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VINTON PUBLIC POWER AUTHORITY
A COMPONENT UNIT OF THE TOWN OF VINTON, LOUISIANA

Annual Financial Report and Independent Auditors' Reports

Year Ended September 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

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VINTON PUBLIC POWER AUTHORITY
Vinton, Louisiana

Management's Discussion and Analysis

Within this section of the Vinton Public Power Authority's (Authority) annual financial report, the Authority's management is pleased to provide this narrative discussion and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2004. The Authority's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The Authority's assets exceeded its liabilities by \$2,389,116 (net assets) for the fiscal year reported.
- Total revenues of \$2,590,597 exceeded total expenditures of \$2,025,260, which resulted in a current year surplus of \$565,337. This is better than last year, when revenues were in excess of expenditures by \$465,092.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$751,544 include property and equipment, net of accumulated depreciation, and are reduced for outstanding debt related to the purchase of capital assets.
 - (2) Restricted for debt service of \$2,891,081.
 - (3) Unrestricted net assets of \$(1,253,509).
- Overall, the Authority continues to maintain a strong financial position and is continuing to work to improve on this financial position.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

VINTON PUBLIC POWER AUTHORITY
Vinton, Louisiana

Management's Discussion and Analysis (Continued)

Overview of the Financial Statements

This Management Discussion and Analysis document introduces the Authority's basic financial statements. The basic financial statements include the financial statements and notes to the basic financial statements. The Authority also includes in this report additional information to supplement the basic financial statements. Comparative data for the prior year is presented.

Basic Financial Statements

The basic financial statements present information for the Authority as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets presents the current and long term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets presents information showing how the Authority's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Cash Flow Statement presents information showing how the Authority's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

VINTON PUBLIC POWER AUTHORITY
Vinton, Louisiana

Management's Discussion and Analysis (Continued)

Financial Analysis of the Authority as a Whole

The Authority implemented the new financial reporting model used in this report beginning with the current fiscal year ended September 30, 2004. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the Authority as a whole.

The Authority's net assets at fiscal year-end are \$2,389,116. The following table provides a summary of the Authority's net assets:

	<u>2004</u>	<u>2003</u>
Assets:		
Current assets	\$ 4,840,533	\$ 4,281,555
Capital assets	15,099,404	15,415,070
Other assets	<u>1,141,640</u>	<u>1,205,657</u>
Total assets	<u>21,081,577</u>	<u>20,902,282</u>
Liabilities:		
Current liabilities	1,387,461	1,243,503
Long-term liabilities	<u>17,305,000</u>	<u>17,835,000</u>
Total liabilities	<u>18,692,461</u>	<u>19,078,503</u>
Net assets:		
Investment in capital assets, net of debt	751,544	676,227
Restricted	2,891,081	2,907,828
Unrestricted	<u>(1,253,509)</u>	<u>(1,760,276)</u>
Total net assets	<u>\$ 2,389,116</u>	<u>\$ 1,823,779</u>

31% of the Authority's net assets are tied up in capital assets. The Authority uses these capital assets to provide services to its customer.

VINTON PUBLIC POWER AUTHORITY
Vinton, Louisiana

Management's Discussion and Analysis (Continued)

The following table provides a summary of the Authority's changes in net assets:

	<u>2004</u>	<u>2003</u>
Operating Revenues	\$ 2,328,684	\$ 2,319,243
Nonoperating Revenues	<u>261,913</u>	<u>87,261</u>
Total Revenues	2,590,597	2,406,504
Depreciation Expense	315,666	315,626
Other Operating Expenses	916,413	809,855
Nonoperating Expenses	<u>793,181</u>	<u>815,931</u>
Total Expenses	<u>2,025,260</u>	<u>1,941,412</u>
Change in Net Assets	565,337	465,092
Beginning Net Assets	<u>1,823,779</u>	<u>1,358,687</u>
Ending Net Assets	<u>\$ 2,389,116</u>	<u>\$ 1,823,779</u>

Capital Assets and Debt Administration

Capital Assets

The Authority's investment in capital assets, net of accumulated depreciation as of September 30, 2004, was \$15,099,404. See Note B for additional information about changes in capital assets during the fiscal year and the balance at the end of the year. The following table provides a summary of capital asset activity.

	<u>2004</u>	<u>2003</u>
Nondepreciable assets-land	\$ _____ -	\$ _____ -
Depreciable assets:		
Distribution system	15,783,291	15,783,291
Less accumulated depreciation	<u>683,887</u>	<u>368,221</u>
Book value-depreciable assets	<u>\$ 15,099,404</u>	<u>\$ 15,415,070</u>
Percentage depreciated	4%	2%
Book value-all assets	<u>\$ 15,099,404</u>	<u>\$ 15,415,070</u>

VINTON PUBLIC POWER AUTHORITY
Vinton, Louisiana

Management's Discussion and Analysis (Continued)

Long-Term Debt

At the end of the fiscal year, the Authority had total debt obligations outstanding of \$17,835,000. During the year, the Authority retired \$455,000 of the outstanding debt balance. See Note C for additional information regarding long-term debt.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances, comply with finance-related laws and regulations, and demonstrate the Authority's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Authority's office, Ms. Mary Vice, Clerk at (337) 589-7453.



GRAGSON, CASIDAY & GUILLORY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

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DAWN REDD, C.P.A.
MELONIE L. HIMEL, C.P.A.

INDEPENDENT AUDITORS' REPORT

November 18, 2004

Board of Directors
Vinton Public Power Authority
Vinton, Louisiana

We have audited the financial statements of Vinton Public Power Authority, a component unit of the Town of Vinton, Louisiana, as of and for the year ended September 30, 2004, as listed in the table of contents. These financial statements are the responsibility of Vinton Public Power Authority management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards 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, the financial statements referred to above present fairly, in all material respects, the financial position of Vinton Public Power Authority, as of September 30, 2004, and the results of its operations and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A to the basic financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and Statement 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, as of July 1, 2001. This results in a change in the format and content of the financial statements.

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Board of Directors
Vinton Public Power Authority
Page Two

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The Statement of Revenues, Expenses and Changes in Net Assets-Budget and Actual 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 presented in all material respects in relation to the financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2004 on our consideration of Vinton Public Power Authority'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.

Gragson Casiday & Guillory

VINTON PUBLIC POWER AUTHORITY

Statement of Net Assets

September 30, 2004

	<u>2004</u>	<u>2003</u>
ASSETS		
Current assets		
Cash	\$ 1,289,910	\$ 742,030
Accounts receivable	249,799	212,386
Prepaid insurance	<u>13,153</u>	<u>11,345</u>
Total current assets	1,552,862	965,761
Restricted assets		
Cash	3,287,671	3,315,794
Fixed assets, at cost, net of accumulated depreciation of \$683,887 for 2004	15,099,404	15,415,070
Bond costs, net of accumulated amortization of \$138,704 for 2004	<u>1,141,640</u>	<u>1,205,657</u>
TOTAL ASSETS	<u>\$ 21,081,577</u>	<u>\$ 20,902,282</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 460,871	\$ 380,537
Payable from restricted assets		
Interest payable	396,590	407,966
Current maturities of long-term debt	530,000	455,000
Long-term debt, net of current maturities	<u>17,305,000</u>	<u>17,835,000</u>
Total liabilities	<u>18,692,461</u>	<u>19,078,503</u>
Net assets		
Invested capital, net of related debt	751,544	676,227
Restricted for debt service	2,891,081	2,907,828
Unrestricted	<u>(1,253,509)</u>	<u>(1,760,276)</u>
Total net assets	<u>2,389,116</u>	<u>1,823,779</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 21,081,577</u>	<u>\$ 20,902,282</u>

See accompanying notes.

VINTON PUBLIC POWER AUTHORITY

Statement of Revenues, Expenses and Changes in Net Assets

Year Ended September 30, 2004

	<u>2004</u>	<u>2003</u>
OPERATING REVENUES		
Charges for services, less rebate of \$109,861	\$ 2,278,258	\$ 2,246,235
Other income	50,426	73,008
Total operating revenues	<u>2,328,684</u>	<u>2,319,243</u>
OPERATING EXPENSES		
Advertising	-	119
Amortization	64,017	64,017
Depreciation	315,666	315,626
Dues	2,277	2,070
Insurance	26,794	14,836
Miscellaneous	56	199
Power cost	733,389	668,795
Professional fees	53,103	37,497
Repairs and maintenance	21,734	13,177
Secretarial	3,200	3,000
Telephone	3,435	3,398
Travel	8,408	2,747
Total operating expenses	<u>1,232,079</u>	<u>1,125,481</u>
Operating Income	1,096,605	1,193,762
NONOPERATING REVENUES (EXPENSES)		
Interest income	68,164	60,261
NISCO revenue	162,778	-
Intergovernmental	30,971	27,000
Interest expense	<u>(793,181)</u>	<u>(815,931)</u>
Total nonoperating revenues (expenses)	<u>(531,268)</u>	<u>(728,670)</u>
Changes in Net Assets	565,337	465,092
NET ASSETS-BEGINNING	<u>1,823,779</u>	<u>1,358,687</u>
NET ASSETS-ENDING	<u>\$ 2,389,116</u>	<u>\$ 1,823,779</u>

See accompanying notes.

VINTON PUBLIC POWER AUTHORITY

Statement of Cash Flows

Year Ended September 30, 2004

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 2,291,271	\$ 2,334,764
Cash payments to suppliers for goods and services	<u>(785,246)</u>	<u>(598,677)</u>
NET CASH FROM OPERATING ACTIVITIES	1,506,025	1,736,087
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of fixed assets	-	(4,743)
Payment of principal on bonds	(455,000)	-
Interest paid on bonds	(793,181)	(815,931)
Proceeds from Nisco and intergovernmental	<u>193,749</u>	<u>27,000</u>
Net cash flows from capital and related financing activities	(1,054,432)	(793,674)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>68,164</u>	<u>60,261</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	519,757	1,002,674
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>4,057,824</u>	<u>3,055,150</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,577,581</u>	<u>\$ 4,057,824</u>
Supplemental disclosures:		
Cash paid for interest	<u>\$ 804,557</u>	<u>\$ 611,948</u>

Continued

See accompanying notes.

VINTON PUBLIC POWER AUTHORITY

Statement of Cash Flows (Continued)

Year Ended September 30, 2004

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 1,096,605	\$ 1,193,762
Adjustments to reconcile operating income to net cash provided by operating activities		
Amortization	64,017	64,019
Depreciation	315,666	315,626
(Increase) decrease in accounts receivable	(37,413)	15,521
(Increase) decrease in due from SRMPA	-	61,686
(Increase) decrease in prepaid insurance	(1,808)	(11,345)
Increase (decrease) in accounts payable	80,334	(102,681)
Increase (decrease) in due to Town of Vinton, LA	-	(4,484)
Increase (decrease) in interest payable	(11,376)	203,983
Net cash flows from operating activities	<u>\$ 1,506,025</u>	<u>\$ 1,736,087</u>

See accompanying notes.

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Vinton Public Power Authority (VPPA) is a public power authority created pursuant to Article VI, Section 19 of the Louisiana Constitution of 1974, Louisiana Revised Statutes of 1950, as amended, Title 33, Section 4172 and by Ordinance No. 295, adopted by the Mayor and the Board of Aldermen of the Town of Vinton, LA on September 2, 1980. Louisiana Revised Statutes 33:4172 authorizes public power authorities to contract with the municipality creating it or any other public power authority for the sale of electric power for a term not exceeding 40 years on such terms and conditions as may be specified in a written contract which the power authority may negotiate and execute and provides authority for all other contractual arrangements incidental to the sale of such power. Resolutions were approved by the Mayor and Board of Aldermen of the Town of Vinton, LA, acting ex officio as the Board of Directors of VPPA. The Directors receive no compensation for serving on the board. The Authority has no employees and utilizes Town of Vinton, Louisiana employees for any operating and administrative duties through a joint service agreement.

1. Reporting Entity

The Authority is a component unit of the Town of Vinton, Louisiana, the financial reporting entity. The Town is financially accountable for the Authority because it appoints a voting majority of the board and has the ability to impose its will on them.

The accompanying financial statements present information only on the funds maintained by the Authority and do not present information on the Town, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

2. Basis of Presentation

The accompanying financial statements of the Vinton Public Power Authority have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements have been prepared in conformity with GASB Statement 34, "Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments", issued in June 1999. For the Authority, the adoption of Statement No. 34 had no effect on the basic financial statements except for the classification of net assets in accordance with the Statement and the reflection of capital contributions as a change in net assets.

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority are prepared on the accrual basis of accounting. Whereby revenues are recognized when earned and expenses are recognized when incurred. Under Governmental Accounting Standards Board Statement No. 20, the Authority has elected to apply Financial Accounting Standards Board provisions issued after November 30, 1989.

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 operating revenues of the Authority come from metered sales to residential and commercial customers as well as service connection charges and penalties from late payment of bills. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

3. Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits with original maturities of 90 days or less. Under state law, the Authority may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At September 30, 2004, the Authority has \$4,586,741 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$4,486,741 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

4. Accounts Receivable

Accounts receivable of \$249,799 is due from the Town of Vinton, LA, a related party and the Authority's only customer. Due to the nature of this transaction an allowance for bad debts is not recorded.

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5. Statement of Cash Flows

For purpose of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The statement reflects ending cash and cash equivalents of \$4,577,581 which represents unrestricted amounts of \$1,289,910 and restricted amounts of \$3,287,671.

6. Bond Costs

Bond issuance costs of \$1,280,346 is being amortized over the term of the bond issue, twenty years. Amortization expense is \$64,017 for the year ended September 30, 2004.

7. Budgets

An enterprise fund budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year end.

On or before the last meeting of each year, the budget is prepared by function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

The proposed budget is presented to the Authority's Board of Directors for review. The board holds a public hearing and may add to, subtract from or change appropriations, but may not change the form of the budget.

Expenditures may not legally exceed budgeted appropriations at the activity level.

8. Net Assets

In the financial statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

9. Use of Estimates

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

10. Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the government's financial position and operations.

NOTE B – FIXED ASSETS

A summary of changes in fixed assets for the year follows:

	<u>Beginning of year</u>	<u>Net Additions</u>	<u>End of Year</u>
Plant	\$ 15,783,291	<u>\$ -</u>	\$ 15,783,291
Less accumulated depreciation	<u>368,221</u>		<u>683,887</u>
TOTALS	<u>\$ 15,415,070</u>		<u>\$ 15,099,404</u>

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2004

NOTE B – FIXED ASSETS

Depreciation expense was \$315,666 for the year ended September 30, 2004.

All purchased fixed assets are valued at historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Plant	50 years
-------	----------

NOTE C – LONG-TERM DEBT

A. Debt Outstanding

The following is a summary of bond transactions of the Authority for the year ended September 30, 2004:

Bonds payable, September 30, 2003	\$ 18,290,000
Bonds paid	<u>(455,000)</u>
Bonds payable, September 30, 2004	<u>\$ 17,835,000</u>

Bonds payable at September 30, 2004 are comprised of the following individual issue:

\$18,290,000 Bonds dated July 1, 2002, due in annual installments of \$455,000-\$1,645,000 through October 1, 2021, interest at 3.0-5.0%	\$ 17,835,000
Less currently payable	<u>530,000</u>
Total Long-Term Debt	<u>\$ 17,305,000</u>

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2004

NOTE C – LONG-TERM DEBT

B. Debt Services Requirements to Maturity

The annual requirements to amortize all debts outstanding as of September 30, 2004 are as follows:

Year Ending September 30,	
2005	\$ 1,323,181
2006	1,342,281
2007	1,365,331
2008	1,390,971
2009	1,408,871
2010-2014	7,384,323
2015-2019	7,985,140
2020-2021	5,097,750

C. Section 6.11 Compliance

VPPA has complied for the year ended September 30, 2004 with the net revenue requirements of Section 6.11 of the loan agreement. Compliance with section 6.11 of the loan agreement allows VPPA to receive monies accumulated in the "Refund Fund."

With respect to section 6.11 of the loan agreement, net revenues available for debt service for the year ended September 30, 2004 (\$1,918,443) is in excess of the total debt service requirement (\$1,323,163) by at least 1.15 times (1.45 times).

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2004

NOTE D – COMPONENTS OF RESTRICTED NET ASSETS

	Revenue Fund	Debt Service Fund	Reserve Fund	Refund Fund
Cash and investments	<u>\$ -</u>	<u>\$ 926,609</u>	<u>\$ 1,732,067</u>	<u>\$ 109,072</u>
	Operating Reserve Fund	Renewal & Replacement Fund	Non-Routine Maintenance Fund	Totals
Cash and investments	<u>\$ 168,533</u>	<u>\$ 251,274</u>	<u>\$ 100,116</u>	<u>\$ 3,287,671</u>

Certain proceeds of revenue bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "revenue fund" account is used to aggregate resources for power costs and net resources available for debt service. The "debt service fund" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "reserve fund" account is used to report resources set aside to make up potential future deficiencies in the debt service fund account. The "refund fund" account is used to accumulate excess funds in other restricted asset funds. The "operating reserve fund" account is used to accumulate funds for non-routine maintenance. The "renewal and replacement fund" account is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements. The "non-routine maintenance fund" account is used to accumulate funds for payment of extraordinary repairs and maintenance.

The amount of retained earnings reserved for revenue bond retirement is detailed as follows:

Restricted assets-cash and investments	\$ 3,287,671
Less: Accrued interest, payable from restricted assets	<u>396,590</u>
Retained Earnings Reserved	<u>\$ 2,891,081</u>

NOTE E – POWER SUPPLY/SALES ARRANGEMENTS

Previously the Sam Rayburn Municipal Power Authority (SRMPA) provided all of the power requirement to VPPA for VPPA's retail load. VPPA, in turn, supplied all of the power requirements of the Town of Vinton, LA. The Town in turn sold the power to the end use customers. The SRMPA, VPPA, and the Town are all independent entities bound together through power supply and sales contracts and have been contractually bound in this manner since 1981. Recent developments made it attractive for VPPA to

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2004

NOTE E – POWER SUPPLY/SALES ARRANGEMENTS

exit its long-standing contractual relationship with the SRMPA after securing its own financing and power supplies. VPPA will continue its relationship as the Town of Vinton, LA's sole power supplier.

VPPA and the SRMPA have reached mutually agreeable terms and conditions for such exit which will allow VPPA to fix its debt load and take full advantage of expected growth, insure that the rates the Town must charge will be competitive with or below those that would be charged had VPPA remained in the SRMPA, assuming like growth rates and eliminate dependence on the SRMPA board.

In addition, VPPA simultaneously transferred its interest in the Nelson Unit No. 6 project to SRMPA, which was originally obtained from SRMPA on December 18, 1992.

Under a Power Sales Contract, dated as of July 1, 2002, VPPA will agree to sell, and the Town will agree to buy on a "take or pay" basis, all power and energy which the Town shall require for its electric system. VPPA however, shall not be required to supply and the Town shall not be required to purchase power and energy in excess of the maximum power available to VPPA pursuant to the Exit Agreement. Under the Power Sales Contract, the Town agrees to take its all requirements power supply from VPPA and to pay for such supply as an operating expense.

The Town covenants in its Power Sales Contract with VPPA that the Town will establish and collect rates and charges for the electric services sufficient with other revenues and reserves to meet all of the obligations of the Town, including all amounts payable to VPPA under the Power Sales Contract, all operation and maintenance expenses, and debt service on any related revenue bonds.

VPPA accepts an assignment from SRMPA of certain rights and benefits in, and assume a payment obligation under, the Requirements Power Supply Agreement ("RPSA"), dated November 1, 1998, as amended by Amendment No. 1, dated November 1, 1998, between Entergy Power Marketing Corp. ("EPMC", now merged into Entergy-Kock Trading LP or "EKT"), and SRMPA as assigned without novation by EPMC to EWO Marketing LP ("EWOM"). VPPA will thereafter purchase all its requirements power supply, net of certain hydroelectric power resources, under the RPSA. The term of the RPSA expired September 30, 2021. SRMPA will likewise also assign to VPPA certain rights and benefits with respect to the R.D. Willis Hydro Project. VPPA will retain an entitlement to the output of the Sam Rayburn Dam Project.

The \$18,290,000 bond proceeds were used by VPPA to make payment to SRMPA (i) to discharge VPPA from all obligations under its power sales agreement with SRMPA, (ii) to purchase two substations for electric power transmissions, and (iii) to obtain by assignment from SRMPA VPPA's share of SRMPA's rights under the Supply and Transmissions Agreements. Additionally, the proceeds were used to provide funds to

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2004

NOTE E – POWER SUPPLY/SALES ARRANGEMENTS

fund debt service funds, to pay the costs of issuance of the Bonds and certain other expenses of VPPA. Under the terms of the Participation Exit Agreement between SRMPA and VPPA, VPPA agreed to pay to SRMPA, from the proceeds of the Loan from the issuer, \$15,778,548.

NOTE F – CONCENTRATIONS

VPPA has only one customer, the Town of Vinton, Louisiana. Because of this, VPPA is susceptible to economic conditions that could effect its only customer.

NOTE G – SERVICE AGREEMENT AND ASSIGNMENT OF RETAIL LOAD

Pursuant to an agreement between Entergy Gulf States, Inc. (EGSI) and Vinton Public Power Authority (VPPA) for electric capacity and energy services, EGSI will deliver energy and VPPA will purchase energy sufficient to fulfill those contracts assigned to VPPA by EGSI. This agreement was finalized on May 25, 2001 and unless terminated sooner, will end on April 30, 2008. This agreement was approved by the Louisiana Public Service Commission (LPSC) on February 16, 2001. The agreement may be terminated on 90 days notice without cause and without recourse by EGSI, VPPA, or the LPSC. The Board of Directors of VPPA approved this agreement on March 13, 2001. The terms of this engagement specifies that VPPA will receive the lower of one-half of an amount computed annually prior to that year or \$2,250,000 in a monthly payment. The payments for the year ended September 30, 2003 were \$0.00. The annual sum is computed by market based calculation in which VPPA receives one half of any positive margin opportunities.

In an agreement for the assignment of retail load between EGSI and VPPA, EGSI assigned the rights to serve certain retail load to VPPA. VPPA agreed to take assignment from EGSI of the purchase and delivery of the electrical output from the NISCO generation facilities for application in the provision of electrical service to the assigned load. This agreement was finalized on May 25, 2001 and unless terminated sooner, will end on April 30, 2008. This agreement was approved by the LPSC on February 16, 2001. The agreement may be terminated on 90 days notice without cause and without recourse by EGSI, VPPA or the LPSC. The Board of Directors of VPPA approved this agreement on March 13, 2001.

VINTON PUBLIC POWER AUTHORITY

Statement of Revenues, Expenses and Changes in
Net Assets - Budget and Actual

Year Ended September 30, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Charges for services	\$ 2,326,407	\$ 2,278,258	\$ (48,149)
Other revenue	<u>30,000</u>	<u>50,426</u>	<u>20,426</u>
TOTAL OPERATING REVENUES	<u>2,356,407</u>	<u>2,328,684</u>	<u>(27,723)</u>
OPERATING EXPENSES			
Advertising	500	-	500
Amortization	64,017	64,017	-
Depreciation	315,624	315,666	(42)
Dues	2,100	2,277	(177)
Insurance	27,000	26,794	206
Miscellaneous	800	56	744
Power cost	757,775	733,389	24,386
Professional fees	50,000	53,103	(3,103)
Repairs and maintenance	56,000	21,734	34,266
Secretarial	3,000	3,200	(200)
Telephone	3,600	3,435	165
Travel	<u>10,000</u>	<u>8,408</u>	<u>1,592</u>
TOTAL OPERATING EXPENSES	<u>1,290,416</u>	<u>1,232,079</u>	<u>58,337</u>
OPERATING INCOME	<u>1,065,991</u>	<u>1,096,605</u>	<u>30,614</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	58,650	68,164	9,514
Nisco Revenue	-	162,778	162,778
Intergovernmental	32,000	30,971	(1,029)
Interest expense	<u>(793,181)</u>	<u>(793,181)</u>	<u>-</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(702,531)</u>	<u>(531,268)</u>	<u>171,263</u>
CHANGE IN NET ASSETS	363,460	565,337	201,877
NET ASSETS - BEGINNING	<u>1,823,779</u>	<u>1,823,779</u>	<u>-</u>
NET ASSETS - ENDING	<u>\$ 2,187,239</u>	<u>\$ 2,389,116</u>	<u>\$ 201,877</u>



GRAGSON, CASIDAY & GUILLORY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

W. GEORGE GRAGSON, C.P.A.
RICHARD W. CASIDAY, C.P.A.
RAYMOND GUILLORY, JR., C.P.A.
GRAHAM A. PORTUS, E.A.
COY T. VINCENT, C.P.A.
MICHELLE BOURNE, C.P.A.
BRADLEY J. CASIDAY, C.P.A., C.V.A.

JULIA W. PORTUS, C.P.A.
DAWN REDD, C.P.A.
MELONIE L. HIMEL, C.P.A.

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

November 18, 2004

Board of Directors
Vinton Public Power Authority
A Component Unit of the Town of Vinton, Louisiana
Vinton, Louisiana

We have audited the financial statements of Vinton Public Power Authority, a component unit of the Town of Vinton, Louisiana, as of and for the year ended September 30, 2004, and have issued our report thereon dated November 18, 2004. We conducted our audits 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 Vinton Public Power Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Vinton Public Power Authority'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.

Board of Directors
Vinton Public Power Authority
Page Two

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor of the State of Louisiana as a public document.

Gragson, Casiday & Guillory

VINTON PUBLIC POWER AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2004

1. Summary of Auditors' Results:
 - a) Auditor issued an unqualified opinion on the financial statements.
 - b) There were no reportable conditions in internal control over financial reporting and its operation that were disclosed by the audit of the financial statements.
 - c) There were no noncompliance which is material to the financial statements that was disclosed by the audit of the financial statements.

2. Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards

None

3. Findings and Questioned Costs for Federal Awards

N/A

4. Prior Year Findings

None