

Town of Eros
Eros, Louisiana

Annual Financial Statements

As of and For the Year Ended
December 31, 2014
With Supplemental Information Schedules

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Town of Eros
Eros, Louisiana

Annual Financial Statements
As of and For the Year Ended December 31, 2014
With Supplemental Information Schedules

CONTENTS

	<u>Statement/ Schedule</u>	<u>Page</u>
Accountant's Compilation Report		2
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	A	5
Statement of Activities	B	6
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C	8
Reconciliation of the Governmental Funds - Balance Sheet to the Statement of Net Position	D	8
Statement of Revenues, Expenditures, and Changes in Fund Balances	E	9
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	F	10
Proprietary Funds:		
Statement of Net Position	G	11
Statement of Revenues, Expenditures, and Changes in Fund Net Position	H	12
Statement of Cash Flows	I	13
Required Supplemental Information:		
Budgetary Comparison Schedule		
Governmental Fund	1	15
Supplemental Information Schedules:		
Schedule of Per Diem Paid Aldermen	2	17
Schedule of Findings	3	18 - 21
Schedule of Compensation, Benefits and Other Payments to Agency Head	4	22

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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, 2014, 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.

Act 706 of the Louisiana 2014 Legislative Session requires a Schedule of Compensation, Benefits and Other Payments to Agency Head on page 22 to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Louisiana State Law who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information was not audited, reviewed, or compiled by us, and we do not express an opinion or provide any assurance on it.

As discussed in the Schedule of Findings, Findings 2014-2, 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 10, 2015

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

Town of Eros
Eros, Louisiana

Statement of Net Position
As of December 31, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and equivalents	\$ 1,781	\$ 4,305	\$ 6,087
Investments	-	24,363	24,363
Accounts receivable	2,575	4,807	7,382
Capital assets (net of acc depr)	<u>454,204</u>	<u>797,766</u>	<u>1,251,971</u>
TOTAL ASSETS	<u>\$ 458,561</u>	<u>\$ 831,241</u>	<u>\$ 1,289,802</u>
LIABILITIES			
Accounts, salaries, and other payables	\$ 1,514	\$ 965	\$ 2,479
Payroll taxes payable	17,463	4,036	21,499
Customer deposits	-	<u>10,951</u>	<u>10,951</u>
TOTAL LIABILITIES	<u>18,977</u>	<u>15,953</u>	<u>34,930</u>
NET POSITION			
Invested in capital assets, net of related debt	454,204	797,766	1,251,971
Unrestricted	<u>(14,621)</u>	<u>17,523</u>	<u>2,901</u>
TOTAL NET POSITION	<u>\$ 439,583</u>	<u>\$ 815,289</u>	<u>\$ 1,254,872</u>

Town of Eros
Eros, Louisiana

Statement of Activities
For the Year Ended December 31, 2014

EXPENSES	MAJOR FUNDS		Net (Expense) Revenue and Changes in Net Position		
	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	Governmental Activities	Business-type Activities	Total
Primary government:					
Governmental activities:					
General government	\$ 85,288	\$ -	\$ 9,500	\$ (75,788)	\$ (75,788)
Public Safety - police	5,937	1,723	-	(4,214)	(4,214)
Total governmental activities	<u>91,225</u>	<u>1,723</u>	<u>9,500</u>	<u>(80,002)</u>	<u>(80,002)</u>
Business-type activities:					
Water and Sewer	106,432	58,154	-	(48,277)	(48,277)
Total primary government	<u>\$ 197,657</u>	<u>\$ 59,877</u>	<u>\$ 9,500</u>	<u>(80,002)</u>	<u>(48,277)</u>
GENERAL REVENUES					
Taxes:					
Sales taxes			13,930	-	13,930
Franchise taxes			3,169	-	3,169
Occupational licenses			16,575	-	16,575
Investment earnings			51	147	198
Other general revenues			12,450	-	12,450
Operating transfers			12,644	(12,644)	-
Total general revenues and transfers			<u>58,820</u>	<u>(12,497)</u>	<u>46,323</u>
Change in net position			(21,182)	(60,774)	(81,956)
Net position - December 31, 2013			460,765	876,063	1,336,828
Net position - December 31, 2014			<u>\$ 439,583</u>	<u>\$ 815,289</u>	<u>\$ 1,254,872</u>

See Accountant's Compilation Report

FUND FINANCIAL STATEMENTS

Town of Eros
Eros, Louisiana

Balance Sheet - Governmental Funds
As of December 31, 2014

	General Fund
ASSETS	
Cash and equivalents	\$ 1,781
Receivables, net	<u>2,576</u>
TOTAL ASSETS	<u><u>\$ 4,357</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 1,514
Payroll taxes payable	<u>17,463</u>
TOTAL LIABILITIES	<u>18,977</u>
Fund Balances:	
Unassigned	<u>(14,621)</u>
TOTAL FUND BALANCE	<u>(14,621)</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 4,356</u></u>

Statement D

Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
As of December 31, 2014

Total Fund Balances of General Fund at December 31, 2014	\$ (14,621)
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>454,204</u>
 Net Position of governmental activities at December 31, 2014	 <u><u>\$ 439,583</u></u>

Town of Eros
Eros, Louisiana

Statement of Revenues, Expenditures
and Changes in Fund Balance - Governmental Fund
For the Year Ended December 31, 2014

	General Fund
REVENUES	
Taxes:	
Sales tax	\$ 13,930
Franchise tax	3,169
Licenses and permits	16,575
Fines and forfeitures	1,723
Investment earnings	51
Other Revenues	
Rent	2,008
Grant revenue	9,500
Other revenues	10,442
TOTAL REVENUES	57,399
EXPENDITURES	
General government:	
Personnel services	28,488
Operating services	37,096
Materials and supplies	776
Other charges	1,885
Public safety:	
Personal services	2,781
Operating services	888
Materials and supplies	1,101
Other	1,166
TOTAL EXPENDITURES	74,182
Excess (Deficiency) of Revenues	
Over (Under) Expenditures	(16,783)
Operating transfers in	30,897
Operating transfers out	(18,253)
Total other financing sources (uses)	12,644
NET CHANGES IN FUND BALANCES	(4,139)
FUND BALANCES - December 31, 2013	(10,482)
FUND BALANCES - December 31, 2014	\$ (14,621)

See Accountant's Compilation Report

Town of Eros
Eros, LouisianaReconciliation 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, 2014

Total net change in fund balances - governmental funds (Statement E) \$ (4,139)

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. (17,043)

Change in net position of governmental activities (Statement B) \$ (21,182)

Town of Eros
Eros, Louisiana

Balance Sheet - Proprietary Fund
As of December 31, 2014

		Water & Sewer Fund
ASSETS		
Current Assets:		
Cash and equivalents	\$	4,305
Investments		24,363
Receivables		4,807
Total Current Assets		33,475
Noncurrent Assets:		
Capital Assets - net of accumulated depreciation		797,766
Total Noncurrent Assets		797,766
TOTAL ASSETS	\$	831,241
 LIABILITIES		
Current Liabilities:		
Accounts payable	\$	965
Payroll taxes payable		4,036
Customer deposits		10,951
TOTAL LIABILITIES		15,953
 NET POSITION		
Invested in capital assets		797,766
Unrestricted		17,523
TOTAL NET POSITION		815,289
 TOTAL LIABILITIES AND NET POSITION	 \$	 831,241

Town of Eros, Louisiana
Eros, Louisiana

Statement of Revenues, Expenses,
and Changes in Net Position - Proprietary Fund
For the Year Ended December 31, 2014

	Water & Sewer Fund
OPERATING REVENUES	
Water and sewer sales	\$ 58,154
Total operating revenues	58,154
OPERATING EXPENSES	
Gas and oil	3,860
Repairs and maintenance	3,830
Utilities	638
Supplies	2,282
Office supplies and expense	1,892
Testing fees	12,250
Salaries and payroll taxes	24,158
Fees and dues	1,038
Advertising	473
Depreciation	54,236
Miscellaneous expense	1,775
Total operating expenses	106,432
OPERATING INCOME (LOSS)	(48,277)
NON-OPERATING REVENUES (Expenses)	
Investment earnings	147
Total non-operating revenues (expenses)	147
Income (loss) before contributions and transfers	(48,130)
Operating transfers in	22,257
Operating transfers out	(34,901)
Net operating transfers	(12,644)
CHANGES IN NET POSITION	(60,774)
TOTAL NET POSITION - December 31, 2013	876,063
TOTAL NET POSITION - December 31, 2014	\$ 815,289

Town of Eros
Eros, Louisiana

Statement of Cash Flows - Proprietary Fund
For the Year Ended December 31, 2014

	Water & Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 58,154
Customer deposit receipts, net	11,590
Payments to suppliers	(33,287)
Payments to employees	(29,025)
Net cash provided by operating activities	<u>7,432</u>
CASH FLOWS FROM NON-CAPITAL FINANCING	
State grant	-
Transfers from other funds	22,257
Transfer to other funds	(34,901)
Net cash provided by noncapital financing activities	<u>(12,644)</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	10
Net cash provided by investing activities	<u>10</u>
Net increase (decrease) in cash and cash equivalents	(5,202)
CASH AND CASH EQUIVALENTS - December 31, 2013	<u>9,508</u>
CASH AND CASH EQUIVALENTS - December 31, 2014	<u>\$ 4,305</u>
RECONCILIATION OF OPERATING INCOME TO NET PROVIDED BY OPERATION ACTIVITIES	
Operating income (loss)	\$ (48,277)
Adjustments	
Depreciation	54,236
Net changes in assets and liabilities:	
Accounts receivable	(400)
Due to other funds	-
Accounts payable	965
Customer deposits	908
Net cash provided by (used for) operating activities	<u>\$ 7,432</u>

**SUPPLEMENTAL
INFORMATION SCHEDULES**

Town of Eros
Eros, Louisiana

Budgetary Comparison Schedule - Governmental Fund
For the Year Ended December 31, 2014

	Original	Final	Actual Amounts (GAAP Basis)	Variance with Final Budget- Favorable (Unfavorable)
REVENUES				
Taxes:				
Sales tax	\$ 14,000	\$ 13,000	\$ 13,930	\$ 930
Franchise tax	13,230	4,000	3,169	(831)
Licenses and permits	18,635	16,615	16,575	(40)
Fines and forfeitures	5,300	2,300	1,723	(577)
Fees and charges	200	100	-	(100)
Investment earnings	102	100	51	(49)
Other Revenues				
Rent	1,700	1,700	2,008	308
Grant revenue	3,000	2,100	9,500	7,400
Other revenues	16,805	15,950	10,442	(5,508)
TOTAL REVENUES	<u>72,972</u>	<u>55,865</u>	<u>57,399</u>	<u>1,534</u>
EXPENDITURES				
General government:				
Personal services	17,820	27,800	28,488	(688)
Operating services	26,600	34,000	37,096	(3,096)
Materials and supplies	1,500	1,000	776	224
Other charges	2,550	2,640	1,885	755
Public safety:				
Personal services	2,800	2,900	2,781	119
Operating services	3,100	3,100	888	2,212
Materials and supplies	-	-	1,101	(1,101)
Other	-	-	1,166	(1,166)
TOTAL EXPENDITURES	<u>54,370</u>	<u>71,440</u>	<u>74,182</u>	<u>(2,742)</u>
EXCESS (Deficiency) OF REVENUES				
Over(Under) Expenditures	<u>18,602</u>	<u>(15,575)</u>	<u>(16,783)</u>	<u>(1,208)</u>
Operating transfers in	-	45,057	30,897	(14,160)
Operating transfers out	-	-	(18,253)	18,253
Total other financing sources (uses)	<u>-</u>	<u>45,057</u>	<u>12,644</u>	<u>4,092</u>
NET CHANGES IN FUND BALANCES	18,602	29,482	(4,139)	2,884
FUND BALANCES - December 31, 2013	<u>(10,482)</u>	<u>(10,482)</u>	<u>(10,482)</u>	<u>-</u>
FUND BALANCES - December 31, 2014	<u>\$ 8,119</u>	<u>\$ 19,000</u>	<u>\$ (14,621)</u>	<u>\$ -</u>

See Accountant's Compilation Report

**OTHER REQUIRED
SUPPLEMENTARY INFORMATION**

Town of Eros
Eros, LouisianaSchedule of Per Diem Paid Aldermen
For the Year Ended December 31, 2014

Angela Costin	50
Melba Creech	150
Amy Diffy	425
Alisha Ford	200
Rhonda Reagan	225
Joseph Spillers	450
Total	<u>\$ 1,500</u>

Town of Eros
Eros, Louisiana

Schedule of Findings
For the Year Ended December 31, 2014

Current Year Findings:

2014-1 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, 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 and the Mayor 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.

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 has made payments of current payroll taxes and prior payroll taxes during the year ended December 31, 2014. The Town is working with the Department of Treasury and the Louisiana Department of Revenue to continue a payment plan for making prior period payroll tax payments.

2014-2 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 \$14,621, and the Town of Eros showed a decrease in unrestricted net position of \$4,139. 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 not been a significant increase in revenues from fines and forfeitures over the past compilation periods.

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 had an increase in the amount of sales taxes for the compilation period, \$13,930, which increased revenues for the year. Also, the Town is relying on transfers from the Water & Sewer Fund to supplement expenses in the General Fund.

2014-3 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 compilation, we were made aware that the newly appointed Town Clerk was allegedly misappropriating town funds.

Cause: The Town Clerk allegedly 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

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 has made payments of current payroll taxes and prior payroll taxes. The Town is working with the Department of Treasury and the Louisiana Department of Revenue to continue 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 had an increase in the amount of sales taxes for the compilation period, which increased revenues.

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.

Town of Eros
Eros, LouisianaSchedule of Compensation, Benefits and Other Payments to Agency Head
For the Year Ended December 31, 2014

William Wheelis Mayor	
Salary	\$ 2,450
	<u>\$ 2,450</u>

Melba Creech Mayor	
Salary	\$ 2,100
	<u>\$ 2,100</u>