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**ACADIANA OPEN CHANNEL, INC.**

**FINANCIAL REPORT**

*June 30, 2004*

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 2-9-05

**J. L. SONNIER**  
*Certified Public Accountant*  
*Lafayette, Louisiana*

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Acadiana Open Channel, Inc.

I have audited the accompanying financial statements of the governmental activities and the general fund of Acadiana Open Channel, Inc., a component unit of the Lafayette City/Parish Consolidated Government, as of and for the year ended June 30, 2004, which collectively comprises the organization's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Acadiana Open Channel, Inc.'s management. My responsibility is to express opinions on these financial statements based on my audit.

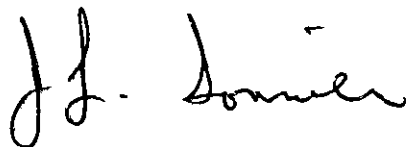
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activity, and the General fund of Acadiana Open Channel, Inc., as of June 30, 2004, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1. Acadiana Open Channel, Inc. has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of July 1, 2003.

In accordance with *Government Auditing Standards*, I have also issued my report dated July 23, 2004 on my consideration of Acadiana Open Channel, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The management's discussion and analysis on pages 2 through 3, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

A handwritten signature in cursive script, appearing to read "J. J. Donner".

July 23, 2004

# **ACADIANA OPEN CHANNEL, INC.**

## **Management's Discussion and Analysis**

Our discussion and analysis of Acadiana Open Channel, Inc. (AOC), a component unit of the Lafayette City/Parish Consolidated Government, financial performance provides an overview of the entity's financial activity for the fiscal year ended June 30, 2004. It should be read in conjunction with AOC's financial statements.

### **Reporting AOC as a Whole**

One of the most important questions asked about AOC's finances is, "Is AOC as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about AOC as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report AOC's *net assets* and changes in them. You can think of AOC's net assets—the difference between assets and liabilities—as one way to measure AOC's financial health, or *financial position*. Over time, *increases or decreases* in AOC's net assets are one indicator of whether its *financial health* is improving or deteriorating.

### **Condensed Comparative Financial Statements**

In future years, a comparative analysis of government-wide data will be presented.

### **Analysis of Overall Financial Position and Results of Operations**

The most significant change in our operations during the year ended June 30, 2004 was that we received no payments on our contract with the Lafayette City/Parish Consolidated Government compared to \$220,000 in the previous year. The payment will not be received due to noncompliance with various administrative reporting requirements of the contract. We believe the noncompliance has been corrected and that the \$220,000 contract payment will be received for the fiscal year to end June 30, 2005.

Our net assets decreased \$224,144 during the fiscal year to \$203,639 from \$427,783. The major cause of the decrease is discussed in the above paragraph.

**ACADIANA OPEN CHANNEL, INC.**  
**Management's Discussion and Analysis (Continued)**

**Budgetary Analysis**

No budget analysis is provided because AOC is not legally required to adopt a budget.

**Contacting AOC's Financial Management**

This financial report is designed to provide a general overview of AOC's finances and to provide accountability. If you have questions about this report or need additional financial information, contact AOC at 124 East Main Street Lafayette, LA 70501.

**ACADIANA OPEN CHANNEL, INC.**  
**STATEMENT OF NET ASSETS AND**  
**GOVERNMENTAL FUND BALANCE SHEET**  
**June 30, 2004**

	<u>General Fund</u>	<u>Adjust- ments</u>	<u>Statement of Net Assets</u>
<b>ASSETS</b>			
Cash	\$ 153,323	\$ -	\$ 153,323
Due from other governments	1,000	-	1,000
Prepayments	9,056	-	9,056
Other assets	1,181	-	1,181
Equipment and leasehold improvements	-	466,053	466,053
Accumulated depreciation	-	(342,821)	(342,821)
<b>Total assets</b>	<u>\$ 164,560</u>	<u>\$ 123,232</u>	<u>\$ 287,792</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 10,820	\$ -	\$ 10,820
Deferred revenue	73,333	-	73,333
<b>Total liabilities</b>	<u>\$ 84,153</u>	<u>\$ -</u>	<u>\$ 84,153</u>
<b>FUND BALANCES/NET ASSETS</b>			
<b>Fund balance</b>			
Reserved for prepaid items	\$ 9,056	\$ (9,056)	\$ -
Unreserved	71,351	(71,351)	-
<b>Total fund balance</b>	<u>\$ 80,407</u>	<u>\$ (80,407)</u>	<u>\$ -</u>
<b>Total liabilities and fund balances</b>	<u>\$ 164,560</u>		
<b>Net assets</b>			
Invested in capital assets, net of related debt		\$ 123,232	\$ 123,232
Unrestricted		80,407	80,407
<b>Total net assets</b>		<u>\$ 203,639</u>	<u>\$ 203,639</u>

**Reconciliation of the General Fund Balance Sheet to the Statement of Net assets-**

Capital assets and related accumulated depreciation are not current financial resources and therefore are not reported in the General fund balance sheet. Capital assets, net of accumulated depreciation must be added to General Fund total fund balance to arrive at total net assets.

See notes to basic financial statements.

**ACADIANA OPEN CHANNEL, INC.**  
**STATEMENT OF ACTIVITIES AND**  
**GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE**  
**Year Ended June 30, 2004**

	<u>General Fund</u>	<u>Adjust- ments</u>	<u>Statement of Activities</u>
<b>EXPENDITURES/EXPENSES</b>			
Public access television -			
Operations	\$ 260,582	\$ 30,987	\$ 291,569
Capital outlays	-	-	-
<b>Total expenditures/expenses</b>	<u>\$ 260,582</u>	<u>\$ 30,987</u>	<u>\$ 291,569</u>
<b>PROGRAM REVENUES</b>			
Contract with Lafayette			
Consolidated Government	\$ -	\$ -	\$ -
Charges for services	12,474		12,474
<b>Total program revenues</b>	<u>\$ 12,474</u>	<u>\$ -</u>	<u>\$ 12,474</u>
<b>Net program revenue (expense)</b>			<u>\$ (279,095)</u>
<b>GENERAL REVENUES</b>			
Miscellaneous -			
Cable TV grant	\$ 50,000	\$ -	\$ 50,000
Other	4,951	-	4,951
<b>Total general revenues</b>	<u>\$ 54,951</u>	<u>\$ -</u>	<u>\$ 54,951</u>
<b>Excess (deficiency) of revenues over expenditures</b>	\$ (193,157)	\$ 193,157	\$ -
<b>Change in net assets</b>	-	(224,144)	(224,144)
<b>Fund balance/net assets -</b>			
Beginning of year	273,564	154,219	427,783
End of year	<u>\$ 80,407</u>	<u>\$ 123,232</u>	<u>\$ 203,639</u>

**Reconciliation of General Fund Statement of Revenues, Expenditures, and Changes in  
Fund Balance to the Statement of Activities -**

Depreciation expense of \$30,987 is not reported in the General fund because it does not require the use of current financial resources. General fund capital outlays of -0- are reported as expenditures but are capitalized and depreciated over their useful lives in the government-wide statement of activities.

See notes to basic financial statements.



**ACADIANA OPEN CHANNEL, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For Year Ended June 30, 2004**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Acadiana Open Channel, Inc. (AOC), was incorporated on July 1, 1981. AOC is a Louisiana nonprofit organization which receives the majority of its funding from Lafayette City/Parish Consolidated Government (LCPCG). Its purpose is to coordinate the use of public access channels provided by the cable television system in Lafayette, Louisiana. AOC also provides production facilities, technical assistance, and training to individuals, groups and organizations interested in producing non-commercial education, cultural, informational or other community-oriented television programs.

AOC's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by AOC are discussed below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. Certain of the significant changes in the Statement include the following:

For the first time the financial statements include:

A Management Discussion and Analysis (MD&A) section providing an analysis of AOC's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of AOC's activities.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). AOC has elected to implement the provisions of the Statement in the current year.

As a result of implementing GASB 34, the previously reported general fund fund balance at June 30, 2003 of \$273,564 must be increased by capital assets net of accumulated depreciation totaling \$154,219 to arrive at net assets as of July 1, 2003 of \$427,783.

**ACADIANA OPEN CHANNEL, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

**A. REPORTING ENTITY**

These financial statements present AOC, a component unit of LCPCG. AOC is considered a component unit because it is fiscally dependent on LCPCG and its budget is subject to LCPCG's approval.

**B. BASIC FINANCIAL STATEMENTS—GOVERNMENT-WIDE STATEMENTS**

AOC's basic financial statements include the general fund, its only fund. The public access activity of AOC is classified as a governmental activity. The Statement of Net Assets, is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Net assets are reported in three parts (as applicable)—invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. AOC first utilizes restricted resources to finance qualifying activities.

The Statement of Activities reports both the gross and net cost of AOC's public access channel function. The function is also supported by general government revenues (grants, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the public access channel function. Operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants reflect capital-specific grants.

AOC's net costs are normally covered by general revenue (grants, etc.).

This government-wide focus is more on the sustainability of AOC as an entity and the change in AOC's net assets resulting from the current year's activities.

**C. BASIC FINANCIAL STATEMENTS—FUND FINANCIAL STATEMENTS**

The financial transactions of AOC are reported in the fund financial statements of its sole fund, the General fund. It is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures.

**ACADIANA OPEN CHANNEL, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

**D. BASIS OF ACCOUNTING**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

**1. Accrual:**

The government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**2. Modified Accrual:**

The governmental fund financial statement (the general fund) is presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

**E. DONATED SERVICES**

AOC receives substantial volunteer services. No amounts have been reflected in the statement for donated services because no objective basis is available to measure the value of such services.

**F. 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.

**G. TAX EXEMPT STATUS**

AOC qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue code and is not a private foundation.

**ACADIANA OPEN CHANNEL, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

**H. FINANCIAL STATEMENT AMOUNTS**

**1. Cash and Cash Equivalents**

AOC has defined cash and cash equivalents to include cash on hand and demand deposits.

**2. Investments**

AOC is a Louisiana nonprofit corporation and therefore is not restricted by law as to the types of investments it can make.

**3. Prepaid Items**

Prepaid balances are for payments made by AOC in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

**4. Capital Assets**

Capital assets consist of furniture and equipment. Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over estimated useful lives of five to ten years. There were no acquisitions or dispositions of equipment during the year. Depreciation expense for the year ended June 30, 2004 was \$30,987. Under the terms of a contract with LCPCG, ownership of equipment acquired with funds derived from the contract reverts to LCPCG upon termination of that contract.

**5. Revenues**

Substantially all governmental fund revenues are accrued. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

**ACADIANA OPEN CHANNEL, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

**6. Expenditures**

Expenditures are recognized when the related fund liability is incurred.

**7. Compensated Absences**

AOL accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. Accrued vacation and sick leave totaled \$2,771 at June 30, 2004.

**Note 2. BANK DEPOSITS**

At June 30, 2004, AOC had \$53,323 of bank deposits not insured by the FDIC and not collateralized by the depository bank.

**Note 3. SUPPORT AND REVENUE SOURCES**

AOC receives grants and contributions from various entities. Two major revenue sources are Cox Communications and the Lafayette City/Parish Consolidated Government. AOC received annual funding from Cox Communications in the amount of \$50,000 and has contracted with Lafayette City/Parish Consolidated Government to coordinate the use of public access channels for \$220,000 per year through October 31, 2005.

Funding in the amount of \$146,667 for the contract year ended October 31, 2003 was recognized as revenue in the fiscal year ended June 30, 2003. Because AOC did not comply with various requirements of the LCPCG contract, funding of \$220,000 for the contract year ended October 31, 2003 was denied. In fiscal year ended June 30, 2004, LCPCG paid AOC \$220,000 for the contract year to end October 31, 2004; \$146,667 of that amount reduced the revenue receivable recorded in fiscal year ended June 30, 2003 and the remaining \$73,333 was recorded as deferred revenue applicable to the contract period from July 1 through October 31, 2004.

**Note 4. LEASES**

AOC rents office and production facilities from Acadiana Arts Council, Inc. for \$900 per month on a month-to-month basis.

**ACADIANA OPEN CHANNEL, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

**Note 5. CONCENTRATIONS**

For the year ended June 30, 2004 approximately 74% of AOC's revenue and support was provided by Cox Communications and the Lafayette City/Parish Consolidated Government. If the contracts with Cox Communications and/or LCPCG are modified or cancelled, the impact on AOC could be severe.

**Note 6. RISK MANAGEMENT**

AOC is exposed to risks of loss in the areas of general liability, property hazards and workers' compensation. General liability, property hazards and workers' compensation risks are handled through the purchase of commercial insurance. Settlements have not exceeded insurance coverage in any of the past three years. Effective December 22, 2003, AOC elected not to renew its media perils policy; there were no other significant reductions in insurance coverage during 2004.

**Note 7. BOARD MEMBER COMPENSATION**

The members of the board of directors of AOC serve on a voluntary basis and receive no form of compensation for those duties.

**J. L. SONNIER**  
CERTIFIED PUBLIC ACCOUNTANT

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**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 Board of Directors of  
Acadiana Open Channel, Inc.

I have audited the financial statements of the governmental activity and the general fund of Acadiana Open Channel, Inc. (AOC), a component unit of the Lafayette City/Parish Consolidated Government, as of and for the year ended June 30, 2004, and have issued my report thereon dated July 23, 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.

Compliance

As part of obtaining reasonable assurance about whether Acadiana Open Channel's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which I have included in the accompanying Schedule of Audit Findings as item 2004-1.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Acadiana Open Channel's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements

and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect Acadiana Open Channel's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of audit findings as items 2004-2 through 2004-4.

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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the board of directors, management, the Lafayette City/Parish Consolidated Government, grantor agencies and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. This report is a matter of public record.

A handwritten signature in cursive script, appearing to read "J. L. Souther".

July 23, 2004



# ACADIANA OPEN CHANNEL, INC.

## Schedule of Prior and Current Audit Findings and Management's Corrective Action Plan Year Ended June 30, 2004

### I. Prior Year Findings:

#### Compliance

##### Finding 2003-1 – Insurance Coverage

Acadiana Open Channel, Inc. did not comply with the requirements of its contract with Lafayette City/Parish Consolidated Government relative to insurance coverage. Management should bring AOC's insurance coverage in compliance with the contract and/or obtain waivers from LCPCG for any requirements with which it can't comply.

Status:

Unresolved. See current year finding 2004-1.

#### Internal Control Over Financial Reporting

##### Finding 2003-2 – Inadequate Segregation of Duties

Due to the small number of employees, the District did not have adequate segregation of functions within the accounting system.

Status:

Unresolved. See current year finding 2004-2.

##### Finding 2003-3 – Financial Policies and Procedures

In May of 1995, management adopted "Financial Policies and Procedures". Several of the policies are not presently being followed, and some of the policies may no longer be appropriate or effective.

Status:

Unresolved. See current year finding 2004-3.

##### Finding 2003-4 – Investment Policy

Since May of 2000, and through October 2001, AOC had invested in government bonds and common stocks. I recommend that Management develop, adopt and implement a written investment policy.

Status:

Unresolved. See current year finding 2004-4.

# ACADIANA OPEN CHANNEL, INC.

## Schedule of Prior and Current Audit Findings and Management's Corrective Action Plan (Continued) Year Ended June 30, 2004

### II. Current Year Findings and Management's Corrective Action Plan:

#### Compliance

##### Finding 2004-1 – Insurance Coverage

Acadiana Open Channel, Inc. did not comply with the requirements of its contract with Lafayette City/Parish Consolidated Government relative to insurance coverage. Management should bring AOC's insurance coverage in compliance with the contract and/or obtain waivers from LCPCG for any requirements with which it can't comply.

##### Management's Response to Finding 2004-1

The insurance requirements of AOC's contract with LCPCG have been brought into compliance except that AOC has not been able to secure replacement value coverage on its equipment. Management intends to request a waiver of such coverage from LCPCG.

#### Internal Control Over Financial Reporting

##### Finding 2004-2 – Inadequate Segregation of Duties

Due to the small number of employees necessary to administer AOC's operations, it is not possible to effectively provide adequate segregation of duties. It is therefore important that management mitigate this internal control weakness through review of all payroll and disbursements as well as regular review of financial statements and budget performance.

##### Management's Response to Finding 2004-2

Management is aware of the weakness relative to segregation of duties which is a result of the small staff required to administer AOC's operations. Adding staff is not an economically viable solution, and therefore, management shall continue to monitor payroll and disbursements as well as regularly review financial statements and budget performance.

##### Finding 2004-3 – Financial Policies and Procedures

In May of 1995, management adopted "Financial Policies and Procedures". Several of the policies are not presently being followed, and some of the policies may no longer be appropriate or effective. I recommend that management review the financial policies and procedures, revise them as necessary and monitor their implementation.

**ACADIANA OPEN CHANNEL, INC.**

**Schedule of Prior and Current Audit Findings and  
Management's Corrective Action Plan (Continued)  
Year Ended June 30, 2004**

Management's Response to Finding 2004-3

AOC's Financial Policies and Procedures shall be reviewed, revised as necessary and management shall monitor the implementation of the revised policies and procedures. Management has set a target date of March 31, 2005 for reviewing, revising and implementing the financial policies and procedures.

Finding 2004-4 – Investment Policy

Since May of 2000 and through October 2001, AOC had invested in government bonds and common stocks. I recommend that Management develop, adopt and implement a written investment policy. The policy should provide specifics as to the types of investments appropriate based on projections of when the invested funds shall be expended. Additionally, the policy should assign responsibility for ongoing monitoring of investment performance.

Management's Response to Finding 2004-4

Management shall develop an investment policy, monitor its implementation and assign responsibility for the monitoring of investment performance. Management has set a target date of December 31, 2004 for developing and implementing the investment policy.