

Town of Eros
Eros, Louisiana

Annual Financial Statements

As of and For the Year Ended
December 31, 2013
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 OCT 01 2014

KENNETH D. FOLDEN & CO.

CERTIFIED PUBLIC ACCOUNTANTS

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Town of Eros
Eros, Louisiana

Annual Financial Statements
As of and For the Year Ended December 31, 2013
With Supplemental Information Schedules

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Kenneth D. Folden & Co.

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ACCOUNTANT'S COMPILATION REPORT

Town of Eros
Eros, Louisiana

We have compiled the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Eros, as of and for the year ended December 31, 2013, which collectively comprise the Town's basic financial statements as listed in the table of contents. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

The management of the Town of Eros is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist the management of the Town of Eros in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Town's financial position, results of operations, and cash flows. Accordingly these financial statements are not designed for those who are not informed about such matters.

Management has not presented the discussion and analysis information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of the basic financial statements.

As discussed in the Schedule of Other Matters, Other Matter 2013-1, certain conditions indicate that the Town of Eros may be unable to continue as a going concern. The accompanying financial statements do not include any adjustments that might be necessary should the Town be unable to continue as a going concern.

We are not independent with respect to the Town of Eros.

Kenneth D. Folden & Co., CPAs

Jonesboro, Louisiana
June 25, 2014

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

Town of Eros
Eros, Louisiana

Statement of Net Position
As of December 31, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and equivalents	\$ 8,579	\$ 9,508	\$ 18,086
Investments	-	24,256	24,256
Accounts receivable	2,212	4,407	6,619
Capital assets (net of acc depr)	471,247	852,003	1,323,250
TOTAL ASSETS	<u>\$ 482,038</u>	<u>\$ 890,173</u>	<u>\$ 1,372,211</u>
LIABILITIES			
Accounts, salaries, and other payables	\$ 6,213	\$ -	\$ 6,213
Payroll taxes payable	15,060	4,036	19,096
Customer deposits	-	10,044	10,044
TOTAL LIABILITIES	<u>21,273</u>	<u>14,080</u>	<u>35,353</u>
NET POSITION			
Invested in capital assets, net of related debt	471,247	852,003	1,323,250
Unrestricted	(10,482)	24,091	13,609
TOTAL NET POSITION	<u>\$ 460,765</u>	<u>\$ 876,093</u>	<u>\$ 1,336,858</u>

Town of Eros
Eros, Louisiana

Statement of Activities
For the Year Ended December 31, 2013

	MAJOR FUNDS			Net (Expense) Revenue and Changes in Net Position		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 74,509	\$ -	\$ 1,000	\$ (73,509)	\$ -	\$ (73,509)
Public Safety - police	759	904	-	145	-	145
Total governmental activities	<u>75,268</u>	<u>904</u>	<u>1,000</u>	<u>(73,364)</u>	<u>-</u>	<u>(73,364)</u>
Business-type activities:						
Water and Sewer	132,714	55,634	-	-	(77,080)	(77,080)
Total primary government	<u>\$ 207,982</u>	<u>\$ 56,538</u>	<u>\$ 1,000</u>	<u>(73,364)</u>	<u>(77,080)</u>	<u>(150,444)</u>
GENERAL REVENUES						
Taxes:						
Sales taxes				755	-	755
Franchise taxes				13,686	-	13,686
Occupational licenses				17,985	-	17,985
Investment earnings				126	196	322
Other general revenues				11,459	-	11,459
Operating transfers				21,962	(21,962)	-
Total general revenues and transfers				<u>65,974</u>	<u>(21,767)</u>	<u>44,208</u>
Change in net position				(7,390)	(98,847)	(106,237)
Net position - December 31, 2012				468,155	974,940	1,443,095
Net position - December 31, 2013				<u>\$ 460,765</u>	<u>\$ 876,093</u>	<u>\$ 1,336,858</u>

See Accountant's Compilation Report

FUND FINANCIAL STATEMENTS

Town of Eros
Eros, Louisiana

Balance Sheet - Governmental Funds
As of December 31, 2013

	<u>General Fund</u>
ASSETS	
Cash and equivalents	\$ 8,579
Receivables, net	<u>2,213</u>
TOTAL ASSETS	<u><u>\$ 10,792</u></u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 6,213
Payroll taxes payable	<u>15,060</u>
TOTAL LIABILITIES	<u><u>21,273</u></u>
 Fund Balances:	
Unassigned	<u>(10,482)</u>
TOTAL FUND BALANCE	<u><u>(10,482)</u></u>
 TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 10,791</u></u>

Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
As of December 31, 2013

Total Fund Balances of General Fund at December 31, 2013	\$ (10,482)
Total Net Position reported for Governmental Activities in the Statement of Net Position (Statement A) are different because:	
Capital Assets used in Governmental Activities are not financial resources, and therefore, are not reported in the governmental fund.	<u>471,247</u>
Net Position of governmental activities at December 31, 2013	<u><u>\$ 460,765</u></u>

Town of Eros
Eros, Louisiana

Statement of Revenues, Expenditures
and Changes in Fund Balance - Governmental Fund
For the Year Ended December 31, 2013

	General Fund
REVENUES	
Taxes:	
Sales tax	\$ 755
Franchise tax	13,686
Licenses and permits	17,985
Fines and forfeitures	904
Investment earnings	126
Other Revenues	
Rent	857
Grant revenue	1,000
Other revenues	10,602
TOTAL REVENUES	<u>45,916</u>
EXPENDITURES	
General government:	
Personnel services	20,549
Operating services	32,159
Materials and supplies	1,021
Capital outlay	16,236
Other charges	1,479
Public safety:	
Personal services	590
Operating services	69
Other	100
TOTAL EXPENDITURES	<u>72,204</u>
Excess (Deficiency) of Revenues	
Over (Under) Expenditures	<u>(26,288)</u>
Operating transfers in	21,962
Total other financing sources (uses)	<u>21,962</u>
NET CHANGES IN FUND BALANCES	(4,326)
FUND BALANCES - December 31, 2012	<u>(6,156)</u>
FUND BALANCES - December 31, 2013	<u>\$ (10,482)</u>

Town of Eros
Eros, Louisiana

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2013

Total net change in fund balances - governmental funds (Statement E) \$ (4,326)

Amount reported for governmental activities in the Statement of Activities
(Statement B) are different because:

Governmental funds report capital outlays as expenditures. However, in the
Statement of Activities (Statement B), the cost of those assets is allocated
over their estimated useful lives as depreciation expense. This is the amount
by which depreciation expense exceeds capital outlay in the current period. (3,065)

Change in net position of governmental activities (Statement B) \$ (7,390)

Town of Eros
Eros, Louisiana

Balance Sheet - Proprietary Fund
As of December 31, 2013

	Water & Sewer Fund
ASSETS	
Current Assets:	
Cash and equivalents	\$ 9,508
Investments	24,256
Receivables	4,407
Total Current Assets	<u>38,170</u>
Noncurrent Assets:	
Capital Assets - net of accumulated depreciation	<u>852,003</u>
Total Noncurrent Assets	<u>852,003</u>
TOTAL ASSETS	<u><u>\$ 890,173</u></u>
LIABILITIES	
Current Liabilities:	
Payroll taxes payable	4,036
Customer deposits	<u>10,044</u>
TOTAL LIABILITIES	<u>14,080</u>
NET POSITION	
Invested in capital assets	852,003
Unrestricted	<u>24,091</u>
TOTAL NET POSITION	<u>876,093</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 890,173</u></u>

Town of Eros, Louisiana
Eros, Louisiana

Statement of Revenues, Expenses,
and Changes in Net Position - Proprietary Fund
For the Year Ended December 31, 2013

	Water & Sewer Fund
OPERATING REVENUES	
Water and sewer sales	\$ 55,634
Total operating revenues	<u>55,634</u>
OPERATING EXPENSES	
Gas and oil	3,545
Repairs and maintenance	9,005
Utilities	(917)
Supplies	1,654
Office supplies and expense	1,744
Testing fees	3,914
Salaries and payroll taxes	19,135
Fees and dues	1,065
Advertising	665
Depreciation	84,828
Miscellaneous expense	8,076
Total operating expenses	<u>132,714</u>
OPERATING INCOME (LOSS)	<u>(77,080)</u>
NON-OPERATING REVENUES (Expenses)	
Investment earnings	196
Total non-operating revenues (expenses)	<u>196</u>
Income (loss) before contributions and transfers	(76,884)
Operating transfers in	-
Operating transfers out	<u>(21,962)</u>
Net operating transfers	(21,962)
CHANGES IN NET POSITION	(98,847)
TOTAL NET POSITION - December 31, 2012	<u>974,940</u>
TOTAL NET POSITION - December 31, 2013	<u>\$ 876,093</u>

Town of Eros
Eros, Louisiana

Statement of Cash Flows - Proprietary Fund
For the Year Ended December 31, 2013

	Water & Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 53,267
Customer deposit receipts, net	(380)
Payments to suppliers	(30,268)
Payments to employees	(17,771)
Net cash provided by operating activities	<u>4,847</u>
CASH FLOWS FROM NON-CAPITAL FINANCING	
State grant	-
Transfers from other funds	-
Transfer to other funds	(21,962)
Net cash provided by noncapital financing activities	<u>(21,962)</u>
CASH FLOWS FROM CAPITAL AND RELATED	
Acquisition of capital assets	-
Grant receivable	-
Net cash used for capital and related financing activities	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earnings on bank deposits	74
Net cash provided by investing activities	<u>74</u>
Net increase (decrease) in cash and cash equivalents	(17,041)
CASH AND CASH EQUIVALENTS - December 31, 2012	<u>26,548</u>
CASH AND CASH EQUIVALENTS - December 31, 2013	<u>\$ 9,508</u>
RECONCILIATION OF OPERATING INCOME TO NET PROVIDED BY OPERATION ACTIVITIES	
Operating income (loss)	\$ (77,080)
Adjustments	
Depreciation	84,828
Net changes in assets and liabilities:	
Accounts receivable	(3,209)
Due to other funds	-
Accounts payable	689
Customer deposits	(380)
Net cash provided by (used for) operating activities	<u>\$ 4,847</u>

**SUPPLEMENTAL
INFORMATION SCHEDULES**

Town of Eros
Eros, Louisiana

Budgetary Comparison Schedule - Governmental Fund
For the Year Ended December 31, 2013

	Original	Final	Actual Amounts (GAAP Basis)	Variance with Final Budget- Favorable (Unfavorable)
REVENUES				
Taxes:				
Sales tax	\$ -	\$ 10,800	\$ 755	\$ (10,045)
Franchise tax	3,000	13,230	13,686	457
Licenses and permits	17,650	18,635	17,985	(650)
Fines and forfeitures	11,500	904	904	-
Fees and charges	50	72	-	(72)
Investment earnings	500	102	126	25
Other Revenues				
Rent	850	1,700	857	(843)
Grant revenue	2,100	2,000	1,000	(1,000)
Other revenues	7,005	17,105	10,602	(6,503)
TOTAL REVENUES	<u>42,655</u>	<u>64,547</u>	<u>45,916</u>	<u>(18,631)</u>
EXPENDITURES				
General government:				
Personal services	14,580	20,720	20,549	172
Operating services	17,300	34,985	32,159	2,826
Materials and supplies	200	79,000	1,021	77,979
Capital outlay	-	-	16,236	(16,236)
Other charges	1,350	9,979	1,479	8,499
Public safety:				
Personal services	400	400	590	(190)
Operating services	650	3,250	69	3,181
Materials and supplies	100	100	-	100
Other	50	50	100	(50)
TOTAL EXPENDITURES	<u>34,630</u>	<u>148,484</u>	<u>72,204</u>	<u>76,281</u>
EXCESS (Deficiency) OF REVENUES				
Over(Under) Expenditures	<u>8,025</u>	<u>(83,937)</u>	<u>(26,288)</u>	<u>57,650</u>
Operating transfers in	-	-	21,962	21,962
Total other financing sources (uses)	-	-	21,962	21,962
NET CHANGES IN FUND BALANCES	<u>8,025</u>	<u>(83,937)</u>	<u>(4,326)</u>	<u>79,612</u>
FUND BALANCES - December 31, 2012	<u>(6,156)</u>	<u>(6,156)</u>	<u>(6,156)</u>	<u>-</u>
FUND BALANCES - December 31, 2013	<u>\$ 1,869</u>	<u>\$ (90,094)</u>	<u>\$ (10,482)</u>	<u>\$ -</u>

See Accountant's Compilation Report

**OTHER REQUIRED
SUPPLEMENTARY INFORMATION**

Town of Eros
Eros, Louisiana

Schedule of Per Diem Paid Aldermen
For the Year Ended December 31, 2013

Melba Creech	225
Alisha Ford	275
Joseph Spillers	100
Total	<u>\$ 600</u>

Town of Eros
Eros, Louisiana

Schedule of Findings
For the Year Ended December 31, 2013

Current Year Findings:

2013-1 Compliance with Local Government Budget Law

Criteria: Louisiana state statute (RS 39:1311) requires that the budget be properly amended if actual revenues are less than budgeted revenues by five percent or more.

Condition: For the year ended December 31, 2013, the budget was not amended properly in anticipation of the decreased revenues.

Effect: The Town of Eros is in violation of the Local Government Budget Act.

Recommendation: The Town of Eros should modify procedures to ensure that the annual budget is properly amended when necessary.

Management Response: The Town of Eros will adopt procedures to ensure that the annual budget is amended as required by state law.

2013-2 Compliance with Payment of Payroll Taxes

Criteria: Management is responsible for compliance with laws and regulations regarding the payment of payroll taxes due to the federal and state governments on behalf of the Town and its employees.

Condition: During the compilation of the Town of Eros, it was discovered that payroll taxes collected by the Town due to federal and state governmental agencies were not remitted to the agencies in a timely manner. The Town Clerk is responsible for accounting for and remitting the payments and forms to the correct agency on behalf of the employees of the Town of Eros in a timely manner. Inquiries to the Town Clerk and the Mayor were made as to the reason for the delinquency in the tax payments.

Cause: Due to shortage of funds, the Town did not submit taxes as required.

Effect: As a fiduciary agent for the employees of the Town of Eros, payments to governmental agencies must be made timely. If payments are not made timely, the Town will be held responsible for payments and any penalties and interest associated with late payment of the taxes.

Recommendation: The Town should collect and remit tax payments as the payments become due.

Management Response: The Town of Eros will resume payment of current payroll taxes and prior payroll taxes. The Town will contact the Department of Treasury and the Louisiana Department of Revenue to update a payment plan for making prior period payroll tax payments.

2013-3 Going Concern

Criteria: In accordance with GASB Statement No. 56, if there is substantial doubt about a government's ability to continue as a going concern, the Town has a responsibility to disclose that information.

Condition: As of the year ended December 31, 2013, the Town's governmental activities current liabilities exceeded its current assets by \$10,482, and the Town of Eros showed a decrease in unrestricted net position of \$7,390. These factors, as well as the uncertain conditions that the Town faces regarding revenue sources, create uncertainty about the Town's ability to continue as a going concern.

Cause: The Town must derive all governmental revenues from occupational licenses, franchise fees based on usage, sales taxes, and fines and forfeitures revenues. Although the Town has employed a Police Chief to generate fines and forfeitures revenues, there has been a significant decrease in revenues from fines and forfeitures over the past compilation periods. In addition, the sales tax passed by the residents of the Town of Eros has only generated \$755 in general revenues.

Effect: Because of the lack of revenues, the Town could be at risk to be unable to meet its obligations to customers, vendors, and to the residents of the Town.

Recommendation: Management of the Town of Eros should develop a plan to reduce its liabilities and increase its revenues.

Management Response: The Town of Eros expects an increase in the amount of sales taxes for the upcoming year to increase revenues. In addition, a new Police Chief has been hired and certified, and the Town anticipates an increase in fines and forfeitures during the next year.

2013-4 Misappropriation of Funds

Criteria: Management of the Town is responsible for expending public funds within the law and in the best interest of the citizens of the Town of Eros.

Condition: During the course of completing our compilation and subsequent to the compilation period end date, we were made aware that the newly appointed Town Clerk was allegedly misappropriating town funds.

Cause: The Town Clerk misappropriated public funds.

Effect: The Town was at risk for fraud from the misappropriation of assets by the Town Clerk. Subsequent to the compilation period, the Town Clerk committed fraud by setting up online automatic withdrawals from the Town bank account and took approximately \$1,794. The Town Clerk also destroyed bank statements that showed the misappropriation of funds.

Recommendation: Bank statements should be reviewed by the Mayor and Aldermen to ensure that distributions made from the account are for legitimate public use and reasonable.

Management Response: Copies of bank statements were requested, and the misappropriation of funds was discovered. The bank was able to refund all funds that were misappropriated by the Town Clerk.

Prior Year Findings

2012-1 Compliance with Local Government Budget Law

Criteria: Louisiana state statute (RS 39:1311) requires that the budget be properly amended if actual revenues are less than budgeted revenues by five percent or more.

Condition: For the year ended December 31, 2013, the budget was not amended in anticipation of the decreased revenues.

Effect: The Town of Eros is in violation of the Local Government Budget Act.

Recommendation: The Town of Eros should modify procedures to ensure that the annual budget is properly amended when necessary.

Management Response: The Town of Eros will adopt procedures to ensure that the annual budget is amended as required by state law.

Kenneth D. Folden & Co.

Kenneth D. Folden, CPA

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Ted W. Sanderlin, CPA

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June 25, 2014

Mrs. Melba Creech, Mayor
Board of Aldermen
Town of Eros
Post Office Box 200
Eros, Louisiana 71238

RE: Management Letter
Compilation Report – For the Year Ended December 31, 2013

Dear Mrs. Creech:

We have performed our compilation of the Town of Eros, and we have the following information to report to you.

Louisiana state law requires that a budget be amended whenever actual revenues are less than budgeted revenues by more than five percent and/or actual expenditures are more than budgeted expenditures by five percent or more. For the year ended December 31, 2013, actual revenues were less than budgeted revenues by more than the five percent allowed and the budget was not amended accordingly.

Management is responsible for compliance with laws and regulations regarding the payment of payroll taxes due to the federal and state governments on behalf of the Town and its employees. Payroll taxes collected by the Town due to federal and state governmental agencies were not remitted in a timely manner. As a fiduciary agent for the employees of the Town of Eros, the Town will be held responsible for payments and any penalties and interest associated with late payment of the taxes.

Sincerely,

Kenneth D. Folden & Co., CPAs

Kenneth D. Folden & Co., CPAs

Town of Eros
Post Office Box 200
Eros, Louisiana 71238

June 25, 2014

Louisiana Legislative Auditor
1600 Third Street
Baton Rouge, Louisiana 70804

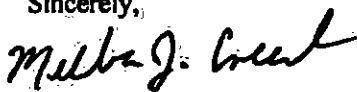
The following is our response to the management letter issued to us by the firm, Kenneth D. Folden & Co., CPAs for the year ended December 31, 2013.

Management's Corrective Action Plan

We will ensure that in the future the budget will be amended whenever actual revenues or expenditures exceed the five percent variance allowed.

We will contact the Department of the Treasury and the Louisiana Department of Revenue to update a payment plan for making prior period payroll tax payments. Current payroll tax payments will be made timely.

Sincerely,



Melba Creech
Mayor, Town of Eros

Per phone conversation with Patti Wheelis, Town Clerk, on 8/19/2014, at 8:30 AM, the former Town Clerk, Tracey McFarlin, stole \$1794.39 from the Town through credit card fraud. The Town was refund the entire amount by the bank.
-ACH