,687.46	33,187.46	91,949.16
Fund Balances at end of year	\$ 67,631.00	\$ 16,196.61	\$ (51,434.39)	\$ 58,687.46

CAPITAL PROJECT FUND

Sewer Improvement Fund

Capital Project Funds are used to account for financial resources to be used for the renovation, acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

VILLAGE OF NAPOLEONVILLE
 SEWER IMPROVEMENT FUND
 Schedule 3
 COMPARATIVE BALANCE SHEET

December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
<hr/>		
Current Assets		
Cash	\$ 263.76	\$ 413.00
	<hr/>	<hr/>
TOTAL ASSETS	\$ 263.76	\$ 413.00
	<hr/>	<hr/>
LIABILITIES AND FUND BALANCE		
<hr/>		
LIABILITIES		
Curr Liab (from Curr Assets)		
Due to other funds	\$ (712.92)	\$ -
	<hr/>	<hr/>
TOTAL LIABILITIES	(712.92)	-
	<hr/>	<hr/>
FUND BALANCE		
Fund Balance		
Unreserved-Undesignated		
Fund balance	976.68	413.00
	<hr/>	<hr/>
TOTAL FUND BALANCE	976.68	413.00
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 263.76	\$ 413.00
	<hr/>	<hr/>

VILLAGE OF NAPOLEONVILLE
SEWER IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE—BUDGET (GAAP BASIS)
Schedule 4

Year Ended December 31, 2003

With Comparative Actual Amounts for Year Ended December 31, 2002

	2003		Variance— favorable (unfavorable)	2002
	Budget	Actual		Actual
REVENUES				
Revenues				
Federal grants	\$ -	\$ 216,280.05	\$ 216,280.05	\$ 1,023,301.55
Use of money and property	-	95.34	95.34	312.95
TOTAL REVENUES	-	216,375.39	216,375.39	1,023,614.50
EXPENDITURES				
Capital Outlay				
Public works				
Official publications	-	-	-	2,014.52
Engineering Costs	-	-	-	78,451.60
Contractor Payments	-	213,461.58	(213,461.58)	942,713.35
Miscellaneous	-	3,063.05	(3,063.05)	38.96
TOTAL EXPENDITURES	-	216,524.63	(216,524.63)	1,023,218.43
Excess (deficiency) of revenues over expenditures	-	(149.24)	(149.24)	396.07
Fund Balances at beginning of year	-	1,125.92	1,125.92	16.93
Fund Balances at end of year	\$ -	\$ 976.68	\$ 976.68	\$ 413.00

ENTERPRISE FUNDS

Sewer Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

VILLAGE OF NAPOLEONVILLE
SEWER FUND
Schedule 5
COMPARATIVE BALANCE SHEET

December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Current Assets		
Due from other funds	\$ 7,165.57	\$ -
Restricted Assets		
Cash	28,797.52	76,225.11
Fixed Assets		
Machinery and equipment - net	1,989,106.86	651,823.64
Construction in progress	-	1,163,218.43
TOTAL ASSETS	\$ 2,025,069.95	\$ 1,891,267.18
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Curr Liab (from Curr Assets)		
Accounts payable	\$ 1,125.81	\$ -
Cash in bank overdraft	-	43,884.01
Curr Liab (from Restr Assets)		
Bonds payable-current portion	-	4,711.58
Accrued interest payable	2,092.09	1,267.91
Long-Term Liabilities		
Bonds payable	292,237.81	291,842.03
USDA Loan Payable	327,723.38	331,000.00
TOTAL LIABILITIES	623,179.09	672,705.53
FUND EQUITY		
Contributed Capital		
Contributed capital	627,970.24	627,970.24
Contribution from FmHA	1,062,004.31	840,183.38
Retained Earnings		
Unreserved	(288,083.69)	(249,591.97)
TOTAL FUND EQUITY	1,401,890.86	1,218,561.65
TOTAL LIABILITIES AND FUND EQUITY	\$ 2,025,069.95	\$ 1,891,267.18

VILLAGE OF NAPOLEONVILLE
SEWER FUND
STATEMENT OF REVENUES, EXPENDITURES
CHANGES IN RETAINED EARNINGS
Schedule 6
Year Ended December 31, 2003
With Comparative Actual Amounts for Year Ended December 31, 2002

	2003	Variance— favorable (unfavorable)	2002
	Budget		Actual
OPERATING REVENUES			
Fees, charges and commissions			
Sewerage fees	\$ 117,944.80		\$ 101,937.78
Total operating revenues	117,944.80		101,937.78
OPERATING EXPENSES			
Health and welfare			
Unemployment insurance	-		114.96
Insurance	7,940.23		3,975.34
Billing and collecting fees	4,877.13		4,758.59
Salaries and wages	24,079.50		51,656.05
Repairs to system	-		1,643.20
Electricity	9,263.21		8,730.63
Tools and sundry equipment	156.48		-
Sewerage material and supply	8,453.28		15,872.55
Miscellaneous	10,080.10		3,834.23
Inspection and testing	1,216.00		1,291.00
Water	3,535.05		2,393.34
D E Q fees	934.40		855.67
Depreciation	47,756.14		24,672.14
Operation of plant	992.00		3,629.64
Legal and professional	(10.92)		-
Bond interest	30,208.37		32,869.81
Total operating expenses	149,480.97		156,297.15
Operating income	(31,536.17)		(54,359.37)
NONOPERATING REVENUES (EXPENSES)			
Nonoperating Revenues			
Federal grants	-		832,218.43
Miscellaneous revenue	44.45		-
Nonoperating Expenses			
Miscellaneous	-		(832,218.43)
Total Nonoperating revenues (expenses)	44.45		-
Income before operating transfers	(31,491.72)		(54,359.37)

VILLAGE OF NAPOLEONVILLE
 SEWER FUND
 STATEMENT OF REVENUES, EXPENDITURES
 CHANGES IN RETAINED EARNINGS
 Schedule 6
 Year Ended December 31, 2003
 With Comparative Actual Amounts for Year Ended December 31, 2002

	2003		2002
	Budget	Actual	Actual
			Variance— favorable (unfavorable)
OPERATING TRANSFERS			
Operating Transfers Out			
Transfers out		\$ (7,000.00)	\$ -
Total operating transfers		(7,000.00)	-
Net Income		(38,491.72)	(54,359.37)
Retained Earnings/Fund Balance, beginning of year		(249,591.97)	(195,232.60)
Retained Earnings/Fund Balance, end of year		\$ (288,083.69)	\$ (249,591.97)

SUPPLEMENTAL INFORMATION

VILLAGE OF NAPOLEONVILLE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2003

I was engaged to audit the financial statements of The Village of Napoleonville, as of and for the year ended December 31, 2003, and have issued our report thereon dated November 5, 2004. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of December 31, 2003, resulted in a disclaimer of opinion.

Section I Summary of Auditor's Results

YES NO N/A

Financial Statements

Internal control over financial reporting:

Material weakness(es) X

Reportable condition(s) X

Noncompliance material to the financial statements X

Federal Awards

Internal control over major programs:

Material weakness(es) identified X

Reportable condition(s) identified X

Any findings required to be reported by Section 510(a) of Circular A-133 X

Type of auditor's report on compliance for major programs: X

Identification of Major Programs:

CFDA Number(s) _____ Name of Federal Program (or Cluster) _____

None

Dollar threshold used to distinguish between Type A and Type B Programs: \$ _____

Is the auditee a 'low-risk' auditee, as defined by OMB Circular A-133? Yes No N/A

Section II Financial Statement Findings

Current Year Findings

COMPLIANCE -

2003-1 Bond Reserve Requirements

Criteria -

The Village is required by bonded debt covenants to maintain certain sinking and reserve accounts.

Condition -

The Village is not in compliance with these covenants and has not adequately funded the Sinking Fund.

Effect -

The Village may be in technical default on the USDA Loan R-1.

Cause -

Unknown

Recommendation -

The Village must adjust rates for sewer services so that adequate funds are generated to enable the system to cover all operating expenses and provide enough funding to service all debt and fund all required reserve accounts.

2003-2 Transfer of Restricted funds

Criteria -

The proceeds of all revenues generated by the Sewer Fund have been pledged in the agreement with USDA (Loan R-1) for the use of operating, improving and servicing the debt of the system.

Condition -

During 2003, the Village transferred \$7,000 from the Sewer Fund to the General Fund.

Effect -

This action may violate the loan covenants.

Cause -

Unknown

Recommendation -

The Village should determine if such action is prohibited and, if so, the Village should transfer the \$7,000 back to the Sewer Fund.

2003-3 Budget Variance Greater than 5%

Criteria -

The Village is required amend its budget so that there is no greater than a 5% unfavorable variance.

Condition -

During the year 2003 both actual revenues and expenditures of the general fund had greater than 5% unfavorable variances.

Effect -

The Village failed to comply with the Local Government Budget Act.

Cause -

Unknown

Recommendation -

The Village must amend its budget as needed so that no more than a 5% unfavorable variance exists.

2003-4 Audit Report Not Issued Timely

Criteria -

The Village is required to issue audited financial statements by no later than six months after the close of the fiscal year.

Condition -

The Village did not have its audit issued until November of 2004.

Effect -

The Village failed to comply with RS 24.513

Cause -

Accounting records were not available for audit.

Recommendation -

The Village should have its books and accounts balanced and closed early enough to facilitate an audit to be completed by June 30 each year.

CONTROLS

2003-5 Inadequate Controls and Supervision

Criteria -

We noted numerous instances of failures in the accounting and control systems. Accounting records were not made available for audit until after October, 2004. The records did not include all payables nor receivables. The contract accountant proposed entries to record and/or adjust receivables and payables however, the accountant for the Village declined to record those entries. There were many checks missing from the chronological sequence of checks. There was no way to determine the status of the checks missing. We noticed that on occasion checks were signed before the amounts and payee was completed. The accounting records includes hundreds of journal entries made to the general ledgers, most of those journal entries had no supporting work papers nor explanation of the purpose of intent of the entry.

Condition -

The system of controls is not adequate for the needs of the Village. Accounting personnel must consistently perform required tasks in a proficient and timely manner. The Board and Mayor and persons responsible for supervision should frequently review the progress of the accounting department.

Effect -

The Board is exposed to losses and failures to comply with applicable requirements due to inadequate supervision and failures by accounting personnel.

Cause -

Unknown

Recommendation -

The Mayor and Village Board should develop a strategy for addressing these deficiencies and assign the responsibilities to an individual and monitor the progress in addressing these issues.

Management's Corrective Action Plan was not available at the time of the release of this audit.

Prior Year Findings

No findings to report.

Section III Federal Award Findings and Questioned Costs

Not applicable.

VILLAGE OF NAPOLEONVILLE

MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended December 31, 2003

Section I-Internal Control and Compliance Material to the Financial Statements:

Management's reponse was not available at the release of this report.

Section II-Internal Control and Compliance Material to Federal Awards:

Management's reponse was not available at the release of this report.

Section III-Management Letter:

No findings reported.

DARRIEL C. JEFFER, SR.
MAYOR

LIONEL BELL
CHIEF OF POLICE

VILLAGE OF NAPOLEONVILLE
POST OFFICE BOX 6
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PHONE (985) 369-6365 - FAX (985) 369-6361

JOYCE BELL
ALDERMAN

EUGENE DUBOISE
ALDERMAN

DIANNE CHEVON
ALDERMAN

November 29, 2004

Mr. Steve Theriot, Legislative Auditor
Legislative Audit Advisory Council
State of Louisiana
P. O. Box 44272
Capitol Station
Baton Rouge, LA 70804-4272

RE: Audit Response

Dear Mr. Theriot:

This is our response to the audit findings of the Village of Napoleonville for the year ended December 31, 2003 performed by Mr. Leroy J. Chustz, CPA, APAC.

In an effort to begin the response process, we asked our auditor to present his finding on November 16, 2004 in a special meeting so that the Council members and I could get a better understanding of actions we need to take to be in compliance.

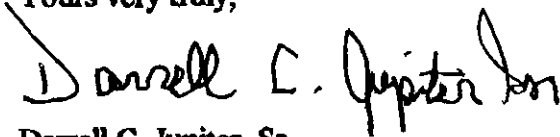
The following is a list of corrective action plans:

1. Corrective actions on budgets—
 - To amend the 2004 budget as needed so that no more than a 5% unfavorable variance exists.
 - Make adjustments to 2005 budget to reflect reduction in revenue and other adjustments.
2. Have a CPA review our financial statements quarterly until we are back in compliance.
3. Meet with our bonding attorney regarding our sewer fund's sinking and reserve Accounts and transfer of funds to general account.
4. Hire someone with a background in accounting and government.

5. To immediately begin close supervision and monitoring of the accounting department to assure compliance for future periods with regards to accuracy and timeliness.
6. User fees will be adjusted accordingly.

Thank you very much for your assistance.

Yours very truly,



Darrell C. Jupiter, Sr.
Mayor

mbt