

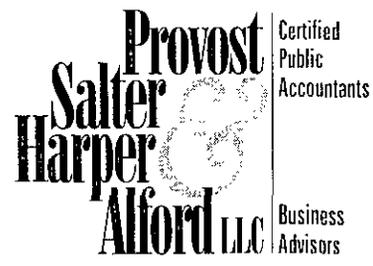
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CITY OF PORT ALLEN, LOUISIANA
FINANCIAL REPORT

June 30, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1-26-05



CITY OF PORT ALLEN, LOUISIANA

Table of Contents

June 30, 2004

Page(s)

INTRODUCTORY SECTION

Title Page	i
Table of Contents	ii-iii

FINANCIAL SECTION

Independent Auditor's Report	1
Required Supplemental Information (Unaudited)	
Management's Discussion and Analysis (MD&A)	3-18
Basic Financial Statements	
Government-Wide Financial Statements (GWFS)	
Statement of Net Assets	20
Statement of Activities	21
Fund Financial Statements:	
Balance Sheet – Governmental Funds	22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	23
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	24
Reconciliation of the Governmental Funds Statements of Revenues, Expenditures, Changes in Fund Balances to the Statement of Activities	25
Statement of Net Assets – Proprietary Funds	26
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	28
Statement of Cash Flows – Proprietary Funds	29
Statement of Net Assets – Component Unit	31
Statement of Activities – Component Unit	32
Notes to Combined Financial Statements	33

CITY OF PORT ALLEN, LOUISIANA

Table of Contents, Continued

June 30, 2004

	Page(s)
Required Supplementary Information (Unaudited)	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on a Budgetary Basis – General Fund	57
Schedule of Revenues and Other Financing Sources - Budget and Actual on a Budgetary Basis – General Fund	58
Schedule of Expenditures and Other Financing Uses - Budget and Actual on a Budgetary Basis – General Fund	60
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on a Budgetary Basis – Port Allen Fire Subdistrict Number 3	63
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on a Budgetary Basis – Capital Improvement Fund	64
Other Supplemental Information	
Combining Balance Sheet – Nonmajor Governmental Funds	67
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	68
Schedule of Compensation Paid to City Council	<i>Schedule 1</i> 70
Schedule of Expenditures of Federal Awards	<i>Schedule 2</i> 71
Notes to Schedule of Expenditures of Federal Awards	72
COMPLIANCE MATTERS AND INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS	
Reports Required by the <i>Government Auditing Standards</i>	
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	73
Reports Required by the Single Audit Act and OMB Circular A-133	
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	75
Schedule of Findings and Questioned Costs	<i>Schedule 3</i> 77



INDEPENDENT AUDITOR'S REPORT ON THE GENERAL PURPOSE FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

To the Honorable Mayor and Members of the City Council
City of Port Allen, Louisiana

We have audited the accompanying 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 Port Allen, Louisiana, as of and for the year ended June 30, 2004, which collectively comprised the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's 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 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 Port Allen, Louisiana, 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.

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as of June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 23, 2004, on our consideration of the City of Port Allen's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 17 and the budgetary comparison schedules on pages 56 through 69 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist primarily 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprised the City of Port Allen, Louisiana, basic financial statements. The introductory section, combined and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Port Allen, Louisiana. The combining and individual nonmajor fund financial statements and the schedule of the expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

PROVOST, SALTER, HARPER & ALFORD, L.L.C.

Provost, Salter, Harper & Alford, L.L.C.

October 23, 2004

City of Port Allen, Louisiana

Management's Discussion and Analysis

June 30, 2004

We offer readers of the City of Port Allen's financial statements this narrative overview and analysis of the financial activities of the City of Port Allen for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the city of Port Allen has elected to exclude the information in this report. Subsequent reports will *include the comparative information.*

Financial Highlights

Key financial highlights for the 2004 fiscal year include the following:

- The assets of the City of Port Allen exceeded its liabilities at the close of the most recent fiscal year by \$10,509,164 (net assets). Of this amount, approximately \$6.3 million (unrestricted net assets) may be used to meet government's obligations to citizens and creditors.
- The total net assets of the City of Port Allen increased by \$643,108 for the year ended June 30, 2004. Net assets of governmental activities increased by \$784 thousand and net assets of business-type activities decreased by \$141 thousand.
- As of the close of the current fiscal year, the City of Port Allen's governmental funds reported combined ending fund balance of \$7,559,971 an increase of \$685,026 in comparison with the prior fiscal year. Of this amount, \$4.8 million was unreserved, undesignated, and available for spending.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$2.6 million or 87% of total General Fund expenditures.

City of Port Allen, Louisiana

Management's Discussion and Analysis

June 30, 2004

- The City of Port Allen's total debt decreased \$55,000 (6%) during the fiscal year as a result of the payment of \$55,000 of a DEQ revolving loan.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the City of Port Allen's basic financial statements. The City of Port Allen's 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 other supplementary information in addition to the basic financial statements themselves.

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

The Statement of Net Assets presents information on all of the City of Port Allen'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 of Port Allen is improving or deteriorating.

The Statement of Activities presents information showing how the City of Port Allen'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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The Statement of Net Assets and the Statement of Activities distinguish functions of the City of Port Allen that are principally supported by taxes, intergovernmental revenues, and charges for services (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The City of Port Allen's governmental activities include general government, public safety, roads and drainage, sanitation, culture, welfare and City Court. The business-type activities of the City of Port Allen include water, gas and sewerage

City of Port Allen, Louisiana

Management's Discussion and Analysis

June 30, 2004

Not only do the government-wide financial statements include the City of Port Allen itself, which is the primary government, but also its component unit, The City Court of Port Allen. Although the component unit is legally separate, its operational or financial relationship with the City of Port Allen make the City of Port Allen financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

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 of Port Allen, 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 of Port Allen 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. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information may be useful in evaluating the City of Port Allen 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 City of Port Allen'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.

City of Port Allen, Louisiana
Management's Discussion and Analysis

June 30, 2004

The City of Port Allen maintains 4 individual governmental funds. 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, Port Allen Fire Subdistrict Number 3 and The Capital Improvement Fund, all of which are considered to be major funds. Data for the other 2 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Port Allen adopts an annual appropriated budget for its General Fund and certain special revenue funds. Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.

Proprietary funds. The City of Port Allen maintains 2 different 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 of Port Allen uses enterprise funds to account for its water and gas and sewer services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Proprietary fund financial statements provide separate information for the water and gas and sewerage operations, which are considered to be major funds of City of Port Allen.

Notes to the basic 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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Port Allen's compliance with budgets for its major funds.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on budgetary comparisons.

City of Port Allen, Louisiana

Management's Discussion and Analysis

June 30, 2004

Financial Analysis of Government-wide Activities

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 Port Allen, assets exceed liabilities by \$10,509,164 at the close of the most recent fiscal year.

City of Port Allen, Louisiana
Management's Discussion and Analysis

June 30, 2004

City of Port Allen's Net Assets

June 30, 2004

	Governmental activities	Business-type activities	Total
Current and other assets	\$ 5,476,340	\$ 1,880,775	\$ 7,357,115
Capital assets	2,720,056	2,560,953	5,281,009
Total assets	8,196,396	4,441,728	12,638,124
Current and other liabilities	469,690	664,412	1,134,102
Long-term liabilities	168,736	876,123	1,044,859
Total liabilities	638,426	1,540,535	2,178,961
Net assets:			
Invested in capital assets, net of related debt	2,270,056	1,684,830	4,404,886
Restricted	-	-	-
Unrestricted	4,837,914	1,266,363	6,104,277
Total net assets	\$ 7,557,971	\$ 2,951,193	\$10,509,164

City of Port Allen, Louisiana

Management's Discussion and Analysis

June 30, 2004

The balance of unrestricted net assets of \$6,104,277 is used to meet the City of Port Allen's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Port Allen is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The City of Port Allen's net assets increased by \$643,108 during the current fiscal year. Key elements of this increase are as follows:

City of Port Allen, Louisiana
Management's Discussion and Analysis

June 30, 2004

City of Port Allen's Changes in Net Assets

	Governmental activities	Business-type activities	Total
Revenues			
<i>Program revenues:</i>			
Charges for services	\$ 329,944	\$ 2,261,697	\$ 2,591,641
Grants and contributions	711,240	-	711,240
<i>General revenues:</i>			
Sales taxes	2,495,924	-	2,495,924
Other taxes	1,174,089	-	1,174,089
Gaming	329,132	-	329,132
Other general revenues	64,742	13,054	77,796
Total revenues	<u>5,105,071</u>	<u>2,274,751</u>	<u>7,379,822</u>
Expenses			
General Government	559,351	-	559,351
Public safety	2,213,864	-	2,213,864
Roads and Drainage	629,498	-	629,498
Depot Welcome Center	21,247	-	21,247
Sanitation	303,637	-	303,637
Health	23,077	-	23,077
Welfare	509,200	-	509,200
Community Development	4,983	-	4,983
Fleet Maintenance	56,112	-	56,112
Water, Sewage and Gas	-	2,415,745	2,415,745
Total expenses	<u>4,320,969</u>	<u>2,415,745</u>	<u>6,736,714</u>
Increase (decrease) in net assets	784,102	(140,994)	643,108
Net assets at beginning of year	<u>6,773,869</u>	<u>3,092,187</u>	<u>9,866,056</u>
Net assets at end of year	<u>\$ 7,557,971</u>	<u>\$ 2,951,193</u>	<u>\$ 1,059,164</u>

Revenues for the City of Port Allen's governmental activities for the year ended June 30, 2004 were \$5.1 million compared to \$6.3 million in the year ended June 30, 2003.

City of Port Allen, Louisiana

Management's Discussion and Analysis

June 30, 2004

In total general revenues decreased. General revenues, specifically sales tax (79%), is the largest component of revenues.

- Sales taxes increased only \$37,000.
- Other taxes increased \$11,000 mainly as a result of an increase in total assessed property values, which increases the total property tax revenue.
- Increases in tax revenues were offset by a decline in investment earnings of \$148,000 as a result of decreased market value of investments.

Business-type activities

The Business-Type Activities of the City are those that the City charges a fee to customers to help cover all or most of the cost of certain services its provides. The City's water and sewer departments are reported here.

Charges for services for the city of Port Allen's business-type activities were \$2.26 million, a decrease of \$48 thousand.

- Water, Gas, and Sewerage revenues decreased \$5,000 as a result of decrease in usage.

The costs of these activities were \$2.415 million, an decrease of \$61 thousand. Repairs and maintenance costs decreased in the water and gas fund and interest expense decreased in the sewer fund.

City of Port Allen, Louisiana

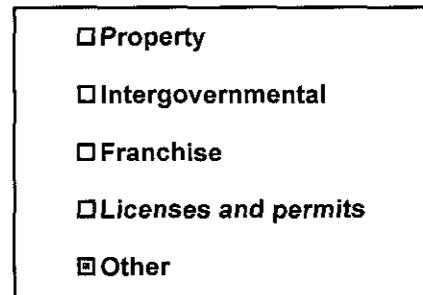
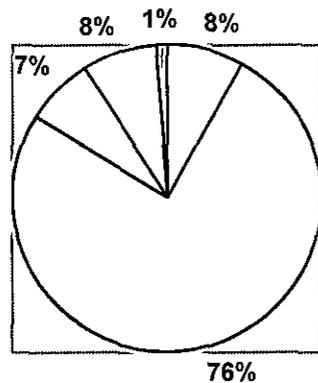
Management's Discussion and Analysis

June 30, 2004

General Revenues and Program Revenues

Taxes:	<u>Amount</u>	<u>Percentage</u>
Property	\$ 315,937	8%
Intergovernmental	3,084,430	76%
Franchise	288,590	7%
Licenses, permits and fines	310,188	8%
Other	64,742	1%
Total general revenues	<u>\$ 4,063,887</u>	<u>100.0%</u>

Revenues



City of Port Allen, Louisiana

Management's Discussion and Analysis

June 30, 2004

The cost of all governmental activities this year was \$4.3 million, a decrease of \$1.0 million. The key factor for the decrease was a \$1 million decrease Riverfront development.

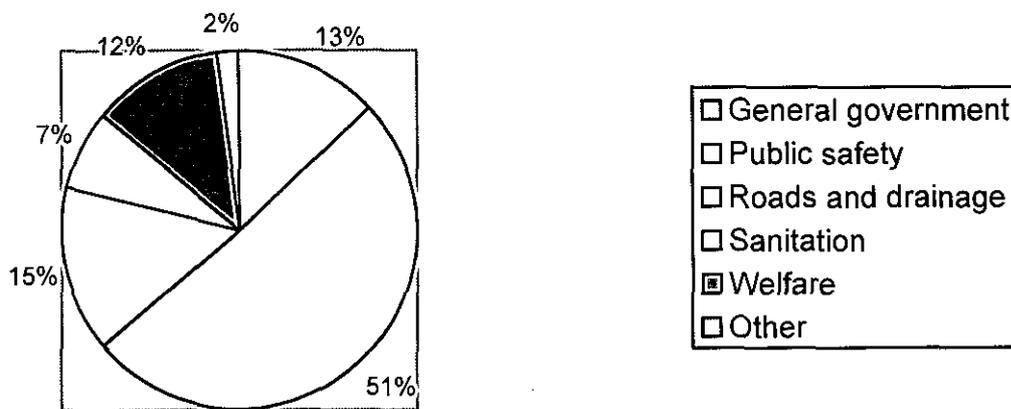
The City of Port Allen's largest programs are public safety, general government, and roads and drainage. The graph below shows the expenses and program revenues generated by governmental activities:

Governmental activities: expenditures

	<u>Amount</u>	<u>Percentage</u>
General government	\$ 559,351	13%
Public safety	2,213,864	51%
Roads and drainage	629,498	15%
Sanitation	303,637	7%
Welfare	509,200	12%
Other	<u>105,419</u>	<u>2%</u>
Total governmental activities: expenditures	\$ <u>4,320,969</u>	<u>100.0%</u>

City of Port Allen, Louisiana
Management's Discussion and Analysis
June 30, 2004

Expenditures



City of Port Allen, Louisiana

Management's Discussion and Analysis

June 30, 2004

Financial Analysis of the City of Port Allen's Funds

Governmental Funds

As noted earlier, the City of Port Allen uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the city of Port Allen's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Port Allen's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

- As of the close of the current fiscal year, the City of Port Allen's governmental funds reported a combined ending balance of \$ 5,006,650 an increase of \$681,849 in comparison with the prior fiscal year. Of this amount, \$4.9 million or 99% was unreserved, undesignated and available for spending. \$63,260 or 1% was reserved to indicate that it is not available for new spending because it has already been committed.
- The General Fund is the chief operating fund of the City of Port Allen. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$2,638,247. The total (undesignated) is available for spending at the City Council's discretion. The fund balance of the City of Port Allen's General Fund increased by \$218,569. A key factor in this was an increase of \$200,000 in intergovernmental revenue.
- The fund entitled *Port Allen Fire Subdistrict Number 3* accounts for fire and emergency activities. At the end of the current fiscal year, unreserved fund balance of the Fund was \$1,114,738, an increase of \$129,068.
- The Capital Improvements Fund accounts for revenues from Video Poker. At the end of the fiscal year, unreserved fund balance of the Fund was \$949,806, an increase of \$335,718.

City of Port Allen, Louisiana

Management's Discussion and Analysis

June 30, 2004

Proprietary Funds

Water and Gas and Sewer net assets decreased by \$140,993. This change was a result of an operating loss during the year, primarily caused by repairs and maintenance to the City's two water towers.

General Fund Budgetary Highlights

The budget policy of the City of Port Allen complies with state law, as amended, and as set forth in Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government budget Act (LSA-R.S. 39:1301 et seq.).

The original budget for the General Fund of the City of Port Allen was adopted on June 25, 2003. Some amendments were made. Differences between the budget and the actual results of the General Fund is as follows:

Revenues

- Franchise tax revenues were \$32,000 higher than the budget estimate.
- Business licenses were \$41,000 higher than the budget estimate.
- Sales and use tax revenues were estimated to increase based on estimates from the West Baton Rouge Parish Revenue Department. Actual results were more than original budget by \$98,700.
- Interest earned was \$47,000 lower than the budget estimate because of lower market values of investments.
- Ad valorem tax revenues were expected to be 5% higher than prior year revenues. Actual revenues were less than budget by \$11,375 as a result of lower than projected assessed values related to movable property

Expenditures

- Administrative services were over budget by \$67,000 as a result of expensing some architectural fees on an abandoned project.
- Road and drainage expenses were \$29,000 less than the revised budget estimate.

City of Port Allen, Louisiana

Management's Discussion and Analysis

June 30, 2004

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of June 30, 2004 amounts to \$5,281,009 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, wastewater treatment plant, and transmission and distribution lines. The City has not yet included infrastructure assets acquired before June 30, 2004. The required date for inclusion of infrastructure assets is the fiscal year ended June 30, 2008. The City intends to implement infrastructure improvements acquired before June 30, 2004 prior to that date.

Additional information on the City's capital assets can be found in Note 5 on page 46 through 48 of this financial report.

**City of Port Allen's Capital Assets
(net of depreciation)**

	<u>Governmental</u> <u>activities</u>	<u>Business-type</u> <u>activities</u>
Land and land improvements	\$ 921,542	\$ 388,403
Buildings and structures	996,776	238,889
Furniture and Fixtures	177,255	35,220
Equipment and vehicles	1,853,590	47,643
Wastewater treatment plant	624,483	142,725
Transmission and distribution system	-	<u>1,708,073</u>
Total	<u>\$ 2,720,056</u>	<u>\$ 2,560,953</u>

Major capital asset events during the fiscal year included the following:

- The purchase of \$226,353 of land for a future Municipal Building Complex and related improvements.

City of Port Allen, Louisiana

Management's Discussion and Analysis

June 30, 2004

Long-term debt: At the end of the current fiscal year, the City of Port Allen had total debt outstanding of \$931,123. The City of Port Allen has no general bonded debt outstanding. The following table summarizes bonds outstanding at June 30, 2004.

**City of Port Allen's
Outstanding Debt**

	<u>Business-type activities</u>
DEQ Revolving loan	\$ <u>931,123</u>

For additional information regarding capital assets and long-term debt, see the notes to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

The following economic factors were considered when the budget for FY 2004 was presented to the Council:

- For the year ending June 30, 2005, the City of Port Allen has projected a 2% increase property tax revenues and a 1% decrease in sales tax revenues. We intend to continue to monitor and adjust for any unanticipated local downturns in the economy.

Requests for Information

This financial report is designed to provide a general overview of the City of Port Allen's finances for all those with an interest in the City of Port Allen's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Director of Finance of the City of Port Allen, 750 North Jefferson, Port Allen, LA, 70767, or by calling (225) 346-5670.

CITY OF PORT ALLEN, LOUISIANA

Basic Financial Statements

June 30, 2004

CITY OF PORT ALLEN, LOUISIANA

Statement of Net Assets

June 30, 2004

	Primary Government			Component unit
	Government activities	Business-type activities	Total	
Assets				
Cash and cash equivalents	\$ 1,423,051	\$ 1,235,531	\$ 2,658,582	\$ 126,072
Investments	3,278,365	94,509	3,372,874	211,232
Receivables, net	247,080	228,266	475,346	-
Internal balances	155,979	202,499	358,478	-
Due from other governments	312,890	-	312,890	-
Prepaid items and other assets	58,975	38,246	97,221	-
Restricted assets:				
Cash and cash equivalents	-	131,724	131,724	-
Capital assets:				
Land	921,542	-	921,542	-
Other capital assets, net of depreciation	1,798,514	2,560,953	4,359,467	76,476
Total assets	8,196,396	4,491,728	12,688,124	413,780
Liabilities				
Accounts payable	303,646	138,978	442,624	721
Due to other funds	75,668	282,809	358,477	30,962
Deposits and deferred charges	-	100,405	100,405	14,115
Compensated Absences	90,376	78,025	168,401	-
Noncurrent liabilities:				
Due within one year	-	64,195	64,195	-
Due in more than one year	168,736	876,123	1,044,859	-
Total liabilities	638,426	1,540,535	2,178,961	45,798
Net Assets				
Invested in capital assets, net of related debt	2,720,056	1,684,830	4,404,886	76,476
Reserved for:				
Prepaid Items	58,794	-	58,794	-
Public Health and Safety	4,466	-	4,466	-
Unrestricted	4,774,653	1,266,363	6,041,017	291,506
Total net assets	\$ 7,557,970	2,951,193	10,509,163	367,982

CITY OF PORT ALLEN, LOUISIANA

Statement of Activities

Year Ended June 30, 2004

	Program Revenues			Net (expenses) revenue and change in assets			Component units
	Expenses	Charges for services	Operating grants and contributions	Governmental activities	Primary Government		
					Business-type activities	Total	
Functions/programs							
Primary government:							
Governmental activities:							
General government	\$ 559,351	\$ -	\$ -	\$ (559,351)	\$ -	\$ (559,351)	\$ -
Public safety	2,213,864	17,280	184,084	(2,012,500)	-	(2,012,500)	-
Roads and drainage	629,498	-	4,835	(624,663)	-	(624,663)	-
Depot welcome center	21,247	-	-	(21,247)	-	(21,247)	-
Sanitation	303,637	312,664	-	9,027	-	9,027	-
Health	23,077	-	-	(23,077)	-	(23,077)	-
Welfare	509,200	-	517,338	8,138	-	8,138	-
Community Development	4,983	-	4,983	-	-	-	-
Fleet maintenance	56,112	-	-	(56,112)	-	(56,112)	-
Payments to component units	-	-	-	-	-	-	-
Total governmental activities	\$ 4,320,969	329,944	711,240	(3,279,785)	-	(3,279,785)	-
Business-type activities							
Water and Gas	1,763,172	1,590,526	-	-	(172,646)	(172,646)	-
Sewer	652,573	671,171	-	-	18,598	18,598	-
Total business-type activities	2,415,745	2,261,697	-	-	(154,048)	(154,048)	-
Total primary government	\$ 6,736,714	\$ 2,591,641	\$ 711,240	\$ (3,279,785)	\$ (154,048)	\$ (3,433,833)	-
Component units:							
City Court	\$ 265,362	\$ 241,072	-	-	-	-	\$ (24,290)
General revenues:							
Taxes:							
Property				\$ 315,937	\$ -	\$ 315,937	\$ -
Intergovernmental				3,084,430	-	3,084,430	-
Fines				16,817	-	16,817	-
Franchise				288,590	-	288,590	-
Licenses and permits				293,371	13,054	306,425	-
Investment earnings				28,630	-	28,630	2,186
Payments from City of Port Allen				-	-	-	73,042
Miscellaneous				35,007	-	35,007	-
Gain on sale of capital assets				1,105	-	1,105	-
Total general revenues and transfers				4,063,887	13,054	4,076,941	75,228
Change in net assets				784,102	(140,994)	643,108	50,938
Net assets - beginning (as originally stated)				4,324,801	3,092,187	7,416,988	240,568
Prior period adjustment				2,449,068	-	2,449,068	76,476
Net assets - beginning (restated)				6,773,869	3,092,187	9,866,056	317,044
Net assets - ending				\$ 7,557,971	\$ 2,951,193	\$10,509,164	\$ 367,982

CITY OF PORT ALLEN, LOUISIANA

Balance Sheet, Governmental Funds

June 30, 2004

	General	Port Allen Fire Subdistrict Number 3	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 116,325	\$ 249,650	\$ 900,560	\$ 156,516	\$ 1,423,051
Investments	2,460,373	817,992	-	-	3,278,365
Receivables, net	156,333	90,747	-	-	247,080
<i>Due from other funds</i>	106,733	-	49,246	-	155,979
Due from other governments	224,002	-	-	88,888	312,890
Prepaid items and other assets	58,794	181	-	-	58,975
Total assets	<u>3,122,560</u>	<u>1,158,570</u>	<u>949,806</u>	<u>245,404</u>	<u>5,476,340</u>
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	300,469	-	-	3,177	303,646
Compensated absences	71,338	19,038	-	-	90,376
Due to other funds	49,246	24,794	-	1,628	75,668
Total liabilities	<u>421,053</u>	<u>43,832</u>	<u>-</u>	<u>4,805</u>	<u>469,690</u>
Fund balance:					
Reserved for:					
Prepaid items	58,794	-	-	-	58,794
Public Health and Safety	4,466	-	-	-	4,466
Unreserved:					
Undesignated	2,638,247	1,114,738	949,806	240,598	4,943,389
Total fund balance	<u>2,701,507</u>	<u>1,114,738</u>	<u>949,806</u>	<u>240,598</u>	<u>5,006,649</u>
Total liabilities and fund balance	<u>\$ 3,122,560</u>	<u>\$ 1,158,570</u>	<u>\$ 949,806</u>	<u>\$ 245,403</u>	<u>\$ 5,476,339</u>

CITY OF PORT ALLEN, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

Year Ended June 30, 2004

Fund balances - total governmental funds \$ 5,006,649

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds

Governmental capital assets	4,927,280	
Less accumulated depreciation	<u>(2,207,223)</u>	
		2,720,057

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds

Compensated absences		<u>(168,736)</u>
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Net assets of governmental activities		<u><u>\$ 7,557,970</u></u>
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CITY OF PORT ALLEN, LOUISIANA

Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds

Year Ended June 30, 2004

	General	Port Allen Fire Subdistrict Number 3	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 604,527	\$ -	\$ -	\$ -	\$ 604,527
Licenses and permits	293,371	-	-	-	293,371
Intergovernmental	1,842,039	873,823	329,132	750,676	3,795,670
Charges for services	329,944	-	-	-	329,944
Fines and forfeitures	16,817	-	-	-	16,817
Investment earnings	33,291	(12,648)	6,586	1,401	28,630
Miscellaneous	34,050	957	-	-	35,007
Total revenues	3,154,039	862,132	335,718	752,077	5,103,966
Expenditures					
Current					
General government	556,424	-	-	-	556,424
Public safety	1,364,841	680,032	-	-	2,044,873
Roads and drainage	587,799	-	-	14,672	602,471
Depot welcome center	13,134	-	-	-	13,134
Sanitation	303,637	-	-	-	303,637
Health	23,077	-	-	-	23,077
Welfare	-	-	-	509,200	509,200
Community Development	4,983	-	-	-	4,983
Fleet maintenance	56,111	-	-	-	56,111
Capital outlay					
General government	-	-	-	226,353	226,353
Public safety	75,287	1,396	-	-	76,683
Highways and streets	6,277	-	-	-	6,277
Total expenditures	2,991,570	681,428	-	750,225	4,423,223
Excess (Deficiency) of Revenues Over Expenditures	162,469	180,704	335,718	1,852	680,743
Other Financing Sources (Uses)					
Sales of general fixed assets	1,105	-	-	-	1,105
Operating transfers in	54,995	-	-	-	54,995
Operating transfers out	-	(51,636)	-	(3,359)	(54,995)
Total other financing sources (uses)	56,100	(51,636)	-	(3,359)	1,105
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	218,569	129,068	335,718	(1,507)	681,848
Fund Balances					
Beginning	2,482,938	985,670	614,088	242,105	4,324,801
Ending	\$ 2,701,507	\$ 1,114,738	\$ 949,806	\$ 240,598	\$ 5,006,649

CITY OF PORT ALLEN, LOUISIANA

Reconciliation of the Governmental Funds Statement of Revenues Year Ended June 30, 2004 Expenditures, Changes in Fund Balances to the Statement of Activities

Net change in fund balances - total governmental funds	\$ 681,848
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.	
Capital outlay	309,313
Depreciation expense	<u>(207,059)</u>
	<u>102,254</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
	<hr/>
Change in net assets of governmental activities	<u><u>\$ 102,254</u></u>

CITY OF PORT ALLEN, LOUISIANA

Statement of Net Assets, Proprietary Funds

June 30, 2004

	Business-type Activities Enterprise Funds		
	Water & Gas	Sewer	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 1,235,531	\$ -	\$ 1,235,531
Investments	-	94,509	94,509
Restricted:			
Cash and cash equivalents	100,405	31,319	131,724
Accounts receivable, net	228,184	-	228,184
Accrued interest receivable	82	-	82
Due from other funds	-	202,499	202,499
Prepaid items and other assets	33,005	5,241	38,246
Total current assets	1,597,207	333,568	1,930,775
Noncurrent Assets			
Capital assets:			
Land	16,193	372,210	388,403
Buildings	296,874	746,824	1,043,698
Improvements other than buildings	2,157,219	1,685,473	3,842,692
Equipment	249,175	75,174	324,349
Less accumulated depreciation	(1,918,560)	(1,119,630)	(3,038,190)
Total capital assets (net of accumulated depreciation)	800,902	1,760,051	2,560,953
Total noncurrent assets	800,902	1,760,051	2,560,953
Total assets	2,398,109	2,093,619	4,491,728
Liabilities			
Current Liabilities (payable from current assets):			
Accounts payable	136,312	2,666	138,978
Due to other funds	282,809	-	282,809
Customer deposits	100,405	-	100,405
Compensated absences	55,736	22,289	78,025
Total current liabilities (payable from current assets)	575,262	24,955	600,217
Current Liabilities (payable from restricted assets):			
Accrued interest payable on revenue bonds	-	9,195	9,195
Current portion of long-term debt	-	55,000	55,000
Total current liabilities (payable from restricted assets)	-	64,195	64,195

CITY OF PORT ALLEN, LOUISIANA

*Statement of Net Assets, Proprietary Funds, Continued**June 30, 2004*

	<u>Business-type Activities Enterprise Funds</u>		
	<u>Water & Gas</u>	<u>Sewer</u>	<u>Total</u>
Noncurrent Liabilities:			
Bonds and notes payable	-	876,123	876,123
Total noncurrent liabilities	-	876,123	876,123
Total liabilities	575,262	965,273	1,540,535
Net Assets			
Invested in capital assets, net of related debt	800,902	883,928	1,684,830
Unrestricted	1,021,945	244,418	1,266,363
Total net assets	\$ 1,822,847	\$ 1,128,346	\$ 2,951,193

CITY OF PORT ALLEN, LOUISIANA

*Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Funds*

Year Ended June 30, 2004

	Water & Gas	Sewer	Total
Operating Revenues			
Charges for services			
Gas sales	\$ 1,194,314	\$ -	\$ 1,194,314
Water sales	330,735	-	330,735
Sewer service charges	-	667,036	667,036
Connection fees	19,895	3,535	23,430
Delinquent charges	33,108	-	33,108
Miscellaneous	12,475	600	13,075
Total Operating Revenues	1,590,526	671,171	2,261,697
Operating Expenses			
Personal services	472,892	247,960	720,852
Contractual services and other	253,326	238,308	491,634
Supplies	22,951	40,060	63,011
Materials	921,041	5,333	926,374
Heat, light and power	42,827	20,423	63,250
Depreciation	50,135	62,080	112,215
Total Operating Expenses	1,763,172	614,164	2,377,336
Operating Income	(172,646)	57,007	(115,639)
Nonoperating Revenues (Expenses)			
Interest expense	-	(38,409)	(38,409)
Investment earnings	13,697	(643)	13,054
Income before transfers	(158,949)	17,955	(140,994)
Transfer in (out)	16,824	(16,824)	-
Change in net assets	(142,125)	1,131	(140,994)
Net assets			
Beginning	1,964,972	1,127,215	3,092,187
Ending	\$ 1,822,847	\$ 1,128,346	\$ 2,951,193

CITY OF PORT ALLEN, LOUISIANA

Statement of Cash Flows Proprietary Funds

Year Ended June 30, 2004

	Water & Gas	Sewer
Cash Flows From Operating Activities		
Receipts from customers	\$ 1,604,736	\$ 631,979
Payments to suppliers	(1,298,612)	(300,159)
Payments to employees for services and benefits	(472,892)	(247,960)
Net Cash Provided By Operating Activities	(166,768)	83,860
Cash Flows From Noncapital Financing Activities		
Loans to other funds	553	-
Loans from other funds	37,370	-
Net Cash Provided by (Used in) Noncapital Financing Activities	37,923	-
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(15,807)	22,400
Principal paid on revenue bonds	-	(55,000)
Interest Paid	-	(38,409)
Transfers in (out)	16,824	(16,824)
Net Cash (Used In) Capital and Related Financing Activities	1,017	(87,833)
Cash Flows From Investing Activities		
Interest on investments	13,615	3,736
Purchase of investments	-	-
Net Cash Provided By (Used In) Investing Activities	13,615	3,736
Increase in Cash and Cash Equivalents	(114,213)	(237)
Cash and Cash Equivalents		
Beginning	1,450,149	31,556
Ending	\$ 1,335,936	\$ 31,319
Cash and Cash Equivalents Restricted Assets	\$ 1,235,531	\$ -
	100,405	31,319
Totals	\$ 1,335,936	\$ 31,319

CITY OF PORT ALLEN, LOUISIANA

Statement of Cash Flows (continued)
Proprietary Funds**Year Ended June 30, 2004**

	Water & Gas	Sewer
Cash Flows From Operating Activities		
Operating income	\$ (172,646)	\$ 57,007
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	50,135	62,080
Provisions for doubtful accounts	7,125	-
Change in assets and liabilities		
Decrease in accounts receivable	(628)	-
Increase (decrease) in accounts payable and accrued expenses	(19,386)	3,422
Other prepaids and accruals, net	(31,368)	(38,649)
Net Cash Provided By Operating Activities	\$ (166,768)	\$ 83,860

CITY OF PORT ALLEN, LOUISIANA

Statement of Net Assets Component Unit

June 30, 2004

	City Court
Assets	
Cash and cash equivalents	\$ 126,072
Investments	211,232
Capital assets:	
Other capital assets, net of depreciation	<u>76,476</u>
Total assets	<u>\$ 413,780</u>
Liabilities	
Accounts payable	\$ 721
Deposits	30,962
Due to other governments	<u>14,115</u>
Total liabilities	<u>45,798</u>
Net Assets	
Invested in capital assets, net of related debt	76,476
Unrestricted	<u>291,506</u>
Total net assets	<u>\$ 367,982</u>

CITY OF PORT ALLEN, LOUISIANA

Statement of Activities Component Unit

Year Ended June 30, 2004

	Program Revenues	Expenses	Charges for Services	City Court
	Net (Expenses) Revenues and Changes in Net Assets			
City Court				
Judicial	\$ 265,362	\$ 241,072		\$ (24,290)
General Revenues				
Investment earnings				2,186
Payment from the City of Port Allen				73,042
Total general revenues				75,228
Change in net assets				50,938
Net assets - beginning				240,568
Net assets - ending				\$ 291,506

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements

June 30, 2004

1. Summary of Significant Accounting Policies

The financial statements of the City of Port Allen, Louisiana (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Reporting Entity. In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the City and/or its citizens, or whether the activity is conducted within the geographic boundaries of the City and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the City's reporting entity.

Blended component unit: The Port Allen Fire Subdistrict No. 3 serves the citizens of the government.

Discretely presented component units: The City Court of Port Allen serves the citizens of the City. The voters elect the judge. The City is required to provide facilities and funding for the operation of the Court.

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2004

The government is a municipal corporation governed by an elected Mayor and five member council. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are in substance, part of the government's operations, and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the government. The discretely presented component unit has a December 31 year end.

Complete financial statements for the City Court may be obtained at the Court's administrative office: City Court of Port Allen, 330 South Alexander, Port Allen, Louisiana.

Excluded from the reporting entity:

Port Allen Volunteer Fire Department and Port Allen Auxiliary Police Department. These potential component units provide volunteer fire and police services within the city limits. Although the City does provide facilities and/or some financing, it does not exercise direct control over their operations.

Port Allen City Constable. This potential component unit is an independently elected official and provides services to residents, generally within the geographic boundaries of the City. However, the City does not have the ability to exercise influence over its daily operations and does not provide any funding for the office.

Basis of Presentation. The government-wide financial statements (the statement of net assets) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2004

Fund Financial Statements. The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund. The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Port Allen Fire Subdistrict Number 3 Fund. The Fire District Fund is used to account for a ½ cent sales tax specifically dedicated for the purchase and maintenance of fire fighting equipment and to provide for payment of contractual obligations of the fire subdistrict and to provide fire protection to the subdistrict and its citizens.

Capital Improvement Fund. The Capital Improvement Fund is used to account for all resources and expenditures in connection with the acquisition of capital facilities and major capital improvements.

Proprietary Funds. Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary funds:

Water and Gas Fund. The Water and Gas Fund is to account for the provision of water and gas services to the residents of the City. 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.

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2004

Sewer Fund. The Sewer Fund is to account for the provision of sewer services to the residents of the City. 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 billing.

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. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Basis of Accounting. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. 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 uses) in net current assets.

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

All governmental fund types use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" 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 property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. 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 or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2004

Those revenues susceptible to accrual are property taxes, franchise taxes, special assessments, fines, interest revenue and charges for services. Sales taxes collected and held by the Parish and beer taxes collected and held by the State at year end on behalf of the City also are recognized as revenue. Licenses and permits are not susceptible to accrual because generally they are not measurable until received in cash.

The proprietary fund type utilizes the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the City receives resources before it has a *legal claim to them, as when grant moneys are received prior to the incurrence of qualifying expenditures*. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Budgets. Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, capital improvement and debt service funds. All annual appropriations lapse at fiscal year end.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of resources are recorded to reserve that portion of the applicable appropriation, is not utilized in the governmental funds. Encumbrances outstanding at year end are immaterial and not reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Cash, Cash Equivalents and Investments. Cash and cash equivalents include amounts in demand deposits as well as short term investments with a maturity date within three months of the date acquired by the City.

Investments are stated at market value.

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, if any, are classified as "interfund receivables/payables."

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2004

Inventories. Purchases of operating supplies are recorded as expenditures when purchased; inventories of such supplies are not recorded and are not considered by management to be material.

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

Restricted Assets. Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "revenue bond current debt service" account is used to segregate resources accumulated for debt service payments over the next 12 months. The "revenue bond account renewal and replacement" account is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.

Capital Assets. Capital Assets, which includes property, plant and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized have an original cost of \$500 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

<u>Description</u>	<u>Life in Years</u>
Buildings	30-50
Water and Sewer Systems	40-50
Infrastructure	20-35
Machinery and Equipment	5-10
Improvements	20

GASBS No. 34 requires the City to report and depreciate new infrastructure assets effective with the beginning of the current year. Infrastructure assets include roads, underground pipe (other than related to utilities), etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for fiscal years ending in 2008. The City has elected to implement the general provisions of GASBS No. 34 in the current year and hope to implement

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2004

the retroactive infrastructure provisions (under the modified approach) in the fiscal year ending June 30, 2006.

Compensated Absences. In accordance with GASB Statement No. 16, vested or accumulated vacation leave is accrued and recorded as earned. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. The current and non-current portion of this obligation, in the governmental funds, are recorded in the government-wide financial statements. The current and non-current balance of this obligation, in the proprietary funds, are recorded in the fund financial statements.

Long Term Debt. Long Term Debt obligations to be repaid from governmental and business type resources are reported as liabilities in the government-wide statements.

Long Term Debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest are reported as expenditures in the fund statements.

The reporting of Long Term Debt in the proprietary statements is the same in the fund statements as it is in the government-wide statements.

Fund Equity.

Equity Classifications.

Government-Wide Financial Statements.

In the Government-Wide 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.
- 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.

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2004

- 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”.

Fund Financial Statements.

In the Fund Financial Statements governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Interfund Transactions. Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of the expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Revenues and Expenditure Recognition.

Ad Valorem Taxes. Ad Valorem taxes are recognized in the fiscal year in which the taxes are levied. Taxes are due and become an enforceable lien on property on the first day of the month following the filing of the tax rolls by the assessor with the Louisiana Tax Commission (usually December 1). City taxes are billed and collected by the City.

Taxes become delinquent on January 1st in the year after levy. Taxes are levied on property values determined by the West Baton Rouge Parish Assessor’s Office. All land and residential improvements are assessed at 10 percent of its fair market value and other property at 15 percent of its fair market value. Ad Valorem taxes are levied (per \$1,000 assessed value) in varying amounts for maintenance and operation, debt service and capital improvements for the city and are distributed to its funds as follows:

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2004

General Fund	2004 Millage
General Maintenance	7.37
Police Department	5.27

Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements. The city opted for early implementation of GASB Statement No. 40, "Deposit and Investment Risk Disclosures," issued in March 2003. The statement establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. This pronouncement has no impact on the city's net assets.

2. Legal Compliance – Budgets

On or before May 15 of each year, all agencies of the City submit requests for appropriation to the City's finance director so that a budget may be prepared. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

Before June 16, the proposed budget is presented to the City's Council for review. The City's Council holds a public hearing and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the City's finance director or the revenue estimates must be changed by an affirmative vote of a majority of the City's Council.

Expenditures may not legally exceed budgeted appropriations at the activity level by no more than 5%. During the year, several supplementary appropriations were necessary.

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2004

3. Deposits and Investments

Deposits. Under State law, federal deposit insurance or the pledge of securities owned by the fiscal agent bank must secure these deposits (or the resulting bank balances). 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. At year end the carrying amount of the City's deposits was \$2,790,307 and the bank balance was \$2,758,163. All of the bank balance was covered by federal depository insurance or collateral pledged in the name of the city (GASB Category 3)

Investments. State law allows the city to invest in any direct obligation of the United States Treasury, other debt issued or guaranteed by the full faith and credit of the United States, certificates of deposit of any bank in Louisiana, mutual funds which are registered with the Securities and Exchange Commission and invest in securities of the U.S. government or its agencies, guaranteed investment contracts issued by banks or insurance companies or investment grade commercial paper of domestic U.S. corporations.

Local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. Investments are stated at market value and are equal to the value of the pool shares.

Investments in LAMP held at June 30, 2004 \$413,471. In accordance with GASB Codification Section 150.165, the investment in LAMP at June 30, 2004 are not categorized in the risk categories provided by GASB Codification Section 150.164 because the investment is in a pool of funds and therefore not evidenced by securities that exist in physical or book entry form. The LAMP corporation is governed by a board of directors comprising the State treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPA's. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consist of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2004

	<u>Change in Investments</u>	
	<u>Amortized cost</u>	<u>Fair Value</u>
Balance, June 30, 2003	\$ 3,068,710	\$ 3,105,452
Add:		
Investment purchase	2,659,000	2,659,000
Market value adjustment	-	(103,489)
Total	<u>\$ 5,727,710</u>	<u>\$ 5,660,963</u>
Less- investment maturities	<u>\$ (2,288,089)</u>	<u>\$ (2,288,089)</u>
Balance, June 30, 2004	<u>\$ 3,439,321</u>	<u>\$ 3,372,874</u>

Custodial Risk of Investments

Custodial credit risk for investments is the risk that, in the event of a failure of the counter party, the City will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are insured and are not registered in the name of the City and are held by either the counter-party's trust department or agents but not in the City's name. The City has no custodial credit risk at June 30, 2004 since all investments were registered in the name of the City of Port Allen and held in the possession of the City's custodial bank, or brokers.

Interest Rate Risk

As of June 30, 2004, the City of Port Allen had the following investments and maturities:

	<u>Fair Value</u>	<u>Investment Maturities in Years</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
U.S. Government Agency Obligations	\$2,182,874	\$ -	\$ 496,566	\$ 887,145	\$719,163
Certificates of Deposit	1,270,000	1,270,000	-	-	-
Totals	<u>\$3,372,874</u>	<u>\$1,270,000</u>	<u>\$ 496,566</u>	<u>\$ 887,145</u>	<u>\$719,163</u>

The City has minimal credit risk as all investments are bank certificates of deposit or obligations of the U.S. Government.

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2004

In order to accurately compare the cash and investments shown on the combined balance sheet (Exhibit A) with carrying values of deposits and investments disclosed in the schedules above, the following is provided:

Captions in Note 3	
Carrying value of bank deposits	\$ 2,376,835
Carrying value of investments	3,372,874
Carrying value of LAMP deposits	<u>413,471</u>
Total	<u>\$ 6,163,180</u>

Captions on combined balance sheet:	
Cash and cash equivalents	\$ 2,658,582
Investments	3,372,874
Restricted assets	<u>131,724</u>
Total	<u>\$ 6,163,180</u>

4. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include ad valorem, sales taxes, franchise taxes, and grants. Business-type activities report utilities earnings as their major receivable.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as ad valorem, sales tax, franchise tax, and grants and other similar *intergovernmental revenues* since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2004

The following is a summary of receivables for June 30, 2004, net of allowances for uncollectible amounts where applicable:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Revenue Funds</u>	<u>Proprietary Funds</u>	<u>Total</u>
Taxes				
Other	\$ 59,481	\$ 83,130	\$ -	\$ 142,611
Other:				
Accounts	78,237	821	228,184	307,242
Other	18,615	6,796	82	25,493
Total	<u>\$ 156,333</u>	<u>\$ 90,747</u>	<u>\$ 228,266</u>	<u>\$ 475,346</u>

Uncollectible amounts due for ad valorem taxes and customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. The following details the description and amount of the allowance for uncollectible accounts at June 30, 2004.

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Proprietary Funds</u>	<u>Total</u>
Other				
Accounts	\$ 52,204	\$ -	\$ 14,325	\$ 66,529
Total	<u>\$ 52,204</u>	<u>\$ -</u>	<u>\$ 14,325</u>	<u>\$ 66,529</u>

5. Capital Assets

The following is a summary of changes in the capital assets for the fiscal year ended June 30, 2004:

CITY OF PORT ALLEN, LOUISIANA

*Notes to Financial Statements, Continued**June 30, 2004*

Governmental Activities:

	Restated Balance June 30, 2003	Increases	Decreases	Balance June 30, 2004
Capital Assets Not Depreciated				
Land	<u>\$ 695,189</u>	<u>\$ 226,353</u>	<u>\$ -</u>	<u>\$ 921,542</u>
Other Capital Assets:				
Buildings & Improvements	1,674,024	-	(1,600)	1,672,424
Furniture, fixtures & equipment	451,764	28,398	(438)	479,724
Vehicles and road machinery	<u>1,827,287</u>	<u>54,561</u>	<u>(28,258)</u>	<u>1,853,590</u>
Total Other Capital Assets	<u>3,953,075</u>	<u>82,959</u>	<u>(30,296)</u>	<u>4,005,738</u>
Less Accumulated Depreciation:				
Buildings & Improvements	645,921	29,727	-	675,648
Furniture, fixtures & equipment	253,860	49,047	(438)	302,469
Vehicles and road machinery	<u>1,129,080</u>	<u>128,285</u>	<u>(28,258)</u>	<u>1,229,107</u>
	<u>2,028,861</u>	<u>207,059</u>	<u>(28,696)</u>	<u>2,207,224</u>
Other Capital Assets Net	<u>1,924,214</u>	<u>(124,100)</u>	<u>(1,600)</u>	<u>1,798,514</u>
Totals	<u>\$ 2,619,403</u>	<u>\$ 102,253</u>	<u>\$ (1,600)</u>	<u>\$ 2,720,056</u>

Governmental activities capital assets net of accumulated depreciation at June 30, 2004 are comprised of the following:

General Capital Assets, Net	<u>\$ 2,720,056</u>
Total	<u>\$ 2,720,056</u>

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2004

The gross cost and accumulated depreciation balances at June 30, 2003 were restated and record accumulated depreciation in accordance with the adoption of GASB Statement No. 34. Balances as of June 30, 2003 were restated as follows:

	Balance		Restated
	June 30, 2003	Restatement	Balance
			June 30, 2003
Land	\$ 695,189	\$ -	\$ 695,189
Buildings & Improvements	1,674,024	645,921	1,028,103
Furniture, fixtures & equipment	451,764	253,860	197,904
Vehicles and road machinery	1,827,287	1,129,080	698,207
	<u>\$ 4,648,264</u>	<u>\$ 2,028,861</u>	<u>\$ 2,619,403</u>

Depreciation expense were charged to government functions as follows:

General Government	\$ 2,928
Public Safety	168,991
Public Works	27,027
Depot Welcome Center	<u>8,113</u>
Total	<u>\$ 207,059</u>

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2004

The following is a summary of changes in capital assets for business-type activities for the fiscal year ended June 30, 2004:

	Balance June 30, 2003	Increases	Decreases	Balance June 30, 2004
Business-Type Activities:				
Land	\$ 388,403	\$ -	\$ -	\$ 388,403
Buildings	281,067	15,807	-	296,874
Furniture and fixtures	91,946	-	-	91,946
Equipment and vehicles	323,403	-	-	323,403
Other than buildings	<u>4,611,916</u>	-	-	<u>4,611,916</u>
	5,605,736	15,807	-	5,621,543
Less Accumulated Depreciation for:				
Buildings and Equipment	<u>2,925,976</u>	112,215	-	<u>3,038,191</u>
Total	<u>\$ 2,679,760</u>	<u>\$ 112,215</u>	<u>-</u>	<u>\$ 2,583,352</u>

Property, plant, and equipment are stated at cost, less an allowance for accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	30-50 years
Equipment	5-20 years
Infrastructure	20-25 years

Capital outlays are reported as expenditures in the governmental funds; however, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. The adjustment from governmental funds to the government-wide statements are summarized as follows:

Primary Government	
Capital Outlay	\$ 309,312
Depreciation Expense	<u>(207,059)</u>
Total Adjustment	<u>\$ 102,253</u>

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2004

6. Long Term Debt

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental Activities:

As of June 30, 2004, the governmental long-term debt of the financial reporting entity consisted of the following:

Compensated Absences

Employees accumulated balance recorded in the government-wide financial statements	\$ 168,736
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Business-Type Activities:

As of June 30, 2004, the long-term debt payable from proprietary fund resources consisted of the following:

Revolving Loan:

Payable from fees paid by Sewer Fund Customers were borrowed from a line of credit totaling \$1,236,123 made available to the City of Port Allen by the Louisiana Local Government Environmental Facilities and Community Development Authority. These Notes carry 3.95% rate of interest. Final payment is due April 1, 2018. This debt is reflected as a liability in the City's Sewer Fund.	<u>\$ 931,123</u>
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On July 1, 1998, the City of Port Allen, Louisiana issued Certificates of Indebtedness Series 1998 in the amount of \$2,300,000 for the purpose of improving city streets and acquiring land for the proposed site of a new wastewater treatment facility. The certificates were issued in denominations of \$5,000 with interest payable January 1 and July 1 of each year through 2000 with interest from 4.05% to 8.0%. The certificates are secured by a pledge of the excess of general and special funds of The City and other operating revenue above statutory, necessary and usual charges.

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2004

On July 15, 2002, the City of Port Allen, Louisiana defeased the Certificates of Indebtedness Series 1998 Bonds, by placing \$1,638,863 in a special and irrevocable trust to provide for all future debt service payments on the bonds. The trustee purchased U.S. Government securities. The principal and interest from these securities is sufficient to fund the scheduled principal and interest payments on the bonds as they become due. Accordingly, the trust assets and the liability of the defeased bonds are not included in the City's financial statements. On June 30, 2004, \$1,136,000 of Certificates of Indebtedness Series 1998 Bonds remained outstanding, which are considered defeased.

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

Type of Debt	Balance at June 30, 2003	Additions or Bonds Issued	Bonds Restricted and Other Deductions	Balance at June 30, 2004	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 280,756	\$ -	\$ 21,594	\$ 259,162	\$168,736
Total General Long-Term Debt	280,756	-	21,594	259,162	168,736
Business-Type Activities:					
Sewer Fund Participation Notes	986,123	-	55,000	931,123	55,000
Total Business Type Activities Debt	\$ 986,123	\$ -	\$ 55,000	\$ 931,123	\$ 55,000

The annual requirements to amortize all Revolving loans outstanding at June 30, 2004, including interest of \$316,395 is as follows:

Year Ending Date	Sewer and Revolving Loan
June 30, 2005	\$ 94,303
June 30, 2006	97,130
June 30, 2007	94,760
June 30, 2008	97,390
June 30, 2009	94,823
June 30, 2010-June 30, 2014	464,217
June 20, 2015-June 30, 2018	304,895
	<u>\$ 1,247,518</u>

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2004

7. Interfund Receivables/Payables

Due From/To Other Funds.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Fire District	\$ 24,794
	Utility	80,310
	Low Income Housing	904
	Riverfront Capital Projects	<u>725</u>
		<u>\$ 106,733</u>
Sewer Fund	Water/Gas Fund	<u>\$ 202,499</u>
Capital Improvement Fund	General Fund	<u>\$ 49,246</u>

8. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

At June 30, 2004 there were lawsuits and claims pending against the City. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City attorney, the resolution of these matters will not have a material adverse effect on the financial position of the City.

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2004

9. Retirement Commitments

Municipal Employees Retirement System of Louisiana (MERS)

Plan Description. All of the City's full time general employees participate in the MERS, a cost sharing, multiple employer defined benefit pension plan administered by a separate Board of Trustees. MERS provides retirement, disability, and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. MERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal

Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana, 70809, or by calling (225) 925-4810.

Funding Policy. Plan members are required by state statute to contribute 9¼% of their annual covered salary and employers are required to contribute at an actuarially determined rate. The current employer rate is 7% of annual covered payroll. The contribution requirements of plan members and employers are established by, and may be amended by, state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior year. Contributions to MERS for the years ending June 30, 2004, 2003, and 2002 were \$220,808, \$186,898, and \$192,653, respectively, and were equal to the required contributions for each year.

Municipal Police Employees Retirement System (MPERS)

Plan Description. All of the City's full time police employees participate in the MPERS, a cost-sharing, multiple-employer defined benefit pension plan administered by a separate Board of Trustees. MPERS provides retirement, disability and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. MPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Police Employees Retirement System, 8401 United Plaza Boulevard, Suite 270, Baton Rouge, Louisiana, 70809, or by calling (225) 929-7411.

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2004

Funding Policy. Plan members are required by state statute to contribute 7½% of their annual covered salary and employers are required to contribute at an actuarially determined rate. The current employer rate is 9.0% of annual covered payroll. The contribution requirements of plan members and the employer are established by, and may be amended by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. Contributions to MPERS for the years ending June 30, 2004, 2003, and 2002 were \$164,677, \$130,841 and \$133,207 respectively, and were equal to the required contributions for each year.

Firefighters' Retirement System (FRS)

Plan Description. All of the Port Allen Fire Subdistrict No. 3's full time fire employees participate in the FRS, a cost-sharing, multiple-employer defined benefit pension plan administered by a separate Board of Trustees. FRS provides retirement, disability and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. FRS issues a publicly available financial report that includes financial

statements and required supplementary information. The report may be obtained by writing to Firefighters' Retirement System, Post Office Box 94095, Baton Rouge, Louisiana, 70806, or by calling (225) 925-4060.

Funding Policy. Plan members are required by state statute to contribute 8.0% of their annual covered salary and employers are required to contribute at an actuarially determined rate. The current employer rate is 9.0% of annual covered payroll. The contribution requirements of plan members and the employer are established by, and may be amended by state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. Contributions to FRS for the years ending June 30, 2004, 2003 and 2002 were \$77,585, \$69,322, and \$55,762, respectively, and were equal to the required contributions for each year.

Louisiana State Employees Retirement System (LASERS)

Plan Description. The City's judicial employee participates in the LASERS, a cost-sharing, multiple employer defined benefit pension plan administered by a separate Board of Trustees. LASERS provides retirement, disability and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. LASERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana.

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2004

Funding Policy. Plan members are required by state statute to contribute 11½% of their annual covered salary and employers are required to contribute at an actuarially determinable rate. The current employer rate is 13.0% of annual covered payroll. The contribution requirements of plan members and the employer are established by and amended by state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. Contributions to LASERS for the years ending June 30, 2004, 2003, and 2002 were \$6,775, \$6,353 and \$6,080, respectively, and were equal to the required contributions for each year.

10. Other Post Employment Benefits

The government provides post retirement health care benefits as per the requirements of a local resolution for certain retirees. The government pays 50% of the premiums of health care coverage for employees who retire with at least 25 years of full time service and who agree to pay the remaining 50% of the premium. The government's regular health care benefit providers underwrite the retiree's policies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans.

The benefits are authorized under Louisiana R.S. 33:5151. The City Council passed a resolution to provide the benefits on July 1, 1992 and may rescind the benefits at any time by a majority vote of the Council.

As of year end, there were 10 employees who had retired with 25 years of full time service that were receiving the 50% premium coverage benefit. The government finances the plan on a pay-as-you-go basis. For the year ended June 30, 2004, the government recognized as incurred \$13,996 of expenditures.

11. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The City purchases commercial insurance policies at levels which management believes is adequate to protect the City. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2004

12. On Behalf Payments

Included in intergovernmental revenue and salary expense are supplemental salary payments to police officers and firemen, which was paid directly to them from the State of Louisiana. The payments to police officers were \$72,990 and \$72,600 for the years ended June 30, 2004 and 2003, respectively. The payments to firemen were \$31,920 and \$32,400 for the years ended June 30, 2004 and 2003, respectively.

13. Subsequent Event

On August 10, 2004, the City received the proceeds from a \$3,505,000 bond issue for the construction of a new city hall. Construction is expected to be completed during the year ending June 30, 2005. The City is using approximately \$500,000 of reserves for a total project cost of approximately \$4 million.

14. Accounting Changes and Restatements

During the fiscal year ended June 30, 2004, the City adopted GASB Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The City also adopted GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The City also adopted GASB Statement 40, *Deposit and Investment Risk Disclosures*, an amendment of GASB Statement No. 3.

The capital assets, accumulated depreciation, and long-term debt balances at June 30, 2003 were restated in accordance with the adoption of GASB Statement No. 34.

The following table shows beginning net assets restated for the effects of implementation of GASB Statement No. 33 and 34 and change in accounting policy.

Fund Balance, June 30, 2003	\$ 4,324,801
Net Capital Assets	2,619,403
Long-term Liabilities	<u>(170,335)</u>
Net Assets, June 30, 2003, restated	<u>\$ 6,773,869</u>

CITY OF PORT ALLEN, LOUISIANA

Required Supplementary Information

June 30, 2004

CITY OF PORT ALLEN, LOUISIANA

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund

Year Ended June 30, 2004

	Original Budget	Revised Budget	Actual	Variance - Favorable (Unfavorable)
Revenues				
Taxes	\$ 583,728	\$ 570,847	\$ 604,527	\$ 33,680
Licenses and permits	252,000	252,000	293,371	41,371
Intergovernmental	1,597,272	1,727,997	1,842,039	114,042
Charges for services	320,304	330,720	329,944	(776)
Fines and forfeitures	39,000	21,000	16,817	(4,183)
Investment earnings	80,004	80,004	33,291	(46,713)
Miscellaneous	74,364	59,516	34,050	(25,466)
Total revenues	2,946,672	3,042,084	3,154,039	111,955
Expenditures				
Current				
General government	496,524	488,996	556,424	(67,428)
Public safety	1,338,660	1,363,806	1,364,841	(1,035)
Roads and drainage	659,064	617,180	587,799	29,381
Depot Welcome Center	12,936	12,936	13,134	(198)
Sanitation	298,536	298,536	303,637	(5,101)
Health	21,840	21,840	23,077	(1,237)
Community Development	-	-	4,983	(4,983)
Fleet maintenance	59,544	59,544	56,111	3,433
Capital outlay				
Public safety	-	75,598	75,287	311
Highways and streets	-	6,277	6,277	-
Total expenditures	2,887,104	2,944,713	2,991,570	(46,857)
Excess of Revenues Over Expenditures	59,568	97,371	162,469	65,098
Other Financing Sources (Uses)				
Sales of general fixed assets	-	3,000	1,105	(1,895)
Operating transfers in	59,436	56,436	54,995	(1,441)
Total other financing (uses)	59,436	59,436	56,100	(3,336)
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	119,004	156,807	218,569	61,762
Fund Balance				
Beginning	2,354,660	2,354,660	2,482,938	249,663
Ending	\$ 2,473,664	\$ 2,511,467	\$ 2,701,507	\$ 311,425

CITY OF PORT ALLEN, LOUISIANA

Schedule of Revenues and Other Financing

Year Ended June 30, 2004

Sources - Budget and Actual

General Fund

	Original Budget	Revised Budget	Actual	Variance - Favorable (Unfavorable)
Taxes				
Ad valorem	\$ 327,312	\$ 314,431	\$ 315,937	\$ 1,506
Franchise	256,416	256,416	288,590	32,174
Total taxes	583,728	570,847	604,527	33,680
Licenses and permits				
<i>Business licenses and permits</i>				
Professional and occupational	252,000	252,000	293,371	41,371
Total licenses and permits	252,000	252,000	293,371	41,371
Intergovernmental				
<i>State grants</i>				
Capital projects	-	-	4,983	4,983
Streets	4,836	4,836	4,835	(1)
Public safety	41,040	111,430	184,084	72,654
<i>State shared revenues</i>				
Alcoholic beverage tax	27,996	27,996	26,036	(1,960)
<i>West Baton Rouge Parish shared revenues</i>				
General sales and use tax	1,523,400	1,583,735	1,622,101	38,366
Total intergovernmental	1,597,272	1,727,997	1,842,039	114,042

CITY OF PORT ALLEN, LOUISIANA

**Schedule of Revenues and Other Financing
Sources - Budget and Actual, Continued
General Fund****Year Ended June 30, 2004**

	Original Budget	Revised Budget	Actual	Variance - Favorable (Unfavorable)
Charges for services				
Public safety - protective inspection fees	4,584	15,000	17,280	2,280
Sanitation - refuse collection charges	315,720	315,720	312,664	(3,056)
Total charges for services	320,304	330,720	329,944	(776)
Fines and forfeitures	39,000	21,000	16,817	(4,183)
Interest	80,004	80,004	33,291	(46,713)
Miscellaneous	74,364	59,516	34,050	(25,466)
Total Revenues	2,946,672	3,042,084	3,154,039	111,955
Other Financing Sources				
Sales of general fixed assets	-	3,000	1,105	(1,895)
Operating transfers in	59,436	56,436	54,995	(1,441)
Total other financing sources	59,436	59,436	56,100	(3,336)
Total revenues and other financing sources	\$ 3,006,108	\$ 3,101,520	\$ 3,210,139	\$ 108,619

CITY OF PORT ALLEN, LOUISIANA

Schedule of Expenditures and Other Financing

Year Ended June 30, 2004

Uses - Budget and Actual

General Fund

	Original Budget	Revised Budget	Actual	Variance - Favorable (Unfavorable)
Current				
General government				
Legislative				
Personal services	\$ 30,598	\$ 29,315	\$ 28,743	\$ 572
Judicial				
Personal services	55,224	55,224	55,231	(7)
Supplies	960	960	960	-
Other services and charges	13,068	13,068	13,332	(264)
Executive				
Personal services	42,684	43,967	43,113	854
Administrative				
Personal services	184,862	184,862	181,830	3,032
Supplies	8,220	8,220	5,087	3,133
Other services and charges	160,908	153,380	228,128	(74,748)
Total general government	496,524	488,996	556,424	(67,428)
Public safety				
Police				
Personal services	1,182,180	1,149,519	1,152,844	(3,325)
Supplies	51,348	59,047	52,976	6,071
Other services and charges	92,208	134,240	138,863	(4,623)
Protective inspection				
Other services and charges	12,924	21,000	20,158	842
Total public safety	1,338,660	1,363,806	1,364,841	(1,035)
Roads and Drainage				
Personal services	429,840	374,588	364,934	9,654
Supplies	76,392	76,392	61,912	14,480
Other services and charges	152,832	166,200	160,953	5,247
Total highways and streets	659,064	617,180	587,799	29,381

CITY OF PORT ALLEN, LOUISIANA

Schedule of Expenditures and Other Financing

Year Ended June 30, 2004

Uses - Budget and Actual, Continued

General Fund

	Original Budget	Revised Budget	Actual	Variance - Favorable (Unfavorable)
Depot Welcome Center				
Personal services	5,628	5,628	5,514	114
Supplies	300	300	368	(68)
Other services and charges	7,008	7,008	7,252	(244)
Total depot welcome center	12,936	12,936	13,134	(198)
Sanitation				
Other services and charges	298,536	298,536	303,637	(5,101)
Health				
Other services and charges	21,840	21,840	23,077	(1,237)
Community Development				
Other services and charges	-	-	4,983	(4,983)
Fleet maintenance				
Personal services	48,240	48,240	45,835	2,405
Supplies	6,540	2,976	6,048	(3,072)
Other services and charges	4,764	8,328	4,228	4,100
Total fleet maintenance	59,544	59,544	56,111	3,433
Total current expenditures	2,887,104	2,862,838	2,910,006	(47,168)

CITY OF PORT ALLEN, LOUISIANA

*Schedule of Expenditures and Other Financing
Uses - Budget and Actual, Continued
General Fund*

Year Ended June 30, 2004

	Original Budget	Revised Budget	Actual	Variance - Favorable (Unfavorable)
Capital Outlay				
Public safety				
Police	-	75,598	75,287	311
Highways and streets	-	6,277	6,277	-
Total capital outlay expenditures	-	81,875	81,564	311
Total Expenditures	2,887,104	2,944,713	2,991,570	(46,857)
Other Financing Uses				
Operating transfers out	-	-	-	-
Total other financing uses	-	-	-	-
Total Expenditures and other financing uses	\$ 2,887,104	\$ 2,944,713	\$ 2,991,570	\$ (46,857)

CITY OF PORT ALLEN, LOUISIANA

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Year Ended June 30, 2004 Port Allen Fire Subdistrict No. 3 Fund

	Original Budget	Revised Budget	Actual	Variance - Favorable (Unfavorable)
Revenues				
Intergovernmental	\$ 735,953	\$ 823,825	\$ 873,823	\$ 49,998
Investment earnings	35,004	35,004	(12,648)	(47,652)
Miscellaneous	4,080	4,080	957	(3,123)
Total revenues	775,037	862,909	862,132	(777)
Expenditures				
Current				
Public safety				
Fire				
Personal services	501,792	501,792	521,058	(19,266)
Supplies	33,456	33,456	29,834	3,622
Other services and charges	125,340	125,340	129,140	(3,800)
Capital outlay				
Public safety				
Fire				
	213,000	3,000	1,396	1,604
Total expenditures	873,588	663,588	681,428	(17,840)
Excess (Deficiency) of Revenues Over Expenditures	(98,551)	199,321	180,704	(18,617)
Other Financing Sources (Uses)				
Sales of general fixed assets	-	-	-	-
Operating transfers out	(51,636)	(51,636)	(51,636)	-
Total other financing sources (uses)	(51,636)	(51,636)	(51,636)	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(150,187)	147,685	129,068	(18,617)
Fund Balance				
Beginning	950,000	985,670	985,670	-
Ending	\$ 799,813	\$ 1,133,355	\$ 1,114,738	\$ (18,617)

CITY OF PORT ALLEN, LOUISIANA

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Year Ended June 30, 2004
Capital Improvement Fund**

	Original Budget	Revised Budget	Actual	Variance - Favorable (Unfavorable)
Revenues				
Intergovernmental	\$ 321,821	\$ 321,821	\$ 329,132	\$ 7,311
Investment earnings	3,000	3,000	6,586	3,586
Total revenues	<u>324,821</u>	<u>324,821</u>	<u>335,718</u>	<u>10,897</u>
Expenditures				
Current				
Roads and drainage	-	-	-	-
Capital outlay				
General Government	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>324,821</u>	<u>324,821</u>	<u>335,718</u>	<u>10,897</u>
Other Financing Sources (Uses)				
Sales of general fixed assets	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>324,821</u>	<u>324,821</u>	<u>335,718</u>	<u>10,897</u>
Fund Balance				
Beginning	<u>575,179</u>	<u>575,179</u>	<u>614,088</u>	<u>38,909</u>
Ending	<u>\$ 900,000</u>	<u>\$ 900,000</u>	<u>\$ 949,806</u>	<u>\$ 49,806</u>

CITY OF PORT ALLEN, LOUISIANA

Other Supplemental Information

June 30, 2004

CITY OF PORT ALLEN, LOUISIANA

Nonmajor Governmental Funds

June 30, 2004

Special Revenue Funds

Low-Income Housing Assistance Fund – This fund is used to account for the expenditure and subsequent reimbursement of funds received from the U.S. Department of Housing and Urban Development for rental assistance to low income citizens who qualify.

Capital Projects Funds

Riverfront Capital Project Fund - this fund is operational through transfers from the General fund of the City of Port Allen, Louisiana, state and federal grants and private donations. The City Council approves amounts to be transferred to the Riverfront Capital Projects Fund through budget appropriation or through residual equity transfers.

CITY OF PORT ALLEN, LOUISIANA

**Combining Balance Sheet
Nonmajor Governmental Funds***June 30, 2004*

ASSETS	Low-Income Housing Assistance	Riverfront Capital Project Fund	Totals
Cash	\$ 6,785	\$ 149,731	\$ 156,516
Due from other governments	2,650	86,238	88,888
Total Assets	\$ 9,435	\$ 235,969	\$ 245,404
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ 3,177	\$ 3,177
Due to other funds	903	725	1,628
Total liabilities	903	3,902	4,805
Fund Balances			
Unreserved, undesignated	8,532	232,066	240,598
Total fund balances	8,532	232,066	240,598
Total Liabilities and Fund Balance	\$ 9,435	\$ 235,968	\$ 245,403

CITY OF PORT ALLEN, LOUISIANA

*Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Governmental Funds*

Year Ended June 30, 2004

	Low-Income Housing Assistance	Riverfront Capital Project Fund	Totals
Revenues			
Intergovernmental	\$ 517,338	\$ 233,338	\$ 750,676
Investment earnings	6	1,395	1,401
Total revenues	517,344	234,733	752,077
Expenditures			
Current			
Highways and streets	-	14,672	14,672
Welfare	509,200	-	509,200
Capital outlay			
General Government	-	226,353	226,353
Total expenditures	509,200	241,025	750,225
Excess (Deficiency) of Revenues Over Expenditures	8,144	(6,292)	1,852
Other Financing Sources			
Operating transfers in	-	-	-
Operating transfers out	(3,359)	-	(3,359)
Total other financing sources	(3,359)	-	(3,359)
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	4,785	(6,292)	(1,507)
Fund Balance			
Beginning	3,747	238,358	242,105
Ending	\$ 8,532	\$ 232,066	\$ 240,598

CITY OF PORT ALLEN, LOUISIANA

Schedule of Compensation of Elected Officials

June 30, 2004

CITY OF PORT ALLEN, LOUISIANA

Schedule of Compensation Paid to City Council

Year Ended June 30, 2004

<u>Councilman</u>	<u>Salary</u>
Ralph Bergeron	\$ 10,560
Irvrie Johnson	11,220
Ray Helen Lawrence	10,560
Derek Lewis	10,560
Lillian Ragan	10,560

CITY OF PORT ALLEN, LOUISIANA

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2004

Federal CFDA Number	Program or Award Amount	(Deferred) Accrued Revenue at July 1, 2003	Cash Received	Revenue Recognized	Expenditures	(Deferred) Accrued Revenue at June 30, 2004
Federal Grants/Program Title						
U.S. Department of HUD						
Major Program						
Section 8 Housing Assistance						
14.182		\$ (11,395)	\$ 503,293	\$ 517,338	\$ 517,338	\$ 2,650
Payments Program, Existing Housing						
14.246	\$ 490,000	-	136,938	136,938	136,938	-
14.246	89,415	-	86,237	86,237	86,237	-
		(11,395)	726,468	740,513	740,513	2,650
Community Development Block Grant						
Community Development Block Grant						
16.579	-	7,601	7,601	-	-	-
16.579	-	3,000	6,000	3,000	3,000	-
16.579	-	-	39,235	73,146	73,146	33,911
16.579	-	-	830	830	830	-
16.592	-	-	2,569	2,569	2,569	-
Pass-Through - State of Louisiana						
Commission on Law Enforcement						
16.579	-	7,601	7,601	-	-	-
16.579	-	3,000	6,000	3,000	3,000	-
16.579	-	-	39,235	73,146	73,146	33,911
16.579	-	-	830	830	830	-
16.592	-	-	2,569	2,569	2,569	-
TOTAL						
		10,601	56,235	79,545	79,545	33,911
		\$ (794)	\$ 782,703	\$ 820,058	\$ 820,058	\$ 36,561

CITY OF PORT ALLEN, LOUISIANA

Notes to Schedule of Expenditures of Federal Awards

June 30, 2004

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Port Allen, Louisiana and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**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***

To the Honorable Mayor and Members of the City Council
Port Allen, 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 Port Allen, Louisiana, as of and for the year ended June 30, 2004, which collectively comprise the City of Port Allen, Louisiana's, basic financial statements and have issued our report thereon dated October 23, 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 of Port Allen, Louisiana'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 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.

Internal Control Over Financial Reporting.

In planning and performing our audit, we considered the City of Port Allen, Louisiana'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 an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Port Allen,

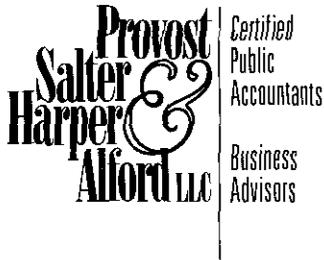
Louisiana's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2004-1. A material weakness is a condition in 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 caused by error 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition item 2004-1 is a material weakness.

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

PROVOST, SALTER, HARPER & ALFORD, L.L.C.

Provost, Salter, Harper & Alford, L.L.C.

October 23, 2004



**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**

To the Honorable Mayor and Members of the City Council
Port Allen, Louisiana

Compliance.

We have audited the compliance of the City of Port Allen, Louisiana, 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 of Port Allen, Louisiana'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 of Port Allen, Louisiana's management. Our responsibility is to express an opinion on the City of Port Allen, Louisiana'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 of Port Allen, Louisiana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Port Allen, Louisiana's compliance with those requirements.

In our opinion, the City of Port Allen, 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 of Port Allen, Louisiana 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 of Port Allen, Louisiana'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.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2004-1.

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 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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition item 2004-1 is a material weakness.

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

PROVOST, SALTER, HARPER & ALFORD, L.L.C.

Provost, Salter, Harper & Alford, L.L.C.

October 23, 2004

CITY OF PORT ALLEN, LOUISIANA*Schedule of Findings and Questioned Costs**Year Ended June 30, 2004*Section I – Summary of Auditor's ResultsFinancial Statements.

Type of auditor's report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>Yes</u>
Reportable condition identified not considered to be material weaknesses?	<u>No</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards.

Internal Control over major programs:	
Material weakness identified?	<u>Yes</u>
Reportable condition identified not considered to be material weaknesses?	<u>No</u>
Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, § 510(a)?	<u>Yes</u>
Identification of major programs:	

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>14.182</u>	<u>Section 8 Housing</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low risk auditee?	<u>No</u>

CITY OF PORT ALLEN, LOUISIANA

Schedule of Finding and Questioned Costs, Continued

Year Ended June 30, 2004

Section II – Financial Statement Findings

Reportable Conditions

Reportable Conditions – Material Weakness

Item 2004-1. The City is not large enough to permit an adequate segregation of employee duties for effective internal accounting control over the financial reporting (journal entry preparation, approval and recordation) cycles.

Criteria. Financial reporting under the control of one person represents a failure to segregate incompatible accounting activities.

Effect. The condition is such that errors, either intentional or unintentional, in the processing of financial reports, could occur and not be detected in a timely manner and in the ordinary course of operations.

Cause. The size of the City and the limited number of employees did not permit an adequate segregation of incompatible duties.

Recommendation. To the extent that it is practical to do so, Management should segregate employee duties and perform supervisory reviews.

Management's Response. We have determined that the cost to solve this problem may exceed the benefit. We recognize the problem and we perform supervisory reviews to mitigate the effect of the lack of segregation of duties. Based on the size of the City, there is nothing else that we can do that is cost effective.

CITY OF PORT ALLEN, LOUISIANA

Schedule of Finding and Questioned Costs, Continued

Year Ended June 30, 2004

Section III – Federal Award Findings and Questioned Costs

See Finding 2004-1 above, related to segregation of employee duties.

Section IV – Independent Auditor’s Comments on Resolution of Prior Audit Findings

Finding 2004-1 is a repeat of prior year’s findings.

There were no other prior year findings that were not corrected.