

REPORT
CITY OF HAMMOND,
LOUISIANA
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 1-26-05

CITY OF HAMMOND, LOUISIANA

JUNE 30, 2004

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 13
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds	16
Reconciliation of the Balance Sheet to the Statement of Net Assets – Governmental Funds	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities – Governmental Funds	19
Statement of Net Assets – Proprietary Funds	20
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	21
Statement of Cash Flows – Proprietary Funds	22 - 23
Component Unit Financial Statements:	
Statement of Fiduciary Net Assets – Fiduciary Funds	24
Notes to Financial Statements	25 - 58

CITY OF HAMMOND, LOUISIANA

JUNE 30, 2004

TABLE OF CONTENTS (Continued)

	<u>PAGE</u>
REQUIRED SUPPLEMENTARY INFORMATION:	
Budget Comparison Schedules	
General Fund	59
Sales Tax Fund	60
OTHER SUPPLEMENTARY INFORMATION:	
Compensation Paid Council Members	61
Independent Auditor's Report on Compliance and on <i>Internal Control Over Financial Reporting</i> Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	62 - 63
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A- 133	64 - 65
Schedule of Expenditures of Federal Awards	66 - 66
Notes to Schedule of Expenditures of Federal Awards	68
Schedule of Findings and Questioned Costs	69
Summary Schedule of Prior Audit Findings.....	70



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

MICHAEL J. O'ROURKE, C.P.A.
WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GIFFIN, JR., C.P.A.
DAVID A. BURGARD, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A.
DENNIS W. DILLON, C.P.A.

ANN M. HARGES, C.P.A.
ROBIN A. STROHMEYER, C.P.A.

KENNETH J. BROOKS, C.P.A., ASSOCIATE

1340 Poydras St., Suite 2000 · New Orleans, LA 70112
(504) 586-8866
FAX (504) 525-5888
cpa@dhhmcpa.com

A.J. DUPLANTIER JR., C.P.A.
(1919-1985)
FELIX J. HRAPMANN, JR., C.P.A.
(1919-1990)
WILLIAM R. HOGAN, JR., C.P.A.
(1920-1996)
JAMES MAHER, JR., C.P.A.
(1921-1999)

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA C.P.A.'S

INDEPENDENT AUDITOR'S REPORT

October 22, 2004

To the Honorable Mayson Foster, Mayor
Members of the City Council
City of Hammond, Louisiana

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hammond, Louisiana, as of and for the year ended June 30, 2004, which collectively comprise City of Hammond, Louisiana's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of City of Hammond, Louisiana. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the component units discretely presented in the financial statements which account for 100% of the assets and 100% of the revenues of the governmental activities of the component units. Those financial statements were audited by other auditors, whose reports thereon were furnished to us, and our opinion, herein, insofar as it relates to the amounts included for these entities, is based solely upon the reports of the other auditors.

We conducted our 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 provisions of Office of Management and Budget, Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Hammond as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 to 13, the other required supplementary information on pages 59 to 60 and other supplementary information on page 61 are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We and other auditors 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, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2004 on our consideration of the City of Hammond's internal control over financial reporting and our 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 our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Duplantier, Hrapmann, Hogan & Maher, L.L.P.

CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004

The Management's Discussion and Analysis (MD&A) of the City of Hammond, Louisiana's financial performance provides an overview and an objective, narrative analysis of the City's financial activities for the year ended June 30, 2004. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read it in conjunction with the City's financial statements, which begin on page 14.

FINANCIAL HIGHLIGHTS

- * The assets of the City of Hammond exceeded liabilities at the close of the most recent year by \$37,139,555 (net assets). Of this amount, \$12,699,998 (unrestricted net assets) may be used to meet the City's ongoing obligations to the citizens and creditors.
- * The City's net assets increased by \$1,705,878.
- * The City's total liabilities reported in the statement of net assets at the end of the current fiscal year end were \$17,534,786 in comparison to \$18,959,184 of the prior year.
- * As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,356,741, a decrease of \$3,642,681 in comparison with the prior year. Approximately \$3,346,037 is available for spending at the City's discretion (unrestricted fund balance).
- * At the end of the current fiscal year end, unreserved fund balance for the general fund was \$1,960,811 or 64% of total fund balance of the general fund.
- * The City has embarked upon a comprehensive wastewater treatment project. The purpose of the Wetlands Assimilation Project is to construct a Lift Station, Force Main, Treatment Facility, Effluent Distribution System, and an Aerated Lagoon system to consolidate the North and South Sewer Treatment facilities. With this system, treated and disinfected wastewater will be discharged into the Joyce Wildlife Management Area. City purchased Edwards Property (Ordinance No. 04-3013) for \$100,000 in September 2004. Active revenue sources for the project are:

EPA / STAG	\$ 433,700	
LCDBG	\$1,000,000	
CAPITAL PROJECTS FUND	\$ 738,000	
CAP PROJ BOND CONSTRUCTION FUND	\$ 100,000	
WATER & SEWER CONSTRUCTION	\$ 525,000	
CITY BOND FUNDS (estimate)	\$3,900,000	
Pending funding sources are:		
State Capital Outlay—Sewer Grant		\$ 750,000
STAG Grant		\$ 750,000

CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements.

This report also contains required and other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave). Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). The business-type activities of the City include one enterprise activity – a water and sewer system.

The government-wide financial statements include not only the City itself (known as the primary government), but also three component units: The Hammond Downtown Development District, City Court of Hammond, and Marshal of City Court of Hammond. Financial information for the Hammond Downtown Development District is blended with the financial information for the City. Financial information for City Court of Hammond and Marshal of City Court of Hammond is reported separately from the financial information presented for the primary government itself. Complete financial statements of these entities, which include separate MD&A's, can be obtained directly from their respective administrative offices.

The government-wide financial statements can be found on pages 14 - 15 of this report.

CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues; expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a variety of funds, which are grouped for management purposes into special revenue; debt service and capital projects fund groups. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund, the special revenue fund used to account for activities of the Sales Tax Fund, the capital projects fund used to account for the Airport Capital Projects Fund, Capital Projects Fund and Sales Tax 2002 Bond Construction Fund, all of which are considered major funds. Data from all the other governmental funds are combined into a single aggregated presentation.

The basic governmental fund financial statements can be found on pages 16 – 19 of the report.

Proprietary funds. The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations. Internal service funds are an accounting device used to accumulate and allocate costs internally for general liability and worker's compensation self-insurance. The services provided by these funds benefit the governmental and business-type functions. They have been included within business-type and governmental activities in the government-wide financial statements.

CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for water and sewer systems.

Proprietary fund financial statements can be found on pages 20 - 23 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 - 58 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Hammond, net assets exceeded liabilities by \$37,139,558 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets, 49% reflects the investment in capital assets net of any related outstanding debt used to acquire those assets. The City of Hammond uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For more detailed information refer to page 14, Statement of Net Assets.

An additional portion of the City of Hammond's net assets 17% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets 34% may be used to meet the City's ongoing obligations to citizens and creditors.

CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004

At the end of the current fiscal year, the City of Hammond is able to report positive balances in net assets in governmental activities, business-type activities and component units.

Net Assets. The following table reflects condensed information on the City's net assets:

City of Hammond, Louisiana Net Assets						
	Governmental Activities 2004	Governmental Activities 2003	Business-Type Activities 2004	Business-Type Activities 2003	Total 2004	Total 2003
ASSETS:						
Current and other assets	10,852,306	15,542,984	8,657,725	7,303,545	19,510,031	22,846,529
Land	3,411,733	3,411,733	23,750	23,750	3,435,483	3,435,483
Construction in progress	7,593,798	4,695,663	1,153,414	750,310	8,747,212	5,445,973
Capital assets (net of accumulated depreciation)	<u>11,560,276</u>	<u>9,658,348</u>	<u>11,421,342</u>	<u>13,006,531</u>	<u>22,981,618</u>	<u>22,664,879</u>
TOTAL ASSETS	<u>33,418,113</u>	<u>33,308,728</u>	<u>21,256,231</u>	<u>21,084,136</u>	<u>54,674,344</u>	<u>54,392,864</u>
LIABILITIES:						
Other liabilities	3,295,645	3,935,454	1,572,687	1,126,684	4,868,332	5,062,138
Noncurrent liabilities	<u>9,338,210</u>	<u>9,848,884</u>	<u>3,328,247</u>	<u>4,048,162</u>	<u>12,666,457</u>	<u>13,897,046</u>
TOTAL LIABILITIES	<u>12,633,855</u>	<u>13,784,338</u>	<u>4,900,934</u>	<u>5,174,846</u>	<u>17,534,789</u>	<u>18,959,184</u>
NET ASSETS:						
Invested in capital assets, net of related debt	12,582,984	11,691,285	5,425,247	13,653,086	18,008,231	25,344,371
Restricted for:						
Debt service	1,261,270	1,239,723	413,977	38,501	1,675,247	1,278,224
Capital Projects	1,257,823	--	3,498,259	--	4,756,082	--
<i>Unrestricted</i>	<u>5,682,184</u>	<u>6,593,382</u>	<u>7,017,814</u>	<u>2,217,703</u>	<u>12,699,998</u>	<u>8,811,085</u>
TOTAL NET ASSETS	<u>20,784,261</u>	<u>19,524,390</u>	<u>16,355,297</u>	<u>15,909,290</u>	<u>37,139,558</u>	<u>35,433,680</u>

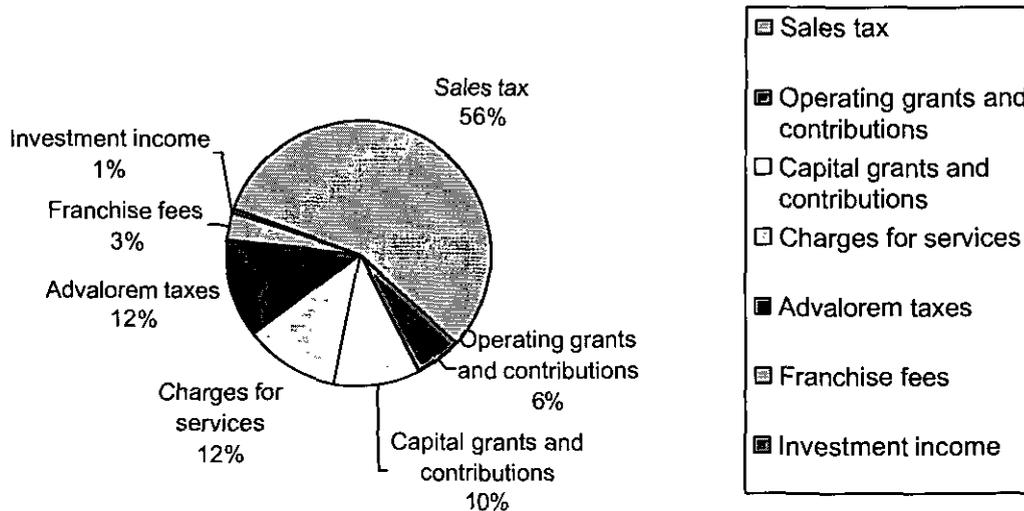
Changes in Net Assets. The City's total revenues and expenses for governmental and business-type activities are reflected in the following chart:

CITY OF HAMMOND, LOUISIANA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004
 City of Hammond, Louisiana
Changes in Net Assets

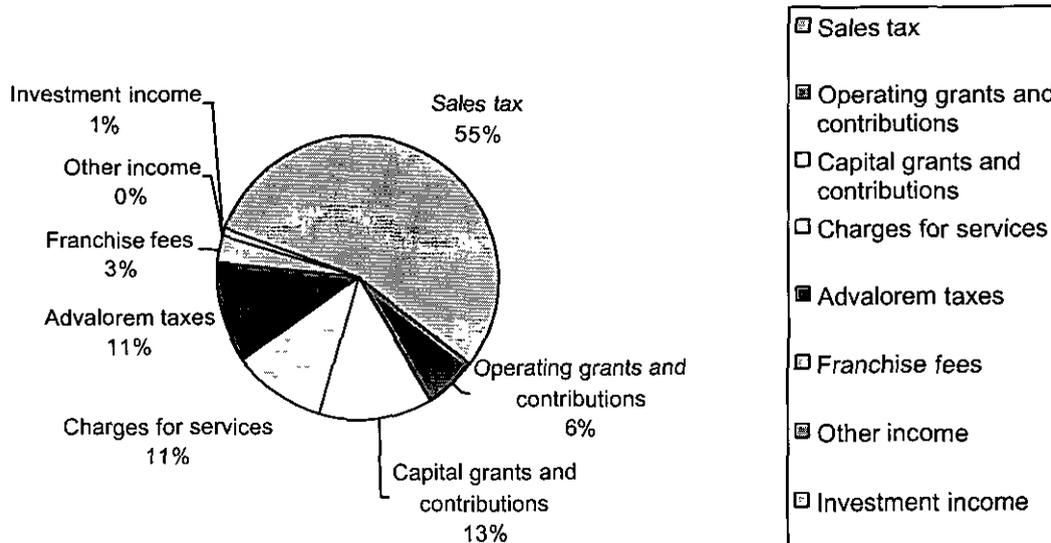
	Governmental Activities 2004	Governmental Activities 2003	Business-Type Activities 2004	Business-Type Activities 2003	Total 2004	Total 2003
Revenue:						
Program revenues:						
Charges for services	2,488,756	2,405,230	4,083,845	4,084,499	6,572,601	6,489,729
Operating grants and contributions	1,254,943	1,351,473	-	-	1,254,943	1,351,473
Capital grants and contributions	2,173,407	2,784,549	155,306	-	2,328,713	2,784,549
General revenues:						
Sales tax	11,989,071	11,902,578	-	-	11,989,071	11,902,578
Ad valorem taxes	2,549,419	2,454,981	-	-	2,549,419	2,454,981
Franchise fees	695,830	659,973	-	-	695,830	659,973
Investment earnings	108,585	179,636	73,611	100,507	182,196	280,143
Miscellaneous	-	-	-	83,202	-	83,202
Loss on disposal of capital assets	(219,844)	-	-	-	(219,844)	-
Transfers	(757,000)	-	757,000	-	-	-
Nonrecurring transfer out	(484,961)	-	-	-	(484,961)	-
Total revenues	19,798,206	21,738,420	5,069,762	4,268,208	24,867,968	26,006,628
Expenses:						
General government	3,354,266	3,025,187	-	-	3,354,266	3,025,187
Economic development	98,872	329,321	-	-	98,872	329,321
Urban redevelopment	6,865	--	-	-	6,865	-
Public safety - police/fire	9,564,640	8,473,579	-	-	9,564,640	8,473,579
Public works	2,706,357	2,729,019	-	-	2,706,357	2,729,019
Health and sanitation	702,119	696,457	-	-	702,119	696,457
Culture and recreation	631,875	764,251	-	-	631,875	764,251
Airport	286,696	251,981	-	-	286,696	251,981
Cemeteries and municipal grounds	792,051	659,457	-	-	792,051	659,457
Water and sewer operating expenses	-	-	4,522,695	4,044,628	4,522,695	4,044,628
Paying agent fees on long-term debt	1,726	2,226	335	3,704	2,061	5,930
Interest on long-term debt	392,868	438,991	97,608	212,202	490,476	651,193
Loss on disposal of capital asset	-	-	3,117	-	3,117	-
	18,538,335	17,370,469	4,623,755	4,260,534	23,162,090	21,631,003
Increase in net assets before special item	1,259,871	4,367,951	446,007	7,674	1,705,878	4,375,625
<i>Special item - gain on sale of capital item</i>	<i>-</i>	<i>4,571</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>4,571</i>
Increase in net assets	1,259,871	4,372,522	446,007	7,674	1,705,878	4,380,196
Net assets - Beginning of year	19,524,390	15,151,868	15,909,290	15,901,616	35,433,680	31,053,484
Net assets - End of year	20,784,261	19,524,390	16,355,297	15,909,290	37,139,558	35,433,680

CITY OF HAMMOND, LOUISIANA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004

Revenues by Source – Governmental Activities
June 30, 2004



Revenues by Source – Governmental Activities
June 30, 2003



CITY OF HAMMOND, LOUISIANA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004

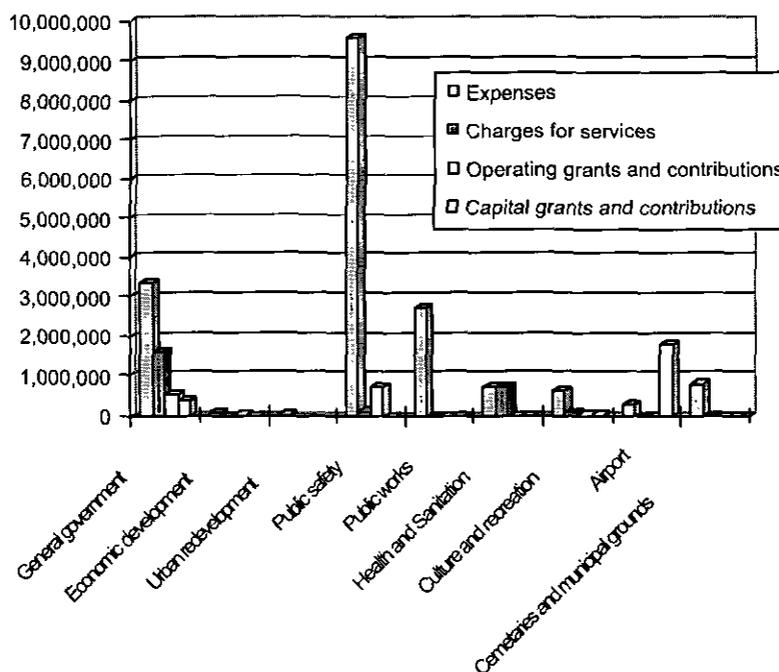
The following chart reflects the City's revenues for the years ended June 30, 2004 and June 30, 2003:

<u>Revenues</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>	<u>Difference</u>
Sales Tax	11,989,071	11,902,578	86,493
Capital Grants and Contributions	2,173,407	2,784,549	(611,142)
Advalorem Taxes	2,549,419	2,454,981	94,438
Charges for Services	2,488,756	2,405,230	83,526
Operating Grants and Contributions	1,254,943	1,351,473	(96,530)
Franchise Fees	695,830	659,973	35,857
Investment Income	108,585	179,636	(71,051)
Other Income	-	4,571	(4,571)
Total Revenues	<u>21,260,011</u>	<u>21,742,991</u>	<u>(482,980)</u>

The cost of all governmental activities the year ended June 30, 2004 was \$18,538,335. The Statement of Activities for the year ended June 30, 2004 on page 15 shows that those who use the services financed \$2,488,756 and \$3,428,350 was financed by grants and contributions with the City's general revenues financing \$13,881,100.

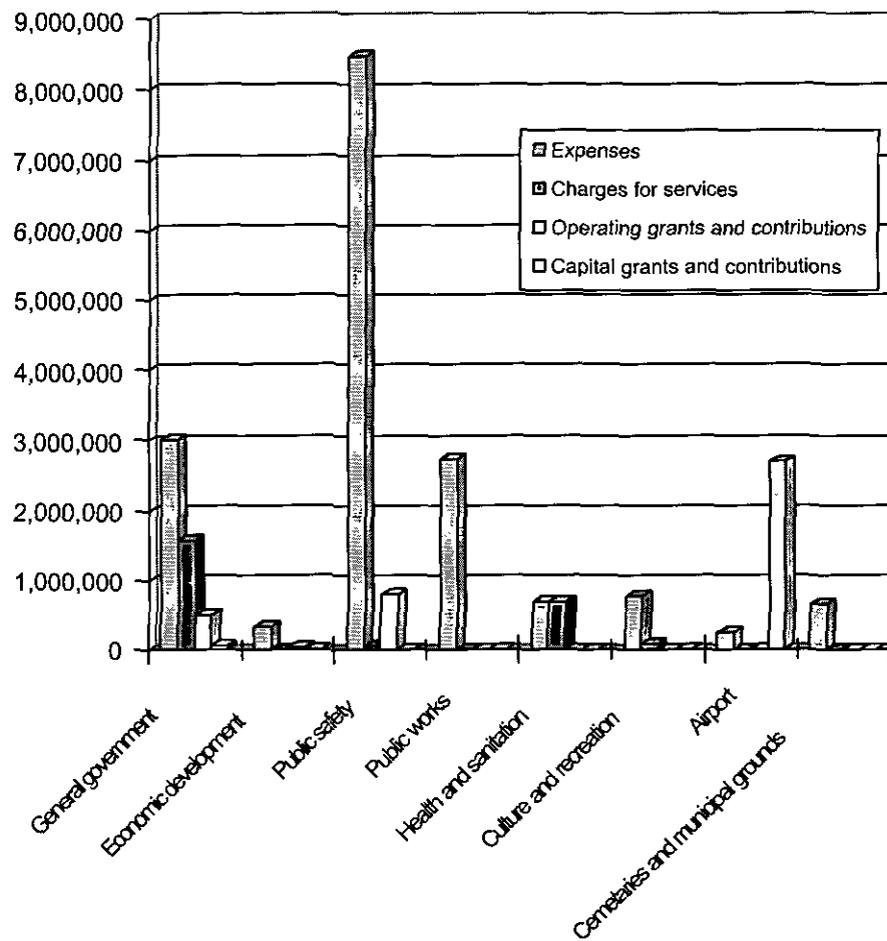
The City's largest programs are public safety, public works, and general government. The graph below shows the expenses and program revenues generated by governmental activities.

Expenses and Program Revenue – Governmental Activities
For the Year Ended June 30, 2004



CITY OF HAMMOND, LOUISIANA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004

Expenses and Program Revenue – Governmental Activities
For the Year Ended June 30, 2003



CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004

Business-type Activities. Business-type activities increased the City's net assets by \$446,007. The net assets for the business-type activities accounted for 44% of the City of Hammond's total net assets. Factors effecting the revenues and expenses during the current year are as follows:

- * Operating income decreased by \$561,923 due to the net increase of operating expenses.
- * Revenues for the City's business-type activities were \$4,312,762.
- * Ninety-five (95%) percent of the revenues come from charges paid by users of water and sewer services and 5% from interest income and capital grants and contributions.
- * Total cost of the water and sewer activities was \$4,522,695.
- * Personnel services increased by \$51,942.
- * Contractual services, supplies, material and other decreased by \$342,520.
- * Depreciation and amortization increased by \$768,645. The large increase was due to a change in the estimated useful lives of the assets.
- * Operating revenues decreased by \$83,856 in comparison to the prior year.

Financial Analysis of the City's Funds

Governmental funds. Total revenue from funds decreased by \$475,359 (2.19%) in comparison to the prior year. The decrease is due to the following:

- * Sales and ad valorem tax collections increased by \$216,788. Most of the increase is attributed to retail sales.
- * Federal, state and miscellaneous grants decreased by \$701,870.
- * Court witness fees, and fines and forfeitures decreased by \$28,841.
- * Interest income decreased by \$68,001.
- * State supplemental pay decreased by \$11,080.
- * Licenses and permits increased by \$28,314.
- * Other small revenues increased by \$89,331.

Total expenditures from governmental funds decreased by \$800,564 or 3.2% in comparison to prior year. The increases are attributed to the following:

General Fund:

- * General government expenditures increased by \$159,245.
- * Public safety expenditures increased by \$960,256 due to increases in salaries, and employer contributions for retirement and group health benefits. Public works increased by \$90,747. Other departmental increases and decreases amounted to a decrease of \$444,021 in comparison to prior year.
- * Principal payments on bonds decreased by \$1,550,000. The decrease is due to the defeasance of bonds in the prior year.

CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004

Special Revenue Funds:

- * General government expenditures decreased by \$1,138,035. Most of the decrease is due to a large renovation project completed in the prior year (\$969,309 Columbia Theatre renovations).

Capital Projects Funds:

- * Airport capital projects decreased by \$980,463 in comparison to the prior year. The decrease is due to the completion of the airport capital improvements.
- * Capital Fund projects expenditures increased by \$787,760.
- * Sales Tax 2002 Bond construction fund expenditures increased by \$75,116.

Debt Service Funds:

- * Debt service funds expenditures increased by \$427,166.

General Fund Budgetary Highlights

The City Council did not revise the General Fund budget for the fiscal period 2003-2004.

Economic Factors and Next Year's Budget Rates

- * The unemployment rate for the City of Hammond is 7.3% which is an increase from a rate of 6.1% a year ago. This rate compares unfavorably to the national rate of 6.1% and the state rate of 6.8%.
- * Due to the revitalization of the City's central business district an increase in retail operations, the City of Hammond expects an increase in sales tax revenue. Sales tax revenue has been budgeted at an increase of 7.2% over the previous year.
- * Firefighter's retirement expense for the City remains at 21.0%.
- * Police retirement expense for the City increased from 18.25% to 21.5%.
- * Municipal employees' retirement expense for the City increased from 11.0% to 15.0%.
- * Health care benefits for the employees increased 10.47%.
- * Property/General liability insurance increased 5.8%.

Request for Information

Questions concerning any financial information provided or request for additional financial information should be addressed to Larry Francis, Director of Finance, City of Hammond, P.O. Box 2788, 310 East Charles, Hammond, Louisiana 70404-2788, (985) 542-3404.

**CITY OF HAMMOND
STATEMENT OF NET ASSETS
JUNE 30, 2004**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	City Court of Hammond	Marshal of City Court of Hammond
ASSETS:					
Cash and cash equivalents	\$ 5,240,386	\$ 3,031,296	\$ 8,271,682	\$ 93,265	\$ 190,280
Investments	-	-	-	256,758	-
Receivables:					
Accounts	7,266	-	7,266	-	-
Customers (net of allowance for doubtful accounts of \$50,000)	-	828,595	828,595	-	-
Franchise taxes receivable	150,178	-	150,178	-	-
Notes receivable - (net of allowance for doubtful accounts of \$7,049)	431,823	-	431,823	-	-
Other receivables	57,207	3,732	60,939	-	-
Prepaid expenses	471,853	-	471,853	-	12,212
Unbilled water and sewerage charges	-	160,227	160,227	-	-
Due from other governments	3,180,524	128,493	3,309,017	73,901	13,325
Restricted assets:					
Cash and cash equivalents	1,257,823	4,473,950	5,731,773	-	-
Bond issuance costs, net	55,246	31,432	86,678	-	-
Internal balances	-	-	-	11,975	-
Land	3,411,733	23,750	3,435,483	-	-
Construction in progress	7,593,798	1,153,414	8,747,212	-	-
Capital assets - (net of accumulated depreciation)	11,560,276	11,421,342	22,981,618	164,852	8,374
TOTAL ASSETS	33,418,113	21,256,231	54,674,344	600,751	224,191
LIABILITIES:					
Accounts payable	668,477	118,521	786,998	6,198	4,403
Payroll taxes payable	99,880	-	99,880	-	-
Salaries payable	47,467	-	47,467	15,146	35,955
Claims payable	981,381	-	981,381	-	-
Claims incurred but not reported	41,522	-	41,522	-	-
Due to other governments	-	362,991	362,991	-	-
Retainage payable	137,770	-	137,770	-	-
Internal balances	-	-	-	-	2,210
Other payable	442,822	-	442,822	-	-
Payable from restricted assets:					
Accounts payable	113,341	-	113,341	-	-
Retainage payable	119,754	-	119,754	-	-
Customers' deposits	-	461,175	461,175	-	-
Accrued interest payable	33,228	-	33,228	-	-
Bonds payable - current portion	610,000	630,000	1,240,000	-	-
Noncurrent liabilities:					
Bonds payable	8,115,000	3,045,000	11,160,000	-	-
Due to other governments	-	58,052	58,052	-	-
Accumulated leave payable	1,223,210	225,195	1,448,405	51,248	-
TOTAL LIABILITIES	12,633,852	4,900,934	17,534,786	72,592	42,568
NET ASSETS					
Invested in capital assets, net of related debt	12,582,984	5,425,247	18,008,231	164,852	8,374
Restricted for:					
Debt service	1,261,270	413,977	1,675,247	-	-
Capital projects	1,257,823	3,498,259	4,756,082	-	-
Unrestricted	5,682,184	7,017,814	12,699,998	363,307	173,249
TOTAL NET ASSETS	\$ 20,784,261	\$ 16,355,297	\$ 37,139,558	\$ 528,159	\$ 181,623

See accompanying notes.

**CITY OF HAMMOND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
<i>Governmental activities:</i>								
General government	\$ 3,354,266	\$ 1,579,069	\$ 506,501	\$ 366,883	\$ (901,813)	\$ -	\$ (901,813)	
Economic development	98,872	-	8,845	-	(90,027)	-	(90,027)	
Urban redevelopment	6,865	-	-	-	(6,865)	-	(6,865)	
Public safety - police	5,849,061	109,685	646,863	-	(5,092,513)	-	(5,092,513)	
Public safety - fire	3,715,579	-	73,227	-	(3,642,352)	-	(3,642,352)	
Public works	2,706,357	-	-	-	(2,706,357)	-	(2,706,357)	
Health and sanitation	702,119	713,583	-	-	11,464	-	11,464	
Culture and recreation	631,875	86,419	16,817	8,347	(520,292)	-	(520,292)	
Airport	286,696	-	-	1,798,177	1,511,481	-	1,511,481	
Cemeteries and municipal grounds	792,051	-	2,690	-	(789,361)	-	(789,361)	
Paying agent fees on long-term debt	1,726	-	-	-	(1,726)	-	(1,726)	
Interest on long-term debt	392,868	-	-	-	(392,868)	-	(392,868)	
Total governmental activities	<u>18,538,335</u>	<u>2,488,756</u>	<u>1,254,943</u>	<u>2,173,407</u>	<u>(12,621,229)</u>	<u>-</u>	<u>(12,621,229)</u>	
<i>Business-type activities:</i>								
Water and sewer	4,623,755	4,083,845	-	155,306	-	(384,604)	(384,604)	
Total business-type activities	<u>4,623,755</u>	<u>4,083,845</u>	<u>-</u>	<u>155,306</u>	<u>-</u>	<u>(384,604)</u>	<u>(384,604)</u>	
Total primary government	<u>23,162,090</u>	<u>6,572,601</u>	<u>1,254,943</u>	<u>2,328,713</u>	<u>(12,621,229)</u>	<u>(384,604)</u>	<u>(13,005,833)</u>	
<i>Component units:</i>								
City Court of Hammond	1,404,155	493,013	352,924	-	-	-	-	\$ (558,218)
Marshal of City Court of Hammond	452,113	94,983	-	-	-	-	-	(357,130)
Total component units	<u>1,856,268</u>	<u>587,996</u>	<u>352,924</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(915,348)</u>
General revenues:								
<i>Taxes:</i>								
Sales taxes					11,989,071	-	11,989,071	-
Ad valorem taxes, levied for general purposes					2,043,629	-	2,043,629	-
Ad valorem taxes, levied for fire and police					505,790	-	505,790	-
Franchise fees					695,830	-	695,830	-
Grants and contributions not restricted to specific program					-	-	-	895,323
Unrestricted investment earnings					108,585	73,611	182,196	-
Loss on disposal of capital assets					(219,844)	-	(219,844)	-
Transfers					(757,000)	757,000	-	-
Noncurring transfer out					(484,961)	-	(484,961)	-
Total general revenues and transfers					<u>13,881,100</u>	<u>830,611</u>	<u>14,711,711</u>	<u>895,323</u>
Change in net assets					<u>1,259,871</u>	<u>446,007</u>	<u>1,705,878</u>	<u>(20,025)</u>
Net assets - beginning of year - originally stated					19,524,390	15,909,290	35,433,680	701,317
Prior period adjustment					-	-	-	28,490
Net assets - beginning of year - restated					<u>19,524,390</u>	<u>15,909,290</u>	<u>35,433,680</u>	<u>729,807</u>
Net assets - end of year					<u>\$ 20,784,261</u>	<u>\$ 16,355,297</u>	<u>\$ 37,139,558</u>	<u>\$ 709,782</u>

See accompanying notes.

CITY OF HAMMOND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Airport Capital Projects Fund</u>
ASSETS:			
Cash and cash equivalents	\$ 986,912	\$ 241,270	\$ 42,326
Accounts receivable	-	-	-
Franchise taxes receivable	150,178	-	-
Notes receivable - (net of allowance for doubtful accounts of \$7,049)	180,000	-	-
Other receivables	57,207	-	-
Prepaid expenses	9,723	-	-
Due from other funds	1,459,244	-	-
Due from other governments	<u>231,361</u>	<u>2,098,610</u>	<u>626,209</u>
TOTAL ASSETS	\$ <u>3,074,625</u>	\$ <u>2,339,880</u>	\$ <u>668,535</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 469,131	\$ 26,660	\$ 86,661
Payroll taxes payable	99,880	-	-
Salaries payable	47,467	-	-
Due to other funds	16,651	2,020,833	550,000
Retainage payable	-	-	67,943
Other payables	<u>312,685</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>945,814</u>	<u>2,047,493</u>	<u>704,604</u>
FUND BALANCE:			
Reserved:			
Capital Projects	-	-	-
Long-term assets	168,000	-	-
Debt service	-	-	-
Unreserved:			
Designated for Capital Projects	-	-	-
Undesignated	1,960,811	292,387	(36,069)
Unreserved reported in nonmajor:			
Special Revenue Fund	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>2,128,811</u>	<u>292,387</u>	<u>(36,069)</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>3,074,625</u>	\$ <u>2,339,880</u>	\$ <u>668,535</u>

See accompanying notes.

Capital Projects Fund	Sales Tax 2002 Bond Construction Fund	Other Governmental Funds	Total Governmental Funds
\$ 179,872	\$ 1,257,823	\$ 2,454,761	\$ 5,162,964
-	-	7,266	7,266
-	-	-	150,178
-	-	251,823	431,823
-	-	-	57,207
-	-	-	9,723
1,160,000	-	-	2,619,244
<u>195,788</u>	<u>-</u>	<u>28,556</u>	<u>3,180,524</u>
\$ <u>1,535,660</u>	\$ <u>1,257,823</u>	\$ <u>2,742,406</u>	\$ <u>11,618,929</u>
\$ 604	\$ 113,341	\$ 82,203	\$ 778,600
-	-	-	99,880
-	-	-	47,467
-	-	48,411	2,635,895
69,827	119,754	-	257,524
<u>120,778</u>	<u>-</u>	<u>9,359</u>	<u>442,822</u>
<u>191,209</u>	<u>233,095</u>	<u>139,973</u>	<u>4,262,188</u>
748,880	109,080	-	857,960
-	-	179,027	347,027
-	-	1,294,498	1,294,498
595,571	915,648	-	1,511,219
-	-	-	2,217,129
-	-	1,128,908	1,128,908
<u>1,344,451</u>	<u>1,024,728</u>	<u>2,602,433</u>	<u>7,356,741</u>
\$ <u>1,535,660</u>	\$ <u>1,257,823</u>	\$ <u>2,742,406</u>	\$ <u>11,618,929</u>

CITY OF HAMMOND
 RECONCILIATION OF THE BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 GOVERNMENTAL FUNDS
JUNE 30, 2004

Total fund balances at June 30, 2004 - Governmental Funds	\$ 7,356,741
Amounts reported for governmental funds in the statement of net assets are different because:	
Capital assets net of accumulated depreciation at June 30, 2004	22,565,807
Governmental funds report bond issuance costs as expenditures. However, in the Statement of Net Assets, bond issuance costs are amortized over the life of the bond and are reported as amortization expense. This is the amount of unamortized bond issuance costs.	55,246
In the Statement of Net Assets, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(33,228)
Internal service funds' assets and liabilities (governmental activities)	787,905
Long term liabilities at June 30, 2004:	
General obligation bonds payable	(7,500,000)
Certificates of Indebtedness	(1,225,000)
Accumulated leave payable	<u>(1,223,210)</u>
Net assets of governmental activities	<u>\$ 20,784,261</u>

See accompanying notes.

CITY OF HAMMOND
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2004

	General Fund	Sales Tax Fund	Airport Capital Projects Fund	Capital Projects Fund	Sales Tax 2002 Bond Construction Fund
REVENUES:					
Taxes	\$ 3,118,656	\$ 11,989,071	\$ -	\$ -	\$ -
Licenses and permits	1,289,845	-	-	-	-
Court witness fees	-	-	-	-	-
Fines and forfeitures	289,224	-	-	-	-
Sanitation service fees	713,583	-	-	-	-
Federal grants	-	-	1,625,738	141,835	-
State grants	-	-	172,439	198,773	-
Donations	-	-	-	12,400	-
Parks and recreation	86,419	-	-	-	-
Court awards	-	-	-	-	-
Interest	12,368	12,996	2,236	9,060	24,912
State supplemental pay	507,320	-	-	-	-
Miscellaneous	502,183	-	-	12,212	1,663
Total revenues	<u>6,519,598</u>	<u>12,002,067</u>	<u>1,800,413</u>	<u>374,280</u>	<u>26,575</u>
EXPENDITURES:					
General government	3,071,079	10,019	-	-	-
Economic development	-	-	-	-	-
Urban redevelopment	-	-	-	-	-
Public safety:					
Police	5,378,926	-	-	-	-
Fire	3,338,874	-	-	-	-
Highways and streets	1,382,320	20,983	-	-	-
Cemeteries and municipal grounds	732,236	3,604	-	-	-
Buildings	843,461	188,491	-	-	-
Sanitation	702,119	-	-	-	-
Parks and recreation	562,051	19,502	-	-	-
Airport	257,061	-	-	-	-
Capital outlay/capital projects	80,290	135,367	1,845,023	1,349,534	2,130,542
Debt Service:					
Principal retirement	-	-	-	-	-
Interest and charges	-	-	-	-	-
Paying agent fees	-	-	-	-	-
Total expenditures	<u>16,348,417</u>	<u>377,966</u>	<u>1,845,023</u>	<u>1,349,534</u>	<u>2,130,542</u>
Excess (deficiency) of revenues over expenses	<u>(9,828,819)</u>	<u>11,624,101</u>	<u>(44,610)</u>	<u>(975,254)</u>	<u>(2,103,967)</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	10,759,520	34,766	-	1,649,000	73,154
Operating transfers out	(784,522)	(12,633,900)	-	(845,920)	(100,000)
Nonrecurring transfer out	-	-	-	-	-
Proceeds from sale of capital assets	5,386	-	-	-	-
Total other financing sources (uses)	<u>9,980,384</u>	<u>(12,599,134)</u>	<u>-</u>	<u>803,080</u>	<u>(26,846)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	151,565	(975,033)	(44,610)	(172,174)	(2,130,813)
FUND BALANCE - BEGINNING OF YEAR	<u>1,977,246</u>	<u>1,267,420</u>	<u>8,541</u>	<u>1,516,625</u>	<u>3,155,541</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,128,811</u>	<u>\$ 292,387</u>	<u>\$ (36,069)</u>	<u>\$ 1,344,451</u>	<u>\$ 1,024,728</u>

See accompanying notes.

Other Governmental Funds	Total Governmental Funds
\$ 126,593	\$ 15,234,320
-	1,289,845
33,559	33,559
-	289,224
-	713,583
202,274	1,969,847
11,866	383,078
23,082	35,482
-	86,419
76,126	76,126
32,622	94,194
-	507,320
<u>16,565</u>	<u>532,623</u>
<u>522,687</u>	<u>21,245,620</u>
27,749	3,108,847
98,872	98,872
6,865	6,865
210,628	5,589,554
99,330	3,438,204
-	1,403,303
2,884	738,724
-	1,031,952
-	702,119
16,867	598,420
-	257,061
594,403	6,135,159
505,000	505,000
390,920	390,920
<u>1,726</u>	<u>1,726</u>
<u>1,955,244</u>	<u>24,006,726</u>
<u>(1,432,557)</u>	<u>(2,761,106)</u>
1,539,147	14,055,587
(93,245)	(14,457,587)
(484,961)	(484,961)
-	5,386
<u>960,941</u>	<u>(881,575)</u>
(471,616)	(3,642,681)
<u>3,074,049</u>	<u>10,999,422</u>
<u>\$ 2,602,433</u>	<u>\$ 7,356,741</u>

CITY OF HAMMOND
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

Net Change in Fund Balances - Total Governmental Funds \$ (3,642,681)

Amounts reported for governmental activities in the
 Statement of Activities are different because:

Governmental funds report capital outlays as expenditures.
 However, in the Statement of Activities the cost of those
 assets is allocated over their estimated useful lives and
 reported as depreciation expense. This is the amount by
 which capital outlays (\$6,058,602) exceeded depreciation
 (\$1,033,309) in the current period. 5,025,293

The issuance of long-term debt (e.g. bonds) provides
 current financial resources to governmental funds, while the
 repayment of the principal of long-term debt consumes
 the current financial resources of governmental funds. 505,000

In the Statement of Activities, only the loss on the sale of
 capital assets is reported, whereas in the governmental
 funds, the proceeds from the sale increase financial
 resources. Thus, the change in net assets differs from the
 change in fund balance by the book value of the assets sold. (225,230)

Internal Service Funds are used by management to charge
 the costs of certain activities, such as insurance, to
 individual funds. The net revenue (expense) of
 internal service funds is reported with governmental
 activities. (298,210)

Governmental funds report bond issuance costs as expenditures.
 However, in the Statement of Net Assets, bond issuance
 costs are allocated over the life of the bond and reported
 as amortization expense. This is the amount of amortization
 expense in the current period. (3,027)

In the Statement of Activities, interest is accrued on
 outstanding bonds, whereas in governmental funds,
 an interest expenditure is reported when due. This is the amount
 of the additional accrued interest for the current year. (1,948)

Some expenses reported in the Statement of Activities,
 such as compensated absences, do not require the use of
 current financial resources and therefore are not reported
 as expenditures in governmental funds. (99,326)

Change in Net Assets of Governmental Activities \$ 1,259,871

See accompanying notes.

CITY OF HAMMOND
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Business-Type Activities - Enterprise Funds	Governmental Activities - Internal Service Funds
ASSETS:		
Cash and cash equivalents	\$ 3,031,296	\$ 1,335,245
Receivables:		
Customers (net of allowances for doubtful accounts of \$50,000)	828,595	-
Other receivables	3,732	-
Due from other funds	-	16,651
Due from other governments	128,493	-
Unbilled water and sewerage charges	160,227	-
Prepaid insurance	-	462,130
Total current assets	<u>4,152,343</u>	<u>1,814,026</u>
RESTRICTED ASSETS:		
Customers' deposits:		
Cash and cash equivalents	561,714	-
Unexpended bond proceeds:		
Cash and cash equivalents	3,498,259	-
Bond Sinking Fund:		
Cash and cash equivalents	<u>413,977</u>	<u>-</u>
Total restricted assets	<u>4,473,950</u>	<u>-</u>
CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	12,598,506	-
OTHER ASSETS:		
Bond issuance costs (net of accumulated amortization)	<u>31,432</u>	<u>-</u>
Total other assets	<u>31,432</u>	<u>-</u>
TOTAL ASSETS	<u>21,256,231</u>	<u>1,814,026</u>
CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS):		
Accounts payable	118,521	3,218
Claims payable	-	981,381
Claims incurred but not reported	-	41,522
Due to other governments	<u>362,991</u>	<u>-</u>
Total current liabilities (payable from current assets)	<u>481,512</u>	<u>1,026,121</u>
CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)		
Customers' deposits	461,175	-
Bonds payable - current portion	<u>630,000</u>	<u>-</u>
Total current liabilities (payable from restricted assets)	<u>1,091,175</u>	<u>-</u>
LONG-TERM LIABILITIES:		
Bonds payable - long-term portion	3,045,000	-
Due to other governments	58,052	-
Accumulated leave payable	<u>225,195</u>	<u>-</u>
Total long-term liabilities	<u>3,328,247</u>	<u>-</u>
TOTAL LIABILITIES	<u>4,900,934</u>	<u>1,026,121</u>
NET ASSETS:		
Invested in capital assets, net of related debt	8,923,506	-
Restricted	413,977	787,905
Unrestricted	<u>7,017,814</u>	<u>-</u>
TOTAL NET ASSETS	<u>\$ 16,355,297</u>	<u>\$ 787,905</u>

See accompanying notes.

CITY OF HAMMOND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Business-Type Activities - Enterprise Funds	Governmental Activities - Internal Service Funds
OPERATING REVENUES:		
Sewer charges	\$ 2,555,463	\$ -
Water sales	1,407,137	-
Tap-in and reconnect fees	47,569	-
Insurance charges	-	1,544,805
Insurance reimbursements	-	49,082
Miscellaneous	73,676	10,940
Total operating revenues	<u>4,083,845</u>	<u>1,604,827</u>
OPERATING EXPENSES:		
Insurance	-	1,562,429
Personnel services	1,442,121	-
Contractual services, supplies, materials, and other	1,367,077	-
Depreciation and amortization	1,713,497	-
Total operating expenses	<u>4,522,695</u>	<u>1,562,429</u>
Operating income (loss)	<u>(438,850)</u>	<u>42,398</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income	73,611	14,392
Federal grant	128,493	-
State grant	26,813	-
Interest expense	(97,608)	-
Paying agent fees	(335)	-
Loss on disposal of capital assets	(3,117)	-
Total non-operating revenues (expenses)	<u>127,857</u>	<u>14,392</u>
Income (loss) before transfers	<u>(310,993)</u>	<u>56,790</u>
TRANSFERS IN	838,000	-
TRANSFERS OUT	<u>(81,000)</u>	<u>(355,000)</u>
Change in net assets	446,007	(298,210)
Total net assets - beginning of year	<u>15,909,290</u>	<u>1,086,115</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 16,355,297</u>	<u>\$ 787,905</u>

See accompanying notes.

CITY OF HAMMOND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Business-Type Activities - Enterprise Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 4,175,151	\$ 1,528,153
Payments to suppliers	(1,371,021)	(1,822,347)
Payments to employees	(1,433,980)	-
Payments from claim settlements	-	60,023
Net cash provided by (used in) operating activities	<u>1,370,150</u>	<u>(234,171)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
State grant	26,813	-
Principal paid on capital debt	(255,000)	-
Purchases of capital assets	(532,349)	-
Interest paid	(97,608)	-
Paying agent fees	(335)	-
Operating transfers out	(81,000)	(355,000)
Operating transfers in	838,000	-
Net cash used in capital and related financing activities	<u>(101,479)</u>	<u>(355,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and dividends received	73,611	14,392
Net cash provided by investing activities	<u>73,611</u>	<u>14,392</u>
Net increase (decrease) in cash and cash equivalents	1,342,282	(574,779)
Cash and cash equivalents, July 1, 2003	<u>6,162,964</u>	<u>1,910,024</u>
Cash and cash equivalents, June 30, 2004	<u>\$ 7,505,246</u>	<u>\$ 1,335,245</u>

(Continued)

CITY OF HAMMOND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Business-Type Activities - Enterprise <u>Funds</u>	Governmental Activities - Internal Service <u>Funds</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ <u>(438,850)</u>	\$ <u>42,398</u>
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,713,497	-
(Increase) decrease in accounts receivable	60,531	-
(Increase) decrease in unbilled water and sewer charges	13,045	-
(Increase) decrease in inventories	40,839	-
(Increase) decrease in prepaid insurance	-	(462,130)
(Increase) decrease in due from other funds	-	(16,651)
Increase (decrease) in accounts payable	(45,151)	(52,207)
Increase (decrease) in customer deposits	17,730	-
Increase (decrease) in due to other governments	368	-
Increase (decrease) in accumulated leave	8,141	-
Increase (decrease) in claims payable	-	247,827
Increase (decrease) in claims incurred but not reported	-	6,592
	<u>1,809,000</u>	<u>(276,569)</u>
Total adjustments		
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ <u><u>1,370,150</u></u>	\$ <u><u>(234,171)</u></u>

See accompanying notes.

CITY OF HAMMOND
COMPONENT UNITS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2004

	AGENCY FUNDS	
	Marshal's Office City Court of Hammond	City Court of Hammond
ASSETS:		
Cash	\$ 13,372	\$ -
Cash on hand and in banks	-	212,502
Accrued interest	-	1,133
Certificates of deposit	-	38,850
Internal balances	<u>2,210</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 15,582</u>	<u>\$ 252,485</u>
LIABILITIES:		
Accounts payable	\$ 971	\$ 16,664
Appeal deposits	-	400
Internal balances	-	11,975
Held in trust for plaintiffs	14,611	-
Held in trust for benefit of others	<u>-</u>	<u>223,446</u>
TOTAL LIABILITIES	<u>\$ 15,582</u>	<u>\$ 252,485</u>

See accompanying notes.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

INTRODUCTION:

On April 15, 1977, the United States District Court for the Eastern District of Louisiana ordered, and decreed that the City of Hammond (the City) shall institute the proposed Home Rule Charter dated April 11, 1977. The City operates under a Mayor-Council form of government.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

REPORTING ENTITY:

As the municipal governing authority, for reporting purposes, the City of Hammond is considered a separate entity. The financial reporting entity consists of (a) the Primary Government (City of Hammond), (b) organizations for which the Primary Government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the Primary Government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Government Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the City of Hammond for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the municipality to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the City of Hammond has determined that the following component units are part of the reporting entity:

CITY OF HAMMOND
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

REPORTING ENTITY: (Continued)

<u>Component Unit</u>	<u>Year End</u>	<u>Criteria Used</u>
City Court	June 30, 2004	2
City Marshal	June 30, 2004	2
Hammond Downtown Development District	June 30, 2004	1

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Hammond (the primary government) and its component units.

Blended Component Unit

Blended component units, although legally separate entities, are, in substance, part of the City's operations. The City has one blended component unit which is reported as if it were part of or blended with the City's operations. The Hammond Downtown Development District (the District) was created to formulate and implement a redevelopment plan for the central business district of the City. The City's governing authority appoints the District's board members and approves the redevelopment plan. The District is reported as a Special Revenue Fund of the City. No separate financial statements for the District have been issued.

Discretely Presented Component Units

Component units that are legally separate from the City but are financially accountable to the City or whose relationship with the City are such that exclusion would cause the City financial statements to be misleading or incomplete are discretely presented. The *Component Units* column of the combined financial statements includes the financial data of these discretely presented component units. They are reported in a separate column to emphasize that they are legally separate from the City.

Funding for the following state constitutionally defined agencies is included in the City's general fund. These officials, however, have certain statutorily defined sources of funds for their own operating and/or capital budget discretion. These funds have been discretely presented in the City's financial statements:

City Court of Hammond - The Judge of the Court is an elected official provided by the Louisiana State Constitution. Fiscal interdependency exists between the City and the City Court in that the City is required to provide the City Court office facilities. In addition, the City assists in funding the operations of the Court. The City's financial statements discretely present the City Court of Hammond's financial statements for the year ended June 30, 2004.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

REPORTING ENTITY: (Continued)

Discretely Presented Component Units (Continued)

Marshal of City Court of Hammond - The Marshal is an elected official provided by the Louisiana State Constitution. Fiscal interdependency exists between the City and the Marshal in that the City is required to provide the Marshal's office facilities. In addition, the City assists in funding the operations of the Marshal's office. The City's financial statements discretely present the Marshal's financial statements for the year ended June 30, 2004.

Related Organizations

The Hammond Section 8 Housing Authority is a legally separate government entity formed to administer housing programs funded by the U.S. Department of Housing and Urban Development (HUD). The City's governing authority appoints a majority of the Authority's members; however, there is no financial relationship between the Authority and the City. This organization is not a component unit of the City's reporting entity. It is classified as a related organization. The City's accountability does not extend beyond making the appointments.

The Hammond Mortgage Finance Authority is a non-profit corporation established pursuant to State Statutes to finance debt for various public purposes within Tangipahoa Parish. The City Council appoints the board members of the agency. The agency is fiscally independent from the City, issues its own debt, approves its budgets, and sets its rates and charges. The City has no authority to remove board members, designate management, or approve or modify rates. The City is not obligated in any manner for the debt issues of this agency. This agency is classified as a related organization.

Complete financial statements for each of the City of Hammond's component units and related organizations can be obtained at the Office of the Legislative Auditor of the State of Louisiana; 1600 North Third Street, P.O. Box 94397, Baton Rouge, LA 70804-9397, or at each of the agency's administrative offices.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

In accordance with Statement No. 34 of the Governmental Accounting Standards Board (GASB), *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, included in the City's Annual Financial Report for the year ended June 30, 2004 are the Management Discussion and Analysis (MD&A), government-wide financial statements which include the Statement of Net Assets and the Statement of Activities and fund financial statements which include the Balance Sheet, Reconciliation of the Balance Sheet to the Statement of Net Assets, Statement of Revenues, Expenditures and Changes in Fund Balances and Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS: (Continued)

The Statement of Net Assets and the Statement of Activities include the governmental and business type activities of the City and also the component units for which the City is financially accountable. These government-wide statements for the governmental activities begin with the *governmental funds financial statements balances and adjust them to incorporate the City's capital assets, long term debt and internal service funds.* These adjustments are detailed in the financial statements in the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets and the Reconciliation of the Governmental Funds Changes in Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities. For the most part the effect of interfund activity has been removed from the government-wide statements. The Statement of Activities presents financial information in a manner that shows the income and expenses generated by each individual governmental function or unit. Taxes are reported as general revenues along with other items that cannot be properly included in program revenues.

Fund financial statements report major individual governmental funds in a separate column. Separate financial statements are provided for governmental funds, proprietary funds, and component units.

Governmental funds are used to account for the majority of government's general activities, including the collection and disbursement of earmarked monies, (special revenue funds), the acquisition or construction of capital assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

Fiduciary funds account for assets held in a trustee or agency capacity on behalf of others. The City has no fiduciary funds except those employed by its component units.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION:

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are interest income and intergovernmental revenues derived from providing services to entities outside the primary government. Elimination of these charges would distort the direct costs and program revenues reported for various functions concerned.

Amounts reported as program revenues include:

1. Charges to customers or applicants for goods, services or privileges provided
2. Operating grants and contributions and
3. Capital grants and contributions

Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Fund Financial Statements:

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets. Revenues are recognized when susceptible to accrual (i.e. when they become both measureable and available). "Measureable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers ad valorem (property) taxes revenue in the year for which they are levied. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)

Fund Financial Statements: (Continued)

Those revenues susceptible to accrual are franchise taxes, licenses, fines, interest revenue and charges for services. In accordance with GASB Statement No. 22, sales taxes collected and held by merchants and the intermediary collecting governments at year end on behalf of the City are recognized as revenue. Permits are not susceptible to accrual because generally they are not measurable until received in cash.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets.

In accordance with Statement No. 20 of the Governmental Accounting Standards Board (GASB), "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", the City applies all applicable GASB pronouncements as well as all Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. As allowed by GASB Statement No. 20, the City has elected not to apply pronouncements other than those issued by GASB after November 30, 1989.

The City government reports the following major governmental funds:

- * General Fund - the General Fund is the City's primary operating fund. It accounts for all financial resources of general government, except those required to be accounted for in another fund.
- * Sales Tax Fund – the Sales Tax Fund is used to account for sales and use tax collected and its subsequent disbursement in accordance with sales tax dedication.
- * Capital Projects Fund – the Capital Projects Fund is used to account for capital improvements from proceeds derived from surplus sales tax, revenue bond proceeds and grants.
- * Airport Capital Projects Fund – the Airport Capital Projects Fund is used to account for the proceeds received from the federal government and the capital improvements to the City of Hammond Airport.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)

Fund Financial Statements: (Continued)

- * Sales Tax 2002 Bond Construction Fund – the Sales Tax 2002 Bond Construction Fund is used to account for the proceeds received from the issuance of a sales tax bond and the expenditures associated with various street and drainage improvement projects occurring within the City.

The City government reports the following major proprietary fund:

- * Water and Sewer Fund – the Water and Sewer Fund is used to account for the provisions of water and sewer services to residents of the City and certain residents outside of City limits. The fund also accounts for the maintenance of the water and sewer system, including capital outlay for the system. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise funds include personnel services, contractual services, supplies, materials, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

The reporting focus of fiduciary funds is upon net assets and changes in net assets and employs accounting principles similar to proprietary fund. Fiduciary funds are not included in the government-wide financial statements as they are not available to support City programs.

Accounts Receivable

The City uses the direct write-off method to write off the majority of general uncollectible accounts receivable. This method approximates methods in accordance with accounting principles generally accepted in the United States of America.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)

Budgets:

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

1. Prior to May 15, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at council meetings to obtain taxpayer comments.
3. Prior to May 15, the budget is legally enacted through passage of an ordinance.
4. Only the City Council is authorized to transfer budgeted amounts between departments within any fund or revise the total expenditures of any fund.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds except those Special Revenue Funds established to account for a particular grant. Such grant funds are budgeted over the life of the grant and not necessarily on an annual basis.
6. Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original appropriations which were amended.
7. All budgetary appropriations lapse at the end of each fiscal year.
8. Those budgets which the City adopts are on a basis consistent with accounting principles generally accepted in the United States of America as applied to governmental units.

Budgetary data for the discretely presented component units are not presented in these financial statements.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)

Compensated Absences:

The City accrues accumulated unpaid vacation and sick leave and associated employee related costs when earned by the employee. For governmental funds, the current portion of *unpaid compensated absences is the amount that is normally expected to be paid using expendable* available financial resources. These amounts are recorded in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reported in the governmental funds financial statements. In proprietary funds, the entire amount of compensated absences is reported as a fund liability. In the government-wide financial statements, the entire compensated absence liability is reported.

Substantially all employees of the City government earn from one week to four weeks of annual leave each year depending on length of service. Each year any unused annual leave may be accumulated up to a maximum of 280 hours. Upon termination, an employee shall be paid a value of his accrued annual leave up to 280 hours.

Employees earn 12 days a year of sick leave regardless of the length of service. Each year any unused sick leave may accumulate. Upon retirement an employee shall be paid up to 1,440 hours of accrued sick leave. Upon termination, an employee is not paid for accrued sick leave.

Sales and Use Tax:

The City of Hammond has a two percent sales and use tax. The Tangipahoa Parish School Board is authorized to collect and remit this tax to the City for a stipulated fee. The City's sales tax ordinances provide that the proceeds can be used for general governmental operations of the City.

Fund Equity:

In the fund financial statements, reserves represent those portions of fund equity not appropriable for expenditures in the following year or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)

Long-Term Obligations:

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond payables are reported net of *the applicable bond premium or discount*. *Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.*

In the fund financial statements, *governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.*

Restricted Assets:

Included in restricted assets of the enterprise funds are: 1) The "Customers' Deposits" account, which is used to segregate water meter deposits used to pay any outstanding water bills when customers *discontinue service*, and 2) The "Construction Fund" account, which is used to segregate those resources accumulated through sale of bonds to be used for capital improvements and renovations, and (3) The "Debt Service Fund" account, which is used to pay the principal and interest payments on the City's revenue bonds.

Allowance For Doubtful Accounts:

The City has established an allowance for doubtful accounts for write-off of delinquent accounts. The City's allowance is based on management's best estimate of uncollectible amounts. The allowance for doubtful accounts at June 30, 2004 is \$50,000.

Cash and Cash Equivalents:

For the purpose of the Statement of Cash Flows, cash includes amounts in petty cash, demand deposits, interest bearing demand deposits, and money market accounts.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)

Inventory

Inventory for water and sewer supplies are valued at cost (first-in, first-out). The cost is recorded as an inventory at the time individual inventory items are purchased, and expensed when used.

Advance To/From Other Funds

Non-current portions of long-term interfund loans on receivables are reported as advances.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables or payables or due to other funds.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004 are recorded as prepaid items.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the fund financial statements for proprietary funds. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 for equipment, \$100,000-\$250,000 for infrastructure, and \$50,000 for buildings. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

CITY OF HAMMOND
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)

Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was incurred by the City during the current fiscal year.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives are as follows:

	<u>Life</u>
Building	25 years
Lines and mains	20-50 years
Equipment and vehicles	4-10 years

Interfund Transactions

On fund financial statements, long-term interfund loans are classified as "advances to/from other funds" on the balance sheet and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

USE OF ESTIMATES:

The City uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that are used.

2. AD VALOREM TAXES:

Ad Valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the City during the year and are billed to taxpayers in November. Billed taxes become delinquent on March 1 of the following year. Revenues from Ad Valorem taxes are budgeted in the year billed and recognized as revenue when received. The City bills and collects its own property taxes using the assessed value determined by the Tax Assessor of Tangipahoa Parish.

The City is permitted by state law to levy taxes up to seven mills of assessed valuation for general operating purposes. In addition, voters renewed a ten-year millage in 1996 of two mills to be used for public improvements upkeep. The total is for general government services. No assessment was required for payment of long-term debt. On November 20, 1999, the voters of the City renewed a ten (10) mill property tax for a period of ten (10) years, beginning with the year 2001, for the purpose of operating, maintaining and acquiring police and fire protection services, facilities and equipment and paying Police and Fire Department salaries. For the year ended June 30, 2004, taxes of 19.04 mills were levied on property with assessed valuations totaling \$126,742,984. The total tax levied was \$2,413,186. Tax collections for the year ended June 30, 2004 were 99% of the tax levy.

The Hammond Downtown Development District (the District) is permitted by state law to levy taxes up to 15 mills on all property subject to taxation by the District for the purpose of constructing, acquiring, operating or maintaining public facilities contemplated by the redevelopment plan and for the operating expenses of the District. For the year ended June 30, 2004, taxes of 14.16 mills were levied on property with assessed valuations totalling \$9,836,482. The total tax levied was \$139,285. Tax collections for the year ended June 30, 2004 were 91% of the tax levy.

CITY OF HAMMOND
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

3. CASH AND CASH EQUIVALENTS:

Primary Government

Cash and cash equivalents include amounts in demand deposits and interest bearing demand deposits. Under state law, the City 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 June 30, 2004, the City of Hammond has cash (book balances) totaling \$14,003,455, as follows:

Governmental Funds:	
Petty cash	\$ 1,100
Demand deposits	1,843
Interest bearing demand deposits	<u>5,160,021</u>
	<u>5,162,964</u>
Proprietary Funds:	
Enterprise Fund	
Interest bearing demand deposit	7,505,246
Internal Service Fund	
Interest bearing demand deposit	<u>1,335,245</u>
	<u>8,840,491</u>
Total	<u>\$ 14,003,455</u>

These deposits are stated at cost, which approximates market value. 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 City in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2004, the City of Hammond has \$14,456,316 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$19,000,000 of pledged securities.

Discretely Presented Component Units

The discretely presented component units are required to invest funds within the same state statutes as the primary government. Component unit deposits (including demand deposit accounts and certificates of deposits) at June 30, 2004, are as follows:

CITY OF HAMMOND
 NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

3. CASH AND CASH EQUIVALENTS: (Continued)

City Court of Hammond

The City Court of Hammond reported on the government-wide financial statements cash and cash equivalents in the amount of \$93,265 in deposits (book balances) at June 30, 2004. Total cash (book balances) from fiduciary responsibilities was \$212,502 at June 30, 2004. Bank balances are as follows:

	<u>Bank Balances</u> <u>June 30, 2004</u>	<u>FDIC</u> <u>Insurance</u>	<u>Balance</u> <u>Uninsured</u>
Cash:			
Demand Deposits	\$ 282,347	\$ 113,438	\$ 168,909
Interest Bearing Demand Deposits	<u>108,771</u>	<u>--</u>	<u>108,771</u>
Total Cash	<u>\$ 391,118</u>	<u>\$ 113,438</u>	<u>277,680</u>
	<u>Bank Balances</u> <u>June 30, 2004</u>	<u>FDIC</u> <u>Insurance</u>	<u>Balance</u> <u>Uninsured</u>
Investments:			
Time Deposits	\$ 293,443	\$ 240,238	\$ 53,205
Total Investments	<u>\$ 293,443</u>	<u>\$ 240,238</u>	<u>53,205</u>
Uncollateralized – Securities in the Name of and Held by the Fiscal Agent Pledged to the City Court			<u>1,075,445</u>
Excess of <i>FDIC Insurance and Pledged Securities over</i> Cash and Investment Bank Balances			<u>\$ 744,560</u>

Even though the pledged securities are considered uncollateralized (Category 3) under the provision of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the City Court that the fiscal agent has failed to pay deposited funds upon demand.

Marshal of City Court of Hammond

At June 30, 2004, the Marshal's Office reported on the government-wide financial statements cash and cash equivalents (book balances) in the amount of \$190,280. Total cash (book balances) from fiduciary responsibilities was \$13,372 at June 30, 2004. The bank balances for all deposits in the amount of \$215,679 were fully secured by federal deposit insurance and pledged securities owned by the bank.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

4. INVESTMENTS:Primary Government:

The primary government had no long-term investments as of June 30, 2004. All monies are invested in short term cash equivalents.

Discretely Presented Component Units

Certificates of deposit with a maturity of 90 days or more are classified on the government-wide financial statements, fund financial statements and statement of fiduciary net assets as "Investments."

The City Court of Hammond reported on the government-wide financial statements unrestricted investments (book balance) of \$256,758 at June 30, 2004. Total unrestricted investments (book balance) from fiduciary responsibilities were \$38,850. See Footnote 3 for additional disclosure of investments.

5. RECEIVABLES:

Receivables as of June 30, 2004, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Funds</u>			<u>Proprietary</u>	<u>Total</u>	<u>Component</u>	<u>Total</u>
	<u>General</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u>	<u>Funds</u> <u>Enterprise</u>			
Receivables:							
Taxes:							
Ad Valorem	\$ 87,715	\$ --	\$ 87,715	\$ --	\$ 87,715	\$ --	\$ 87,715
Franchise	150,178	--	150,178	--	150,178	--	150,178
Notes	180,000	258,872	438,872	--	438,872	--	438,872
Accounts	--	7,266	7,266	878,595	885,861	--	885,861
Other	<u>57,207</u>	<u>--</u>	<u>57,207</u>	<u>3,732</u>	<u>60,939</u>	<u>--</u>	<u>60,939</u>
Gross Receivables	475,100	266,138	741,238	882,327	1,623,565	--	1,623,565
Less: Allowance for Uncollectibles	<u>(87,715)</u>	<u>(7,049)</u>	<u>(94,764)</u>	<u>(50,000)</u>	<u>(144,764)</u>	<u>--</u>	<u>(144,764)</u>
Net Receivables	<u>\$ 387,385</u>	<u>\$ 259,089</u>	<u>\$ 646,474</u>	<u>\$ 832,327</u>	<u>\$ 1,478,801</u>	<u>\$ --</u>	<u>\$ 1,478,801</u>

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

6. INTERFUND RECEIVABLES, PAYABLES, TRANSFERS IN, TRANSFERS OUT:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Governmental Funds:</u>		
General Fund	\$ 1,459,244	\$ 16,651
Sales Tax Fund	--	2,020,833
Airport Capital Projects Fund	--	550,000
Capital Projects Fund	1,160,000	--
Other Governmental Funds	--	48,411
Total Governmental Funds	<u>2,619,244</u>	<u>2,635,895</u>
<u>Proprietary Fund:</u>		
Internal Service Fund	<u>16,651</u>	<u>--</u>
Total Proprietary Fund	<u>16,651</u>	<u>--</u>
Total Primary Government	<u>\$ 2,635,895</u>	<u>\$ 2,635,895</u>
	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental Funds:</u>		
General Fund	\$ 10,759,520	\$ 784,522
Sales Tax Fund	34,766	12,633,900
Sales Tax 2002 Bond Construction Fund	73,154	100,000
Capital Projects Fund	1,649,000	845,920
Other governmental funds	<u>1,539,147</u>	<u>93,245</u>
Total Governmental Funds	<u>14,055,587</u>	<u>14,457,587</u>
<u>Proprietary Funds:</u>		
Enterprise Funds	838,000	81,000
Internal Service Fund	<u>--</u>	<u>355,000</u>
Total Proprietary Funds	<u>838,000</u>	<u>436,000</u>
Total Primary Government	<u>\$ 14,893,587</u>	<u>\$ 14,893,587</u>

A non-recurring transfer out in the amount of \$484,961 is reported as of June 30, 2003. The transfer out consists of the fund balance/net assets of the Hammond Industrial Development District as of June 30, 2003. The District is not included in the reporting entity of the City of Hammond for the year ended June 30, 2004 as it no longer meets the criteria for a component unit.

7. DUE FROM OTHER GOVERNMENTS:

	<u>Governmental Funds</u>					<u>Proprietary Funds</u>		<u>Total Component Units</u>	<u>Total Reporting Entity</u>
	<u>General</u>	<u>Sales Tax</u>	<u>Airport Capital Projects</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total Primary Government</u>		
State of Louisiana:									
Beer tax	\$ 11,862	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 11,862	\$ --	\$ 11,862
Law Enforcement Grants	--	--	--	--	19,672	--	19,672	--	19,672
State Grants	--	--	41,970	53,953	3,984	--	99,907	73,901	173,808
Tangipahoa Parish Council									
Fire Insurance tax	52,849	--	--	--	--	--	52,849	--	52,849
Reimbursement of									
Courtroom Security	--	--	--	--	--	--	--	3,000	3,000

CITY OF HAMMOND
 NOTES TO THE FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

7. DUE FROM OTHER GOVERNMENTS: (Continued)

	Governmental Funds					Proprietary	Total Primary Government	Component Units	Total Reporting Entity
	General	Sales Tax	Airport Capital Projects	Capital Projects	Other Governmental Funds	Enterprise Funds			
Tangipahoa Parish Rural Fire District #2 Fire Prevention and Protection Allocation	136,250	--	--	--	--	--	136,250	--	136,250
Tangipahoa Parish School Board - sales tax	--	2,098,610	--	--	--	--	2,098,610	--	2,098,610
City Court of Hammond	30,400	--	--	--	--	--	30,400	10,325	40,725
Federal Grants	--	--	584,239	141,835	4,900	128,493	859,467	--	859,467
Total due from other governments	\$ 231,361	\$ 2,098,610	\$ 626,209	\$ 195,788	\$ 28,556	\$ 128,493	\$ 3,309,017	\$ 87,226	\$ 3,396,243

8. CAPITAL ASSETS:Governmental Funds

The following is a summary of governmental fund-type capital assets at June 30, 2004:

	Balance July 1, 2003	Additions	Deletions	Transfers	Completed Construction	Balance June 30, 2004
Governmental activities:						
Capital assets not being depreciated:						
Land	\$ 3,411,733	\$ --	\$ --	\$ --	\$ --	\$ 3,411,733
Construction in progress	4,695,663	3,880,684	--	--	(982,549)	7,593,798
Total capital assets not being depreciated	8,107,396	3,880,684	--	--	(982,549)	11,005,531
Capital assets being depreciated:						
Building	6,476,888	--	(300,794)	--	--	6,176,094
Vehicles	5,241,942	682,186	(181,387)	27,835	--	5,770,576
Equipment	2,438,824	247,646	(154,833)	--	--	2,531,637
Infrastructure	1,759,684	1,248,086	--	--	982,549	3,990,319
Total capital assets being depreciated	15,917,338	2,177,918	(637,014)	27,835	982,549	18,468,626
Less: accumulated depreciation	(6,258,990)	(1,033,309)	411,784	(27,835)	--	(6,908,350)
Total capital assets being depreciated, net	9,658,348	1,144,609	(225,230)	--	982,549	11,560,276
Governmental activities capital assets, net	\$ 17,765,744	\$ 5,025,293	\$ (225,230)	\$ --	\$ --	\$ 22,565,807

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

8. CAPITAL ASSETS: (Continued)Governmental Funds (Continued)

Depreciation expense was charged to functions as follows:

General government	\$ 232,220
Public safety:	
Police	289,059
Fire	254,186
Culture and recreation	31,679
Building	39,273
Grounds	36,122
Airport	26,694
Streets	<u>124,076</u>
Total governmental activities depreciation expense	<u>\$ 1,033,309</u>

Infrastructure completed prior to July 1, 2002 is not reflected in these financial statements under GASB 34. The City has four years to report infrastructure that was completed prior to July 1, 2002.

The following is a summary of capital assets of the Component Units at June 30, 2004:

	Balance <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Accumulated <u>Depreciation</u>	Balance <u>June 30, 2004</u>
City Court of Hammond	\$ 533,902	\$ 31,258	\$ --	\$ 400,308	\$ 164,852
Marshal of City Court of Hammond	<u>106,066</u>	<u>674</u>	<u>--</u>	<u>98,366</u>	<u>8,374</u>
Total Component Units	<u>\$ 639,968</u>	<u>\$ 31,932</u>	<u>\$ --</u>	<u>\$ 498,674</u>	<u>\$ 173,226</u>

Proprietary Fund:

The following is a summary of proprietary fund-type capital assets at June 30, 2004:

	Balance <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Completed <u>Construction</u>	Balance <u>June 30, 2004</u>
<u>Business-type activities:</u>						
Capital assets not being depreciated:						
Land	\$ 23,750	\$ --	\$ --	\$ --	\$ --	\$ 23,750
Construction in Progress	<u>750,310</u>	<u>492,668</u>	<u>--</u>	<u>--</u>	<u>(89,564)</u>	<u>1,153,414</u>
Total capital assets not being depreciated	<u>774,060</u>	<u>492,668</u>	<u>--</u>	<u>--</u>	<u>(89,564)</u>	<u>1,177,164</u>
Capital assets being depreciated:						
Water:						
Buildings	52,153	--	--	--	--	52,153
Equipment	293,496	5,162	(8,142)	--	--	290,516
Vehicles	533,273	30,200	--	(27,835)	--	535,638
Lines and Mains	5,613,928	--	--	(74,860)	--	5,539,068

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

8. CAPITAL ASSETS: (Continued)Governmental Funds (Continued)Proprietary Fund: (Continued)

	Balance <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Completed Construction</u>	Balance <u>June 30, 2004</u>
Sewer:						
Buildings	65,003	--	--	--	--	65,003
Equipment	190,515	2,536	--	--	--	193,051
Vehicles	403,931	--	--	--	--	403,931
Lines and Mains	<u>16,706,323</u>	<u>1,782</u>	<u>--</u>	<u>74,860</u>	<u>89,564</u>	<u>16,872,529</u>
Total capital assets being depreciated	23,858,622	39,680	(8,142)	(27,835)	89,564	23,951,889
Less: accumulated depreciation	<u>(10,852,091)</u>	<u>(1,711,316)</u>	<u>5,025</u>	<u>27,835</u>	<u>--</u>	<u>(12,530,547)</u>
Total capital assets being depreciated, net	<u>13,006,531</u>	<u>(1,671,636)</u>	<u>(3,117)</u>	<u>--</u>	<u>89,564</u>	<u>11,421,342</u>
Business-type activities capital assets, net	<u>\$ 13,780,591</u>	<u>\$(1,178,968)</u>	<u>\$(3,117)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 12,598,506</u>

Depreciation expense was as follows:

Business-type activities:

Water	\$ 535,778
Sewer	<u>1,175,538</u>
Total business-type activities depreciation expense	<u>\$ 1,711,316</u>

9. RESTRICTED ASSETS:

Restricted assets for the City were applicable to the following at June 30, 2004:

Governmental Activities:

Unexpended Bond Proceeds	\$ <u>1,257,823</u>
--------------------------	---------------------

Business-type Activities:

Unexpended Bond Proceeds	\$ 3,498,259
Meter Deposit Accounts	561,714
Bond Sinking Fund	<u>413,977</u>
Total	<u>4,473,950</u>

Total primary government	\$ <u>5,731,773</u>
--------------------------	---------------------

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

10. GENERAL LONG-TERM DEBT OBLIGATIONS:

The following is a summary of general long-term debt transactions for the year ended June 30, 2004:

	Outstanding <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Outstanding <u>June 30, 2004</u>	Amounts Due Within <u>One Year</u>
Governmental Funds:					
General obligation bonds	\$ 7,940,000	\$ --	\$ 440,000	\$ 7,500,000	\$ 455,000
Certificates of indebtedness	1,290,000	--	65,000	1,225,000	155,000
Accumulated leave	<u>1,123,884</u>	<u>99,326</u>	<u>--</u>	<u>1,223,210</u>	<u>--</u>
Total Governmental Funds	<u>\$ 10,353,884</u>	<u>\$ 99,326</u>	<u>\$ 505,000</u>	<u>\$ 9,948,210</u>	<u>\$ 610,000</u>
Proprietary Funds:					
Bonds payable	\$ 3,930,000	\$ --	\$ 255,000	\$ 3,675,000	\$ 630,000
Accumulated leave payable	217,054	8,141	--	225,195	--
Due to other governments	<u>420,675</u>	<u>368</u>	<u>--</u>	<u>421,043</u>	<u>362,991</u>
Total Proprietary Funds	<u>\$ 4,567,729</u>	<u>\$ 8,509</u>	<u>\$ 255,000</u>	<u>\$ 4,321,238</u>	<u>\$ 992,991</u>

GOVERNMENTAL FUNDS:

The following is a summary of the bonds of the City at June 30, 2004:

General Obligation Bonds

\$3,360,000 1997 Public Improvement Refund Bonds, Series 2E, due in annual installments of principal and semiannual installments of interest through December 1, 2007; interest on \$400,000 at 4.25%, on \$420,000 at 4.30%, on \$440,000 at 4.35%, and on \$75,000 at 4.40%.

\$ 1,335,000

\$6,000,000 2002 Sales Tax Bonds, Series 2002, due in annual installments of principal and semiannual installments of interest through December 1, 2022; interest on \$10,000 at 6.5%, on \$15,000 at 6.5%, on \$15,000 at 6.5%, on \$175,000 at 5.375%, on \$265,000 at 4%, on \$280,000 at 4%, on \$295,000 at 4%, on \$305,000 at 5.5%, on \$325,000 at 5.5%, on \$340,000 at 4%, on \$360,000 at 4%, on \$375,000 at 4.125%, on \$395,000 at 4.375%, on \$415,000 at 4.4%, on \$440,000 at 4.5%, on \$460,000 at 4.6%, on \$485,000 at 4.65%, on \$510,000 at 4.7%, and on \$535,000 at 4.75%.

6,000,000

CITY OF HAMMOND
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

10. GENERAL LONG-TERM DEBT OBLIGATIONS: (Continued)

GOVERNMENTAL FUNDS: (Continued)

General Obligation Bonds: (Continued)

\$310,000 2002 Public Improvement Refund Bonds, Series Sales Tax 2002, due in annual installments of principal and semiannual installments of interest through December 1, 2007; interest on the following principal payments at 3.24%: \$45,000, \$40,000, \$40,000 and \$40,000.

165,000

Total General Obligation Bonds Payable

\$ 7,500,000

A combined schedule of the outstanding Public Improvements Sales Tax Series 2E, Sales Tax Series 2002 and Refunding Series ST 2002 bonds and the interest and principal requirements by dates is as follows:

Due Date	<u>Refunding Sales Tax Series 2E</u>		<u>Sales Tax Series 2002</u>		<u>Refunding Series ST 2002</u>		Totals
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
December 1, 2004	\$ 400,000	\$ 28,750	\$ 10,000	\$ 136,081	\$ 45,000	\$ 2,673	\$ 622,504
June 1, 2005	--	20,250	--	135,756	--	1,944	157,950
December 1, 2005	420,000	20,250	15,000	135,756	40,000	1,944	632,950
June 1, 2006	--	11,220	--	135,268	--	1,296	147,784
December 1, 2006	440,000	11,220	15,000	135,268	40,000	1,296	642,784
June 1, 2007	--	1,650	--	134,781	--	648	137,079
December 1, 2007	75,000	1,650	175,000	134,781	40,000	648	427,079
June 1, 2008	--	--	--	130,078	--	--	130,078
December 1, 2008	--	--	265,000	130,078	--	--	395,078
June 1, 2009	--	--	--	124,178	--	--	124,178
December 1, 2009	--	--	280,000	124,178	--	--	404,178
June 1, 2010	--	--	--	119,178	--	--	119,178
December 1, 2010	--	--	295,000	119,178	--	--	414,178
June 1, 2011	--	--	--	113,278	--	--	113,278
December 1, 2011	--	--	305,000	113,278	--	--	418,278
June 1, 2012	--	--	--	104,890	--	--	104,890
December 1, 2012	--	--	325,000	104,890	--	--	429,890
June 1, 2013	--	--	--	95,953	--	--	95,953
December 1, 2013	--	--	340,000	95,953	--	--	435,953
June 1, 2014	--	--	--	89,153	--	--	89,153
December 1, 2014	--	--	360,000	89,153	--	--	449,153

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

10. GENERAL LONG-TERM DEBT OBLIGATIONS: (Continued)GOVERNMENTAL FUNDS: (Continued)General Obligation Bonds: (Continued)

Due Date	<u>Refunding Sales Tax Series 2E</u>		<u>Sales Tax Series 2002</u>		<u>Refunding Series ST 2002</u>		<u>Totals</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
June 1, 2015	--	--	--	81,953	--	--	81,953
December 1, 2015	--	--	375,000	81,953	--	--	456,953
June 1, 2016	--	--	--	74,218	--	--	74,218
December 1, 2016	--	--	395,000	74,218	--	--	469,218
June 1, 2017	--	--	--	65,578	--	--	65,578
December 1, 2017	--	--	415,000	65,578	--	--	480,578
June 1, 2018	--	--	--	56,448	--	--	56,448
December 1, 2018	--	--	440,000	56,448	--	--	496,448
June 1, 2019	--	--	--	46,548	--	--	46,548
December 1, 2019	--	--	460,000	46,548	--	--	506,548
June 1, 2020	--	--	--	35,968	--	--	35,968
December 1, 2020	--	--	485,000	35,968	--	--	520,968
June 1, 2021	--	--	--	24,691	--	--	24,691
December 1, 2021	--	--	510,000	24,691	--	--	534,691
June 1, 2022	--	--	--	12,706	--	--	12,706
December 1, 2022	--	--	535,000	12,706	--	--	547,706
Total	<u>\$ 1,335,000</u>	<u>\$ 94,990</u>	<u>\$ 6,000,000</u>	<u>\$ 3,297,327</u>	<u>\$ 165,000</u>	<u>\$ 10,449</u>	<u>\$ 10,902,766</u>

The Sales Tax Series 2002, Refunding Series Sales Tax 2002, and Sales Tax 2E Bond Indentures provide that all revenues of the Sales Tax Fund are pledged for purposes in the following order of priority:

- a. Reasonable and necessary expenses of collecting the tax;
- b. Payments into the Sales Tax Bond Sinking Fund for each issue of the amount required to pay maturing bonds and coupons, such payments to be made in equal monthly installments;
- c. Payments into the Sales Tax Bond Reserve Fund for each issue for a specified amount per month until the fund reaches an amount equal to the highest future annual principal and interest requirements for any succeeding calendar year;
- d. All revenues not required for the above payments shall be regarded as surplus and may be used by the City for any of the purposes for which the imposition of the tax is authorized or for the purpose of retiring future bonds.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

10. GENERAL LONG-TERM DEBT OBLIGATIONS: (Continued)

GOVERNMENTAL FUNDS: (Continued)

Certificates of Indebtedness

\$1,290,000, 2003 Refunding Certificates of Indebtedness due in annual installments of principal and semi-annual installments of interest through November 1, 2010; interest on \$155,000 at 1.87%, on \$165,000 at 2.10%, on \$170,000 at 2.38%, on \$170,000 at 2.63%, on \$180,000 at 2.82%, on \$185,000 at 3.01%, and on \$200,000 at 3.17%.

\$ 1,225,000

A schedule of the outstanding 2003 Certificates and the interest and principal requirements by date is as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
November 1, 2004	\$ 155,000	\$ 15,933	\$ 170,933
May 1, 2005		14,483	14,483
November 1, 2005	165,000	14,483	179,483
May 1, 2006		12,751	12,751
November 1, 2006	170,000	12,751	182,751
May 1, 2007		10,728	10,728
November 1, 2007	170,000	10,728	180,728
May 1, 2008		8,492	8,492
November 1, 2008	180,000	8,492	188,492
May 1, 2009		5,954	5,954
November 1, 2009	185,000	5,954	190,954
May 1, 2010		3,170	3,170
November 1, 2010	<u>200,000</u>	<u>3,170</u>	<u>203,170</u>
Totals	<u>\$ 1,225,000</u>	<u>\$ 127,089</u>	<u>\$ 1,352,089</u>

Accumulated Leave

At June 30, 2004, employees of the City have accumulated and vested \$1,223,210 of leave benefits for all governmental funds.

CITY OF HAMMOND
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

10. GENERAL LONG-TERM DEBT OBLIGATIONS: (Continued)

PROPRIETARY FUND TYPES:

Water and Sewer Revenue Bonds:

\$3,930,000 Series 2003 Water & Sewer Revenue Bonds due in annual installments of principal and semiannual installments of interest through December 1, 2010; interest on the following principal payments of 2.74%: \$630,000; \$655,000; \$445,000; \$460,000; \$475,000; \$495,000 and \$515,000. \$ 3,675,000

The Series 2003 Bonds were issued to refund the outstanding Series 1993 Bonds, the Series 1998A Bonds, and the Series 1998B Bonds and, therefore, the City is not required to fund the reserve fund requirement for the bonds unless the City issues additional parity bonds in the future.

A schedule of the outstanding Series 2003 Water and Sewer Revenue Refunding Bonds and the interest and principal requirements by date is as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
December 1, 2004	\$ 630,000	\$ 50,348	\$ 680,348
June 1, 2005		41,717	41,717
December 1, 2005	655,000	41,717	696,717
June 1, 2006		32,743	32,743
December 1, 2006	445,000	32,743	477,743
June 1, 2007		26,647	26,647
December 1, 2007	460,000	26,647	486,647
June 1, 2008		20,345	20,345
December 1, 2008	475,000	20,345	495,345
June 1, 2009		13,837	13,837
December 1, 2009	495,000	13,837	508,837
June 1, 2010		7,056	7,056
December 1, 2010	<u>515,000</u>	<u>7,056</u>	<u>522,056</u>
Totals	<u>\$ 3,675,000</u>	<u>\$ 335,038</u>	<u>\$ 4,010,038</u>

The Water and Sewer Revenue Refunding Bonds are secured by and payable solely from income and revenues to be derived by the City from the operations of the public waterworks and sewer plants distribution system of the City, after provisions have been made for the payment for the reasonable and necessary expenses of operating and maintaining the system.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

10. GENERAL LONG-TERM DEBT OBLIGATIONS: (Continued)

Accumulated Leave

At June 30, 2004, employees of the City who work in the Water and Sewer Department have accumulated and vested \$225,195 of leave benefits for the proprietary funds.

Due to Other Governments

The City received Utility Relocation Assistance Funding from the State of Louisiana Department of Transportation and Development in order to relocate certain utility lines throughout the City. This funding is not considered a loan or a grant and no interest is charged; however, it must be repaid to the State. The total amount originally due to the State was \$490,276 of which ten percent of the remaining balance is due annually. No payment was made by the City during the year ended June 30, 2004. The balance due at June 30, 2004 is \$401,248 and is included on the Statement of Net Assets in Due to Other Governments. Future repayments to the State are scheduled as follows:

<u>Year Ending June 30,</u>	
2005	\$ 343,196
2006	49,029
2007	<u>9,023</u>
Total	<u>\$ 401,248</u>

Following is a combined schedule of annual requirements to retire all bonds and certificates as of June 30, 2004:

Year Ending June 30,	Governmental Funds					Proprietary Funds		
	General Obligations Bonds		Certificates of Indebtedness		Totals	Revenue and Refunding Bonds		
	Principal	Interest	Principal	Interest		Principal	Interest	Totals
2005	\$ 455,000	\$ 325,454	\$ 155,000	\$ 30,416	\$ 965,870	\$ 630,000	\$ 92,065	\$ 722,065
2006	475,000	305,734	165,000	27,234	972,968	655,000	74,460	729,460
2007	495,000	284,863	170,000	23,479	973,342	445,000	59,390	504,390
2008	290,000	267,157	170,000	19,220	746,377	460,000	46,992	506,992
2009	265,000	254,256	180,000	14,446	713,702	475,000	34,182	509,182
2010	280,000	243,356	185,000	9,124	717,480	495,000	20,893	515,893
2011	295,000	232,456	200,000	3,170	730,626	515,000	7,056	522,056
2012	305,000	218,168	--	--	523,168	--	--	--
2013	325,000	200,843	--	--	525,843	--	--	--
2014	340,000	185,106	--	--	525,106	--	--	--
2015	360,000	171,106	--	--	531,106	--	--	--
2016	375,000	156,171	--	--	531,171	--	--	--
2017	395,000	139,796	--	--	534,796	--	--	--
2018	415,000	122,026	--	--	537,026	--	--	--
2019	440,000	102,996	--	--	542,996	--	--	--
2020	460,000	82,516	--	--	542,516	--	--	--
2021	485,000	60,659	--	--	545,659	--	--	--
2022	510,000	37,397	--	--	547,397	--	--	--
2023	<u>535,000</u>	<u>12,706</u>	--	--	<u>547,706</u>	--	--	--
	<u>\$ 7,500,000</u>	<u>\$ 3,402,766</u>	<u>\$ 1,225,000</u>	<u>\$ 127,089</u>	<u>\$ 12,254,855</u>	<u>\$ 3,675,000</u>	<u>\$ 335,038</u>	<u>\$ 4,010,038</u>

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

11. METER DEPOSITS:

Meter deposits are paid by customers upon application for utility services and are refundable to them upon termination of service. Receipts from meter deposits are deposited in a meter deposit account and refunds of deposits on termination of service are made from the same account.

The City has restricted cash and cash equivalents of the Meter Deposit Fund specifically for meter deposits. At June 30, 2004, meter deposits amounted to \$461,175 and the balance of cash and cash equivalents in the Meter Deposit Fund totaled \$561,714.

12. PENSION PLAN:

The City of Hammond contributes to the Municipal Employees' Retirement System of Louisiana, the Firefighters' Retirement System of Louisiana and the Municipal Police Employees' Retirement System of Louisiana. The City's payroll for employees covered by the retirement systems for the year ended June 30, 2004 was \$8,824,857.

a. Municipal Employees' Retirement System

Plan Description - The City contributes to Plan A of the Municipal Employees' Retirement System of Louisiana (the System), a cost-sharing multiple-employer defined benefit public employee retirement system (MERS), which is controlled and administered by a separate Board of Trustees. The System provides retirement, deferred and disability benefits, survivor's benefits and cost of living adjustments to plan members and beneficiaries. Act 356 of the 1954 Louisiana Legislative Session established the plan. The System is governed by Louisiana Revised Statutes 11:1731 through 11:1866, specifically, and other general laws of the State of Louisiana. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809.

a. Municipal Employees' Retirement System (Continued)

Funding Policy - Plan members are required to contribute 7.75% of their annual-covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 11% of annual payroll. The contribution requirements of plan members and the City are established and may be amended by state statute.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

12. PENSION PLAN: (Continued)

The actuarial required employer contributions and the percentage contributed for the Municipal Employees' Retirement System for the past three years is as follows:

<u>Fiscal Year</u>	Actuarial Required Contribution <u>Employer</u>	Percentage Contributed <u>Employer</u>
June 30, 2002	\$242,946	100%
June 30, 2003	296,134	100%
June 30, 2004	410,901	100%

b. Firefighters' Retirement System

Plan Description - The City contributes to the Firefighters' Retirement System of Louisiana (the System), a cost-sharing multiple-employer defined benefit public retirement system, which is controlled and administered by a separate Board of Trustees. The System provides retirement, deferred and disability benefits, survivor's benefits and cost of living adjustments to plan members and beneficiaries. Act 434 of the 1979 Louisiana Legislative Session established the plan. The System is governed by Louisiana Revised Statutes 11:2251 through 11:2269, specifically, and other general laws of the State of Louisiana. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Firefighters' Retirement System of Louisiana, P. O. Box 94095, Capital Station, Baton Rouge, Louisiana 70804-9095.

Funding Policy - Plan members are required to contribute 8% of their earnable compensation and the City is required to contribute at an actuarially determined rate. The current rate is 21% of annual-covered payroll. The contribution requirements of plan members and the City are established and may be amended by state statute.

The actuarial required employer contributions and the percentage contributed for the Firefighters' Retirement System for the past three years is as follows:

<u>Fiscal Year</u>	Actuarial Required Contribution <u>Employer</u>	Percentage Contributed <u>Employer</u>
June 30, 2002	\$193,967	100%
June 30, 2003	207,678	100%
June 30, 2004	409,983	100%

CITY OF HAMMOND
 NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

12. PENSION PLAN: (Continued)

c. Municipal Police Employees' Retirement System

Plan Description - The City contributes to the Municipal Police Employees' Retirement System of Louisiana (the System), a cost-sharing multiple-employer defined benefit public employee retirement system (MPERS), which is controlled and administered by a separate Board of Trustees. The System provides retirement, deferred and disability benefits, survivor's benefits and cost of living adjustments to plan members and beneficiaries. Act 189 of the 1973 Louisiana Legislative Session established the plan. The System is governed by Louisiana Revised Statutes 11:2211 through 11:2233, specifically, and other general laws of the State of Louisiana. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Municipal Police Employees' Retirement System of Louisiana, P.O. Box 94095, Capital Station, Baton Rouge, Louisiana 70809.

Funding Policy - Plan members are required to contribute 7.5% of their annual-covered salary and the City is required to contribute 15.25% of annual payroll. The contribution requirements of plan members and the City are established and may be amended by state statute.

The actuarial required employer contributions and the percentage contributed for the Municipal Police Employees' Retirement System for the past three years is as follows:

<u>Fiscal Year</u>	<u>Actuarial Required Contribution Employer</u>	<u>Percentage Contributed Employer</u>
June 30, 2002	\$231,586	100%
June 30, 2003	245,674	100%
June 30, 2004	414,354	100%

13. RESERVED/DESIGNATED FUND BALANCES AND RESTRICTED NET ASSETS:

RESERVED FUND BALANCES

GOVERNMENTAL FUNDS:

Reserve for Debt Service

The debt service accounts accumulate money from various sources for the payment of interest and principal on the bonds in the following funds:

Other Governmental Funds	<u>Amount</u> \$ <u>1,294,498</u>
--------------------------	--------------------------------------

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

13. RESERVED/DESIGNATED FUND BALANCES AND RESTRICTED NET ASSETS:
(Continued)

RESERVED FUND BALANCES: (Continued)

GOVERNMENTAL FUNDS: (Continued)

Reserve for Long-Term Assets

The reserve for long-term assets represents the long-term portion of receivables from various entities in the City of Hammond in the following funds:

General Fund	\$ 168,000
Other Governmental Funds	<u>179,027</u>
Fund Balance Reserved	<u>\$ 347,027</u>

Reserved For Capital Projects:

The reserve for capital projects represents funds reserved for current construction projects within the City in the following funds:

Capital Projects Fund	\$ 748,880
Sales Tax 2002 Bond Construction Fund	<u>109,080</u>
Fund Balance Reserved	<u>\$ 857,960</u>

DESIGNATED FUND BALANCE:

GOVERNMENTAL FUNDS:

Designated For Capital Projects:

A portion of fund balance in various capital projects funds are designated for future construction projects in the following funds:

Capital Projects Fund	\$ 595,571
Sales Tax 2002 Bond Construction Fund	<u>915,648</u>
	<u>\$ 1,511,219</u>

RESTRICTED NET ASSETS

Governmental Activities:

Restricted for:	
Debt Service	\$ 1,261,270
Capital Projects	<u>1,257,823</u>
	<u>\$ 2,519,093</u>

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

13. RESERVED/DESIGNATED FUND BALANCES AND RESTRICTED NET ASSETS:
(Continued)

RESTRICTED NET ASSETS: (Continued)

Business-type activities

Restricted for:

Debt Service	\$ 413,977
Capital Projects	<u>3,498,259</u>
	<u>\$ 3,912,236</u>

14. RISK MANAGEMENT:

The City is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To account for and finance its uninsured risk of loss, the City has established an Insurance Fund (an internal service fund). Under this program, the Insurance Fund provides coverage for up to a maximum of \$250,000 for each worker's compensation claim and \$50,000 for each general liability claim. The City also purchases commercial insurance for claims in excess of coverage provided by the fund.

The General Fund, Enterprise Fund, and Downtown Development District Fund of the City participate in the program and make payments to the fund based on management's estimates of the amounts needed to pay prior and current year claims. These interfund "premiums" related to workers' compensation, general liability and property insurance coverages are reported as quasi-external transactions. At June 30, 2004, the outstanding claims liability was \$1,022,903, which includes estimated liability for incurred but not reported claims. The liability is based on the requirements of GASB No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues" which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable and the amount of the loss can be reasonably estimated. Estimated claims liability is determined using specific claims information obtained from the City's claims administrator.

Changes in the general liability and workers' compensation claims liability amount for the years ended June 30, 2004 and 2003 were:

	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Estimates</u>	<u>Claim Payments</u>	<u>Balance at Year End</u>
2004	\$ 768,485	\$ 801,901	\$ 547,483	\$ 1,022,903
2003	\$ 810,713	\$ 397,841	\$ 440,069	\$ 768,485

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

15. SUPPLEMENTAL PAY:

In addition to the compensation paid to the City of Hammond's employees, employees who are firefighters and police officers may be eligible to receive supplemental pay. Each type of employee is governed by their particular revised statute. The amount of the compensation is determined by State Law and is revised periodically.

As per Louisiana Reviewed Statute 33:2002, any full time, regular employee of the City fire department who is hired after March 31, 1986 and who has passed a certified firefighters' training program equal to the National Fire Protection Association Standard 1001 and who is paid three hundred dollars per month from public funds is eligible for supplemental pay. These full-time employees are carried on the payroll paid from funds of the City obtained through lawfully adopted bond issues or lawfully assessed taxes, either directly or through a board or commission set up by law or ordinance. Employees employed by the fire department are not eligible for supplemental pay if they are presently drawing a retirement or disability pension, clerical employees and mechanics and for those employees who have not passed a certified firefighters' training program but are hired after March 31, 1986. State supplemental pay for firefighters' must be taken into account in calculating firefighters' holiday pay and overtime pay.

As per Louisiana Revised Statute 33:2219.2, any employee who devotes his or her full working time to law enforcement and who is hired after March 31, 1986 and who has completed a council certified training program as provided in Louisiana Revised Statute 40:2405 and is paid a salary of not less than three hundred fifty dollars per month shall be paid by the state extra compensation. A police officer entitled to additional pay out of state funds includes any person employed on a full-time basis who works as a duly commissioned law enforcement officer for the performance of primary duties which encompass the enforcement of state laws, supervisory police work, provides necessary services to the officers, desk sergeant or identification technician or a full-time radio dispatcher. Any person who received additional pay out of state funds shall continue to receive said additional state pay during any period of disability resulting from any injury sustained in the line of duty. The additional pay out of state funds shall continue to be paid to such person until the time that said person is determined to be permanently disabled and no longer able to return to work.

As of June 30, 2004, the City has recognized \$507,320 in revenues (intergovernmental) and expenditures (public safety) that the State of Louisiana has paid directly to the City's employees.

16. LITIGATION AND CLAIMS:

At June 30, 2004, the City is a defendant in several lawsuits seeking damages. In the opinion of the City, liabilities arising from these claims and legal actions, if any, will not be significant.

CITY OF HAMMOND
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

17. LEASES:

The City of Hammond entered into an operating lease agreement for the lease of land. The lease term is for five years with an option to renew for three five-year periods beginning March 2003. The monthly rent beginning March 2003 is \$1,711, with an annual adjustment in accordance with the Consumer Price Index, All Urban Consumers. Rent income for the year ending June 30, 2004 was \$20,789.

18. NOTES RECEIVABLE:

Governmental Funds

General Fund

The City of Hammond entered into a fifteen year promissory note with a partnership to assist in the renovation of a building. The value of the note is \$180,000 with an annual interest rate of 6.42%. The collateral received on the note is the renovated building. Annual payments are due to the City only to the extent that the partnership has "cash flow" as defined in the note. If "cash flow" is less than the amount of the annual installment, the amount of unpaid interest and principal is deferred and due and payable in 2014. The partnership has not made any payments as of June 30, 2004. The amount due over the next five years and beyond are as follows:

<u>June 30</u>	<u>Amount Due</u>
2005	\$ 12,000
2006	12,000
2007	12,000
2008	12,000
2009	12,000
Thereafter	<u>120,000</u>
TOTAL	<u>\$ 180,000</u>

Other Governmental Funds

The City received federal funds to enter into low interest loans with various businesses throughout the city. The terms of the loans range from five to ten years with interest rates ranging from 1.5% to 7%. As the loans are paid off, the City enters into other low interest loans with businesses in the city. All loans are secured with property, inventory, land or certificates of deposit. The amount due to the City over the next five years is as follows:

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

18. NOTES RECEIVABLE:Governmental FundsOther Governmental Funds (Continued)

<u>June 30</u>	<u>Amount Due</u>
2005	\$ 72,796
2006	52,924
2007	33,598
2008	17,130
2009	15,036
Thereafter	<u>67,388</u>
Total	258,872
Less allowance for doubtful accounts	<u>(7,049)</u>
TOTAL	<u>\$ 251,823</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HAMMOND
 SUPPLEMENTARY INFORMATION
 GENERAL FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
Taxes	\$ 2,866,000	\$ 3,032,000	\$ 3,118,656	\$ 86,656
Licenses and permits	1,106,000	1,255,000	1,289,845	34,845
Fines and forfeitures	316,000	316,000	289,224	(26,776)
Sanitation service fees	653,000	703,000	713,583	10,583
Parks and recreation	263,910	263,910	86,419	(177,491)
Interest	28,000	10,000	12,368	2,368
State supplemental pay	529,200	529,200	507,320	(21,880)
Miscellaneous	507,000	502,000	502,184	184
Total revenues	<u>6,269,110</u>	<u>6,611,110</u>	<u>6,519,599</u>	<u>(91,511)</u>
EXPENDITURES:				
General government	3,504,650	3,475,609	3,071,080	404,529
Public safety	8,837,450	8,839,510	8,717,800	121,710
Buildings	984,000	976,320	843,461	132,859
Highways and streets	1,363,400	1,365,410	1,382,320	(16,910)
Cemeteries and municipal grounds	799,600	802,009	732,236	69,773
Sanitation	666,500	666,500	702,119	(35,619)
Parks and recreation	753,090	755,683	562,051	193,632
Capital outlay	-	-	80,290	(80,290)
Airport	253,600	275,234	257,061	18,173
Total expenditures	<u>17,162,290</u>	<u>17,156,275</u>	<u>16,348,418</u>	<u>807,857</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(10,893,180)</u>	<u>(10,545,165)</u>	<u>(9,828,819)</u>	<u>716,346</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	10,753,000	10,759,520	10,759,520	-
Operating transfers out	(663,260)	(685,232)	(784,522)	(99,290)
Proceeds from sale of capital assets	-	5,400	5,386	(14)
Total other financing sources (uses)	<u>10,089,740</u>	<u>10,079,688</u>	<u>9,980,384</u>	<u>(99,304)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(803,440)</u>	<u>(465,477)</u>	<u>151,565</u>	<u>617,042</u>
FUND BALANCE:				
Beginning of year	1,977,246	1,977,246	1,977,246	-
End of year	<u>\$ 1,173,806</u>	<u>\$ 1,511,769</u>	<u>\$ 2,128,811</u>	<u>\$ 617,042</u>

CITY OF HAMMOND
 SUPPLEMENTARY INFORMATION
 SPECIAL REVENUE FUND
 SALES TAX FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Favorable (Unfavorable)
REVENUES:				
Sales and use tax	\$ 12,138,000	\$ 11,918,000	\$ 11,989,071	\$ 71,071
Interest	12,000	12,000	12,996	996
Total revenues	<u>12,150,000</u>	<u>11,930,000</u>	<u>12,002,067</u>	<u>72,067</u>
EXPENDITURES:				
General government	57,800	55,800	10,019	45,781
Highways and streets	115,000	115,000	20,983	94,017
Cemeteries and municipal grounds	25,000	31,734	3,604	28,130
Buildings	215,000	283,320	188,491	94,829
Parks and recreation	63,000	63,000	19,502	43,498
Capital outlay	-	-	135,367	(135,367)
Total expenditures	<u>475,800</u>	<u>548,854</u>	<u>377,966</u>	<u>170,888</u>
Excess revenues over expenditures	<u>11,674,200</u>	<u>11,381,146</u>	<u>11,624,101</u>	<u>242,955</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	34,766	34,766
Operating transfers out	(12,633,900)	(12,633,900)	(12,633,900)	-
Total other financing sources (uses)	<u>(12,633,900)</u>	<u>(12,633,900)</u>	<u>(12,599,134)</u>	<u>34,766</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(959,700)	(1,252,754)	(975,033)	277,721
Fund balance, beginning of year	<u>1,267,420</u>	<u>1,267,420</u>	<u>1,267,420</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 307,720</u>	<u>\$ 14,666</u>	<u>\$ 292,387</u>	<u>\$ 277,721</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF HAMMOND
SUPPLEMENTARY INFORMATION
COMPENSATION PAID MAYOR AND CITY COUNCIL MEMBERS
FOR THE YEAR ENDED JUNE 30, 2004

<u>Name</u>	<u>Title</u>	<u>Amount</u>
Mayson Foster	Mayor	\$ 75,500
Curtis Wilson	City Council – District 1	7,200
Anthony Licciardi	City Council – District 2	7,200
Willie Jackson	City Council – District 3	7,200
Kathy Montecino	City Council – District 4	7,200
Nicholas Muscarello	City Council – District 5	<u>7,200</u>
		<u>\$ 111,500</u>

The schedule of compensation paid to the Mayor and City Council members was prepared in compliance with the Hammond City Charter, Section 2-04 Compensation. According to the City Charter, the compensation for Council members shall be \$600 per month. The salary of the Mayor of the City shall be \$75,500 per annum effective with the term beginning January 1, 2003.



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

MICHAEL J. O'ROURKE, C.P.A.
WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GIFFIN, JR., C.P.A.
DAVID A. BURGARD, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A.
DENNIS W. DILLON, C.P.A.

ANN M. HARGES, C.P.A.
ROBIN A. STROHMEYER, C.P.A.

KENNETH J. BROOKS, C.P.A., ASSOCIATE

1340 Poydras St., Suite 2000 · New Orleans, LA 70112
(504) 586-8866
FAX (504) 525-5888
cpa@dhhmcpa.com

A.J. DUPLANTIER JR., C.P.A.
(1919-1985)
FELIX J. HRAPMANN, JR., C.P.A.
(1919-1990)
WILLIAM R. HOGAN, JR., C.P.A.
(1920-1996)
JAMES MAHER, JR., C.P.A.
(1921-1999)

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA C.P.A.'S

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

October 22, 2004

To the Honorable Mayson Foster, Mayor
and Members of the City Council
City of Hammond, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Hammond, Louisiana (the City) as of and for the year ended June 30, 2004, which collectively comprise the City of Hammond's basic financial statements and have issued our report thereon dated October 22, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we 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, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of City of Hammond, Louisiana, in a separate letter dated October 22, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our 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. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters that we have reported to the management of City of Hammond, Louisiana in a separate letter dated October 22, 2004.

This report is intended solely for the information and use of the Mayor, members of the City Council, management of the City of Hammond, the Legislative Auditor for the State of Louisiana and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under the Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

1340 Poydras St., Suite 2000 · New Orleans, LA 70112
(504) 586-8866
FAX (504) 525-5888
cpa@dhhmcpa.com

MICHAEL J. O'ROURKE, C.P.A.
WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GIFFIN, JR., C.P.A.
DAVID A. BURGARD, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A.
DENNIS W. DILLON, C.P.A.

ANN M. HARGES, C.P.A.
ROBIN A. STROHMEYER, C.P.A.

KENNETH J. BROOKS, C.P.A., ASSOCIATE

A.J. DUPLANTIER JR., C.P.A.
(1919-1985)
FELIX J. HRAPMANN, JR., C.P.A.
(1919-1990)
WILLIAM R. HOGAN, JR., C.P.A.
(1920-1996)
JAMES MAHER, JR., C.P.A.
(1921-1999)

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA C.P.A.'S

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A- 133

October 22, 2004

To the Honorable Mayson Foster, Mayor
and Members of the City Council
City of Hammond, Louisiana

We have audited the compliance of the City of Hammond, Louisiana (the City), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A- 133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Hammond, Louisiana, complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A- 133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Mayor, members of the City Council, management of the City of Hammond, the Legislative Auditor for the State of Louisiana and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under the Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

CITY OF HAMMOND
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

<u>Federal CFDA Number</u>	<u>Grant Number</u>		<u>Expenditures</u>
------------------------------------	-------------------------	--	---------------------

MAJOR FEDERAL AWARDS

Received directly from the federal government:

Department of Transportation

20.106	3-22-0018-09	Airport Improvement Program	979,899
20.106	3-22-0018-010	Airport Improvement Program	326,944
20.106	3-22-0018-011-2003	Airport Improvement Program	234,941
20.106	3-22-0018-012-2004	Airport Improvement Program	125,330

	TOTAL MAJOR PROGRAM EXPENDITURES	1,667,114
--	---	------------------

NONMAJOR FEDERAL AWARDS

Received directly from the federal government:

Department of Commerce

11.300	08-01-03838	Public Works and Economic Development Facilities Program	136,540
--------	-------------	---	---------

Department of Homeland Security

83.554	EMW-2003-FG-09161	Assistance to Firefighters Grant Program	73,227
--------	-------------------	--	--------

Department of Justice

16.592	2003-LB-BX-2604	Local Law Enforcement Block Grants Program	30,073
--------	-----------------	--	--------

Environmental Protection Agency

66.606	XP-97657001-0	Surveys, Studies, Investigations & Special Purpose Grants Program	128,493
--------	---------------	--	---------

	Total Nonmajor Federal Awards Received Directly from the Federal Government	368,333
--	--	---------

CITY OF HAMMOND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

<u>Federal CFDA Number</u>	<u>Grant Number</u>		<u>Expenditures</u>
<u>Passed through the State of Louisiana:</u>			
<u>Department of Agriculture</u>			
10.664	02-DG-11083122-010	Co-Operative Forestry Assistance	<u>5,296</u>
<u>Department of Housing & Urban Development</u>			
14.231	CFMS # 58411	Emergency Shelter Grants Program	13,171
14.231	CFMS 598113	Emergency Shelter Grants Program	<u>6,226</u>
Total Department of Housing & Urban Development			<u>19,397</u>
<u>Department of Justice</u>			
16.579	B01-5-004	Byrne Formula Grant Program	17,553
16.579	B02-5-005	Byrne Formula Grant Program	11,615
16.523	A01-8-015	Juvenile Accountability Incentive Block Grants	9,241
16.523	A02-8-015	Juvenile Accountability Incentive Block Grants	7,932
16.540	J02-5-004	Juvenile Justice & Delinquency Prevention - Allocation to States	<u>11,628</u>
Total Department of Justice			<u>57,969</u>
<u>Department of Transportation</u>			
20.604	PT 03-02-09	Safety Incentive Grants for Use of Seatbelts	4,807
20.605	P3 04-17-27	Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	1,523
20.600	PT 04-10-00	State and Community Highway Safety	<u>11,294</u>
Total Department of Transportation			<u>17,624</u>
Total Nonmajor federal awards passed through the State of Louisiana			<u>100,286</u>
TOTAL NONMAJOR FEDERAL AWARDS EXPENDITURES			<u>468,619</u>
TOTAL FEDERAL PROGRAM EXPENDITURES			<u><u>2,135,733</u></u>

CITYOF.HAMMOND
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Schedule of Expenditures of Federal Awards of the City of Hammond has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. Expenditures are recognized when incurred.

2. DETERMINATION OF TYPE A AND B PROGRAMS:

Federal awards programs are classified as either Type A or Type B programs. For the period ending June 30, 2004, Type A programs consist of the federal programs that expended over \$300,000 and Type B programs are the programs that expended under \$300,000.

CITY OF HAMMOND
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of the City of Hammond for the year ended June 30, 2004 was unqualified.
2. The audit disclosed no instances of noncompliance, which were material to the financial statements of the City of Hammond.
3. An unqualified opinion was issued on compliance for major programs of the City of Hammond for the year ended June 30, 2004.
4. City of Hammond had one major program as follows:

	<u>Expenditures</u>
U.S. Department of Transportation – Airport Improvements Program	<u>\$ 1,667,114</u>

5. Type A programs are those programs with Federal awards expended during the current year ended June 30, 2004 exceeding \$300,000.
6. City of Hammond qualified as a low-risk auditee.
7. Finding Required To Be Reported Under Generally Accepted Government Auditing Standards:
None Noted.
8. Finding Required To Be Reported Under OMB Circular A-133:
None Noted.

CITY OF HAMMOND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004

- 2003-01 In the prior year it was discovered that the City employed an individual who is required by his position to report to an immediate family member. Section 1119A of the Louisiana Revised Statutes prohibits a member of the immediate family of an agency head from being employed with his agency. Keeping the City employee in his position was a violation of the Code of Ethics LRS 1119A. We recommended the City to review the employee's position for possible transfer to avoid any violations of the Code of Ethics law.

This finding has been resolved for the year ended June 30, 2004.



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

1340 Poydras St., Suite 2000 · New Orleans, LA 70112
(504) 586-8866
FAX (504) 525-5888
cpa@dhhmcpa.com

MICHAEL J. O'ROURKE, C.P.A.
WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GIFFIN, JR., C.P.A.
DAVID A. BURGARD, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A.
DENNIS W. DILLON, C.P.A.

ANN M. HARGES, C.P.A.
ROBIN A. STROHMEYER, C.P.A.

KENNETH J. BROOKS, C.P.A., ASSOCIATE

A.J. DUPLANTIER JR., C.P.A.
(1919-1985)
FELIX J. HRAPMANN, JR., C.P.A.
(1919-1990)
WILLIAM R. HOGAN, JR., C.P.A.
(1920-1996)
JAMES MAHER, JR., C.P.A.
(1921-1999)

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA C.P.A.'S

October 22, 2004

Legislative Auditor
Engagement Processing
Post Office Box 94397
Baton Rouge, LA 70804-9373

Dear Sir or Madam:

SCHEDULES AND DATA COLLECTION FORM
SECTION 1: SUMMARY OF AUDITOR'S REPORTS

A. FINANCIAL STATEMENT AUDIT OPINION:

We have audited the general-purpose financial statements of the City of Hammond as of and for the year ended June 30, 2004 and have issued our report thereon dated October 22, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Our audit as of June 30, 2004 resulted in an unqualified opinion.

B. REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING:

Internal Control:

Material weaknesses – none noted
Reportable conditions – none noted

Compliance: – none noted

C. FEDERAL AWARDS:

Compliance: – none noted

D. MANAGEMENT LETTER COMMENTS:

See findings – 04-01 to 04-08

SECTION 2: FINANCIAL STATEMENT FINDINGS

MANAGEMENT LETTER COMMENTS

LOUISIANA BUDGET ACT

- 04-01 During the audit we tested the City's compliance with the Louisiana Budget Act. As a result of our testing it was discovered that the City did not revise its budget in accordance with the Louisiana Budget Act. Per LRS #39:1311A, the City of Hammond is required to amend its budget when revenues and other financing sources are falling below amounts budgeted and when expenditures and other financing uses are exceeding the budgeted amounts for the general and special revenue funds. After review of the final budget to actual financial statements, two special revenue funds earned actual revenues and other financing sources below 5% of the amounts budgeted and two special revenue funds had actual expenditures and other financing uses greater than 5% of the amounts budgeted. Noncompliance with the Louisiana Budget Act is in violation of the law. We recommend that the budget be reviewed periodically and amended when required by the law.

FIXED ASSETS – FEDERAL FUNDS

- 04-02 During the audit it was noted that the City does not have a system in place in order to identify the funding source for purchased fixed assets when the funding source is a federal or state grant. The City should have a means of identifying those fixed assets purchased with federal and/or state funds, because if such fixed assets are sold, the proceeds from the sale should be returned to the federal or state agency which funded the purchase. Not having a system in place to identify the funding source when applicable will result in the City's inability to return funds on the sale of a fixed asset. We recommend that the City develop a system which will identify those assets purchased with federal or state funding.

RECEIVABLES/PAYABLES

- 04-03 During the audit it was noted that certain contract invoices and retainages were not accrued as payables at year end. Also, certain grant receivables were not accrued at year end. Contract invoices and retainages should be accrued to reflect all work performed through the end of the year. Grant receivables should be recorded to match expenses of the grant. We recommend that someone review the contract invoices at year end to determine proper accrual of all invoices and retainages for work performed through year end. Furthermore, we recommend that grant revenue be reviewed at year end to determine that accruals are made to match grant revenues to grant expenses.

INVOICES

04-04 During the audit it was noted that the City paid the same invoice twice. Invoices should only be paid once. The payment of the invoice twice resulted in the City paying for services prior to the work being done. We recommend that the same department head review all invoices and subsequent check payments to ensure duplicate payments do not occur.

FIXED ASSETS

04-05 During the audit it was noted that the City's new asset depreciation system was unable to provide a detailed list of depreciation expense by asset for the first year of the system's use. This detailed listing is necessary in order to appropriately test depreciation expense and tie to the financial statements. As a result, we had to derive at the depreciation expense figure for the current year. We recommend that the City provide a detailed depreciation schedule listed by asset that agrees to the depreciation expense for the year.

FEDERAL FUNDS

04-06 During the audit it was difficult and time consuming to audit the Schedule of Expenditures of Federal Awards. The original schedule was revised several times, and the grant documents were not organized in a logical manner. This schedule should be complete and require little or no adjustments once the books are closed. It is tested and used for the report. We recommend that the department heads communicate with the City's staff responsible for the grants about the importance of this schedule being accurate. The department heads should also communicate with this person when new grants are awarded and should forward copies of all grant documents and the corresponding budgets to this person.

LEASES

04-07 During the audit it was discovered that the City does not have effective controls in place to ensure that all lease income is being received. The City should have proper controls to ensure receipt of all funds. Not having proper controls over lease income could result in the loss of funds. We recommend the City develop a control list of leases including the monthly rent. Each month as payments are received, a payment notation is noted on the control list. Any nonpayment should be investigated.

NOTE RECEIVABLE

04-08 During the audit it was noted that the City had entered into a promissory note with a partnership several years ago in the amount of \$180,000, with the stipulation that the partnership pay the City only when it generates a positive "cash flow". However, the City is not verifying whether or not the partnership is generating a profit each year. We recommend that the City obtain audited financial statements from the partnership each year in order to determine if it is generating a profit or a loss.

B. PRIOR YEAR FINDINGS (OTHER MATTERS):

- 03-01 In the prior year audit it was noted that the City employed an individual who was required by his position to report to an immediate family member. It was recommended that the city review the employee's position for possible transfer to avoid any violations of the Code of Ethics law. This finding has been resolved for the year ended June 30, 2004.
- 03-02 In the prior year audit it was noted that the City incurred an emergency purchase of \$8,800. Since the purchase was the result of an emergency, the City did not have to obtain three quotes prior to the purchase as required by the Louisiana Public Bid Law. However, the City was required to declare the emergency and publish a notice in the official journal within 10 days of the emergency declaration, but failed to declare and publish the emergency. This finding did not occur during the year ended June 30, 2004.
- 03-03 In the prior year audit it was noted that the City was not monitoring contractors' compliance with the Davis Bacon Act. In addition, the wage rate paid by one of the electrical companies was not listed by the Department of Labor and approval by the DOL of the wage rate paid to electricians was not obtained. It was recommended that the City develop monitoring procedures to ensure compliance with all aspects of the Davis Bacon Act. This finding has been resolved for the year ended June 30, 2004.
- 03-04 In the prior year audit it was noted that state supplemental pay for the fire and police departments was included in taxable gross wages on IRS Form 941 for the third and fourth quarters of 2002. It was recommended that the City amend the 941s and correctly file all future returns. This finding has been resolved for the year ended June 30, 2004.



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

1340 Poydras St., Suite 2000 · New Orleans, LA 70112
(504) 586-8866
FAX (504) 525-5888
cpa@dhhmcpa.com

A.J. DUPLANTIER JR, C.P.A.
(1919-1985)
FELIX J. HRAPMANN, JR, C.P.A.
(1919-1990)
WILLIAM R. HOGAN, JR, C.P.A.
(1920-1996)
JAMES MAHER, JR, C.P.A.
(1921-1999)

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA C.P.A.'S

MICHAEL J. O'ROURKE, C.P.A.
WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GIFFIN, JR, C.P.A.
DAVID A. BURGARD, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A.
DENNIS W. DILLON, C.P.A.

ANN M. HARGES, C.P.A.
ROBIN A. STROHMEYER, C.P.A.

KENNETH J. BROOKS, C.P.A., ASSOCIATE

October 22, 2004

Honorable Mayson Foster, Mayor
And Members of the Council
City of Hammond, Louisiana

In planning and performing our audit of the general purpose financial statements of the City of Hammond, Louisiana for the year ended June 30, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal controls.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be a material weakness under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that errors or fraud 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. We noted no matters involving the internal control and its operation that we consider to be a material weakness as defined above. However, we noted internal control matters during the course of the audit, which we felt should be presented to management.

RECEIVABLES/PAYABLES

During the audit it was noted that certain contract invoices and retainages were not accrued as payables at year end. Also, certain grant receivables were not accrued at year end. Contract invoices and retainages should be accrued to reflect all work performed through the end of the year. Grant receivables should be recorded to match expenses of the grant. We recommend that someone review the contract invoices at year end to determine proper accrual of all invoices and retainages for work performed through year end. Furthermore, we recommend that grant revenue be reviewed at year end to determine that accruals are made to match grant revenues to grant expenses.

INVOICES

During the audit it was noted that the City paid the same invoice twice. Invoices should only be paid once. The payment of the invoice twice resulted in the City paying for services prior to the work being done. We recommend that the same department head review all invoices and subsequent check payments to ensure duplicate payments do not occur.

FIXED ASSETS

During the audit it was noted that the City's new asset depreciation system was unable to provide a detailed list of depreciation expense by asset for the first year of the system's use. This detailed listing is necessary in order to appropriately test depreciation expense and tie to the financial statements. As a result, we had to derive at the depreciation expense figure for the current year. We recommend that the City provide a detailed depreciation schedule listed by asset that agrees to the depreciation expense for the year.

LEASES

During the audit it was discovered that the City does not have effective controls in place to ensure that all lease income is being received. The City should have proper controls to ensure receipt of all funds. Not having proper controls over lease income could result in the loss of funds. We recommend the City develop a control list of leases including the monthly rent. Each month as payments are received, a payment notation is noted on the control list. Any nonpayment should be investigated.

We noted the following immaterial instances of noncompliance which we felt should be presented to management:

LOUISIANA BUDGET ACT

During the audit we tested the City's compliance with the Louisiana Budget Act. As a result of our testing it was discovered that the City did not revise its budget in accordance with the Louisiana Budget Act. Per LRS #39:1311A, the City of Hammond is required to amend its budget when revenues and other financing sources are falling below amounts budgeted and when expenditures and other financing uses are exceeding the budgeted amounts for the general and special revenue funds. After review of the final budget to actual financial statements, two special revenue funds earned actual revenues and other financing sources below 5% of the amounts budgeted and two special revenue funds had actual expenditures and other financing uses greater than 5% of the amounts budgeted. Noncompliance with the Louisiana Budget Act is in violation of the law. We recommend that the budget be reviewed periodically and amended when required by the law.

FIXED ASSETS – FEDERAL FUNDS

During the audit it was noted that the City does not have a system in place in order to identify the funding source for purchased fixed assets when the funding source is a federal or state grant. The City should have a means of identifying those fixed assets purchased with federal and/or state funds, because if such fixed assets are sold, the proceeds from the sale should be returned to the federal or state agency which funded the purchase. We recommend that the City develop a system which will identify those assets purchased with federal or state funding.

We noted other matters during the course of the audit, which we felt should be presented to management.

FEDERAL FUNDS

During the audit it was difficult and time consuming to audit the Schedule of Expenditures of Federal Awards. The original schedule was revised several times, and the grant documents were not organized in a logical manner. This schedule should be complete and require little or no adjustments once the books are closed. It is tested and used for the report. We recommend that the department heads communicate with the City's staff responsible for the grants about the importance of this schedule being accurate. The department heads should also communicate with this person when new grants are awarded and should forward copies of all grant documents and the corresponding budgets to this person.

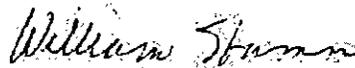
NOTE RECEIVABLE

During the audit it was noted that the City had entered into a promissory note with a partnership several years ago in the amount of \$180,000, with the stipulation that the partnership pay the City only when it generates a positive "cash flow". However, the City is not verifying whether or not the partnership is generating a profit each year. We recommend that the City obtain financial statements from the partnership each year in order to determine if it is generating a profit or a loss.

This report is intended for the information of the Mayor and Council of the City of Hammond, its management and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

DUPLANTIER, HRAPMANN, HOGAN & MAHER, LLP



William G. Stamm, CPA
Partner

WGS/fk



Mayson H. Foster
Mayor

Grover C. Austin, CPA
Louisiana Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

December 22, 2004

Dear Mr. Austin:

The following is the response of remedial action taken or to be taken as a result of the auditor's comments in the financial statements for the year ended June 30, 2004.

RECEIVABLES/PAYABLES:

During the audit it was noted that certain contract invoices and retainages were not accrued as payables at year-end. Also, certain grant receivables were not accrued at year-end. Contract invoices and retainages should be accrued to reflect all work performed through the end of the year. Grant receivables should be recorded to match expenses of the grant. We recommend that someone review the contract invoices at year-end to determine proper accrual of all invoices and retainages for work performed through year-end. Furthermore, we recommend that grant revenue be reviewed at year-end to determine that accruals are made to match grant revenues to grant expenses.

Response:

Generally, contract invoices and retainages are discussed monthly in the Capital Projects committee meetings. Additionally, the general status of pending and ongoing grants are discussed as well. The Grants Accountant prepares and posts the accrual entries. To ensure the timely posting of these entries, the Grants Accountant will provide the Accounting Team Leaders with a fiscal year summary of the capital projects in progress and the amounts will be verified with the general ledger. The Grants Accountant and Grants Administration will provide the Accounting Team Leaders with written status reports of all grants completed, in progress, and pending relative to the fiscal period. Based on the review of the reports, the accruals will be prepared and posted.

INVOICES:

During the audit it was noted that the City paid the same invoice twice. Invoices should be paid once. The payment of the invoice twice resulted in the City paying for services prior to the work being done. We recommend that the same department head review all invoices and subsequent check payments to ensure duplicate payments do not occur.

Response:

Disbursements generally follow the City's written procedures for payment of goods and services. The procedures require various signatures indicating review and verification of the transactions. We will increase our effort to ensure due diligence when reviewing the disbursement of City funds. In addition, the accounting system generates an error message whenever duplicate invoice numbers are used. The staff has been instructed not to alter the invoice number on any invoice in order to process a payment. A more thorough review of the documentation before signoff and adherence to the policies regarding the recording invoices should prevent this occurrence in the future.

FIXED ASSETS:

During the audit it was noted that the City's new asset depreciation system was unable to provide a detailed list of depreciation expense by asset for the first year of the system's use. This detailed listing is necessary in order to appropriately test depreciation expense and tie to the financial statements. As a result, we had to derive at the depreciation expense figure for the current year. We recommend that the City provide a detailed depreciation schedule listed by asset that agrees to the depreciation expense for the year.

Response:

As a result of diminishing technical support for a system that was developed in house (ALPHA) and the increased reporting requirements of GASB 34, the City implemented a new depreciation system (MUNIS). Updating the new system has been a continuous process. A physical count of the City's fixed assets conducted during the 2003-2004 fiscal period, also indicated the need have the unrecorded information in ALPHA transferred to MUNIS. We have assigned the project to a team member that is currently working on transferring the information. The Accounting Supervisor will ensure that the asset listings and depreciation schedules are accurate.

LEASES:

During the audit it was discovered that the City does not have effective controls in place to ensure that all lease income is being received. The City should have proper controls to ensure receipt of all funds. Not having controls over lease income could result in the loss of funds. We recommend the City develop a control list of leases including monthly rent. Each month as payments are received, a payment notation is noted on the control list. Any nonpayment should be investigated

Response:

The Airport Director or designee shall maintain a complete copy of every Airport lease and supporting documentation. The Revenue Officer will maintain a subsidiary ledger created in Excel. The subsidiary ledger will detail all facts pertinent to the lease agreement and provide for the recording of any payments or assessments. The Revenue Officer will forward to each lessee a confirmation letter verifying the status of the lease at the end of the fiscal period. The Finance Director or City Administration will resolve any exceptions noted.

LOUISIANA BUDGET ACT

During the audit we tested the City's compliance with the Louisiana Budget Act. As a result of our testing it was discovered that the City did not revise its budget in accordance with the Louisiana Budget Act. Per LRS #39:1311A requires a budget amendment when revenues and other financing sources are falling below amounts budgeted and when expenditures and other financing uses are exceeding the budgeted amounts for general and special revenue funds. After review of the final budget to actual financial statements, two special revenue funds earned actual revenues and other financing sources below 5% of the amount budgeted and two special revenue funds had actual expenditures and other financing uses greater than 5% of the amounts budgeted. Noncompliance with the Louisiana Budget Act is in violation of the law. We recommend that the budget be reviewed periodically and amended when required by law.

Response:

The Finance Director and Accounting Supervisor performed the required periodic review of the budget as required for the major City funds. The special revenue funds indicated in the management letter although minor should have been included in that review and amended as required by the Louisiana Budget Act. We will continue to review all funds and amend the budget when required.

FIXED ASSETS – FEDERAL FUNDS:

During the audit it was noted that the City does not have a system in place in order to identify the funding source for purchased fixed assets when the funding source is a federal or state grant. The City should have a means of identifying those fixed assets purchased with federal and/or state funds, because if such fixed assets are sold, the proceeds from the sale should be returned to the federal or state agency which funded the purchase. We recommend that the City develop a system, which will identify those assets purchased with federal or state funding.

Response:

We will utilize the User Defined Codes option in the MUNIS Fixed Assets System as a filter for custom reports that will list the assets purchased with federal and/or state funds. We have developed numerical codes that will indicate the funding sources for the assets indicated in this exception.

FEDERAL FUNDS:

During the audit it was difficult and time consuming to audit the Schedule of Expenditures of Federal Awards. The original schedule was revised several times, and the grant documents neither were nor organized in a logical manner. This schedule should be completed and require little or no adjustments once the books are closed. It is tested and used for the report. We recommend that the department heads communicate with the City's staff responsible for the grants about the importance of this schedule being accurate. The department heads should also communicate with this person when new grants are awarded and should forward copies of all grant documents and the corresponding budgets to this person.

Response:

The initial changes to the schedule were made by request. Unless otherwise instructed, the current form should provide the information required and in the desired format. The grant documents are filed in separate project files. Within each folder, the documents are filed chronologically with the most recent date first. The Grants Accountant and Grants Administration will provide the Accounting Team Leaders with written status reports of all grants completed, in progress, and pending relative to the fiscal period. Based on the review of the reports, the accruals and budget comparison be prepared and posted.

NOTE RECEIVABLE:

During the audit it was noted that the City had entered into a promissory note with a partnership several years ago in the amount of \$180,000.00, with the stipulation that the partnership pay the City only when it generates a positive "cash flow". However the City is not verifying whether or not the partnership is generating a profit each year. We recommend that the City obtain financial statements from the partnership each year in order to determine if it is generating a profit or loss.

Response:

We will request the financial statements of the Hammond Eastside Limited Partnership by Historic Restoration Incorporated (HRI) annually. All financial statements received shall remain a part of the permanent file.

Sincerely,

A handwritten signature in black ink, appearing to read "L. Francis, Sr.", written over a large, loopy flourish.

Larry Francis, Sr.
Finance Director

Cc: Nicky Muscarello, Council President
Mayson Foster, Mayor
Dr. Martis Jones, City Administrator