

CITY OF BASTROP, 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 2-23-05

CONTENTS

	Page(s)
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION	1 and 2
REQUIRED SUPPLEMENTARY INFORMATION (Part 1 of 2)	
Management's discussion and analysis	3 - 12
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statement of net assets	13 and 14
Statement of activities	15
Fund financial statements:	
Balance sheet - governmental funds	16 and 17
Statement of revenues, expenditures, and changes in fund balances - governmental funds	18 and 19
Reconciliation of governmental funds balance sheet to government-wide statement of net assets	20
Reconciliation of governmental funds statement of revenues, expenditures, and changes in fund balances to government-wide statement of activities	21
Statement of net assets - proprietary fund - revolving loan fund	22
Statement of revenues, expenses, and changes in net assets - proprietary fund - revolving loan fund	23
Statement of cash flows - proprietary fund - revolving loan fund	24
Notes to financial statements	25 - 53
REQUIRED SUPPLEMENTARY INFORMATION (Part 2 of 2)	
Budgetary comparison schedules - governmental funds:	
Schedule of revenues, expenditures, and changes in fund balance - budget and actual - governmental fund - general fund	54 and 55
Schedule of revenues, expenditures, and changes in fund balance - budget and actual - governmental fund - sewer use fee fund	56

OTHER SUPPLEMENTARY INFORMATION

Schedule of general fund revenues - budget and actual	57 and 58
Schedule of general fund current expenditures - budget and actual	59 - 62
Schedule of sewer use fee fund revenues - budget and actual	63
Schedule of sewer use fee fund current expenditures - budget and actual	64
Combining financial statements:	
Combining balance sheet - non-major governmental funds	65
Combining statement of revenues, expenditures, and changes in fund balances - non-major governmental funds	66
Schedule of mayor's and aldermen's compensation	67
Schedule of expenditures of federal awards	68
Note to schedule of expenditures of federal awards	69

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	70 and 71
---	-----------

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	72 and 73
---	-----------

SCHEDULE OF FINDINGS AND QUESTIONED COSTS WITH MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION	74 - 80
---	---------

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS	81
---	----

HILL, INZINA & COMPANY

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

The Honorable Clarence W. Hawkins, Mayor,
and Members of the Board of Aldermen
City of Bastrop, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bastrop, Louisiana, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of City of Bastrop, Louisiana. Our responsibility is to express opinions 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 opinions.

As discussed in Note 9 to the financial statements, management has not recorded capital assets of the governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those capital assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the City as of June 30, 2004, and the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the City 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 15, the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, during the year ended June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2005 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. Management's discussion and analysis and the budgetary comparison schedules, presented as required supplementary information, are not a required part 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 consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


January 31, 2005

REQUIRED SUPPLEMENTARY INFORMATION (Part 1 of 2)

CITY OF BASTROP, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and for the Year Ended June 30, 2004

As management of City of Bastrop, Louisiana (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004. This discussion and analysis of management is designed to provide an objective and easy-to-read analysis of the City's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of the City's finances. It is also intended to provide readers with an analysis of the short-term and long-term activities of the City based on information presented in the financial report and fiscal policies that have been adopted by the City. Specifically, this section is designed to assist the readers in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), identify any material deviations from the financial plan (the approved budget), and identify individual issues or concerns.

This is the first year that the City has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board (GASB) Statement No. 34. Because this new reporting model changes significantly not only the presentation of financial data, but also the manner in which the information is recorded, prior year comparative information for this reporting period's discussion and analysis of management will be limited. However, in future years, comparisons will be more meaningful and will provide additional explanations of the City's financial position and results of operations.

As with other sections of this financial report, the information contained within this discussion and analysis of management should be considered only a part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and supplementary information that are provided in addition to this discussion and analysis of management.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's basic financial statements consist of the following components:

1. Government-wide financial statements.
2. Fund financial statements.
3. Notes to financial statements.

The City also includes in this report additional information to supplement the basic financial statements.

I. Government-wide financial statements

Government-wide financial statements are designed by GASB Statement No. 34 to change the way in which government financial statements are presented. It now provides readers for the first time with a concise “entity-wide” statement of net assets and statement of activities, seeking to give the users of the financial statements a broad overview of the City’s financial position and results of operations in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City’s assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or weakening. Evaluation of the overall economic health of the City would extend to other nonfinancial factors in addition to the financial information provided in this report.

The statement of activities presents information detailing how the City’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).

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues from business-type activities that are intended to recover all or a significant portion of their costs through charges. Governmental activities include general government, public safety, public works, and sanitation. Business-type activities include low-interest lending to qualified applicants for economic development and the creation of jobs.

I. Fund financial statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City’s most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The City has two types of funds:

- a. Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the fiscal year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statements are included in the basic financial statements for the general fund and special revenue fund. These statements demonstrate compliance with the City's adopted and final revised budget.

- b. The proprietary fund is reported in the fund financial statements and reports services for which the City charges interest on loans made to qualified applicants external to the City. The proprietary fund is an enterprise fund and essentially encompasses the same functions reported as business-type activities in the government-wide statements.

Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements.

3. Notes to financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Additional budgetary information, combining financial statements, and other supplementary information are presented in a subsequent section of this report.

Government-Wide Financial Analysis

For the first time, the City conducted an exhaustive and comprehensive inventory of all capital assets. This mammoth undertaking was the primary reason for the delay in the completion of the annual audit report. No capital assets or depreciation were recorded in the governmental activities of the government-wide financial statements as additional time is needed to complete the inventory as to accurate historical cost, however, long-term liabilities associated with these capital assets was recording resulting in the governmental activities having negative net assets of \$5,475,228. Recording of the capital assets in the future will increase the assets, net assets, and expenses of the governmental activities. The City reported a positive balance in net assets for the business-type activities.

The following provides a summary of the City's net assets as of June 30, 2004:

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Totals</u>
Other assets	\$ 4,996,464	\$ 383,257	\$ 5,379,721
Capital assets	<u>-</u>	<u>521,128</u>	<u>521,128</u>
Total assets	<u>\$ 4,996,464</u>	<u>\$ 904,385</u>	<u>\$ 5,900,849</u>
Other liabilities	\$ 674,219	\$ -	\$ 674,219
Long-term liabilities	<u>9,797,473</u>	<u>-</u>	<u>9,797,473</u>
Total liabilities	<u>\$ 10,471,692</u>	<u>\$ -</u>	<u>\$ 10,471,692</u>
Net assets:			
Invested in capital assets	\$ -	\$ 521,128	\$ 521,128
Restricted	2,797,437	-	2,797,437
Unrestricted	<u>(8,272,665)</u>	<u>383,257</u>	<u>(7,889,408)</u>
Total net assets	<u>\$(5,475,228)</u>	<u>\$ 904,385</u>	<u>\$(4,570,843)</u>

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. All of the positive balances of net assets of the governmental activities represent resources that are subject to external restrictions as to how they may be used. By far, the largest portion of the City's business-type activities' net assets reflects its investment in capital assets (e.g., buildings and infrastructure). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The remaining balance of unrestricted net assets of the business-type activities may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental Activities

The following provides a summary of the City's changes in net assets for the year ended June 30, 2004:

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Totals</u>
Program revenues	\$ 3,261,912	\$ -	\$ 3,261,912
General revenues	8,830,792	5,091	8,835,883
Expenses	<u>(12,768,417)</u>	<u>(30,245)</u>	<u>(12,798,662)</u>
Changes in net assets	<u><u>\$ (675,713)</u></u>	<u><u>\$ (25,154)</u></u>	<u><u>\$ (700,867)</u></u>

Sales and property taxes, as well as franchise taxes, licenses, permits, fees, fines and intergovernmental revenues fund most of the governmental activities.

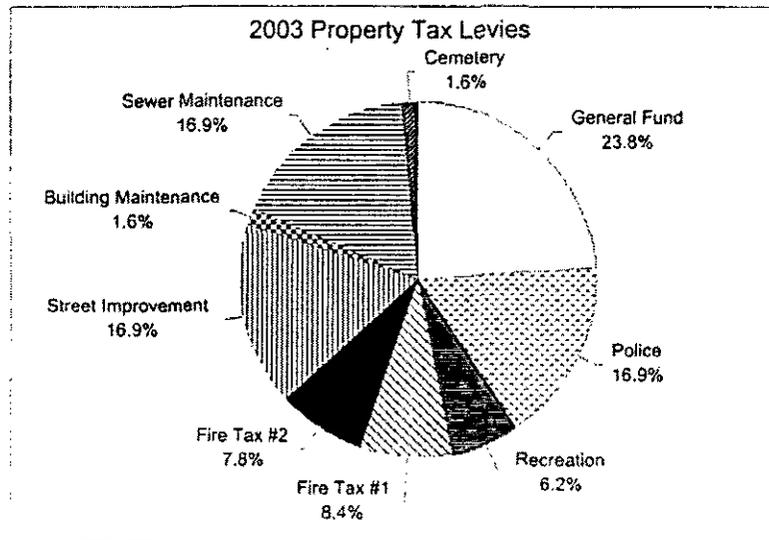
Program revenues derive directly from the program itself or from parties outside the City's taxpayers or citizenry. As a whole, they reduce the cost of the function to be financed from the City's general revenues. The following summarizes the City's program revenues received for the year ended June 30, 2004 by the governmental activities:

	<u>Amount</u>	<u>Percentage</u>
Licenses and permits	\$ 447,811	13.73%
Fees, charges, and commissions for services	1,331,644	40.82%
Fines and forfeitures	169,485	5.20%
Operating grants and contributions	468,881	14.37%
Capital grants and contributions	<u>844,091</u>	<u>25.88%</u>
Total program revenues	<u><u>\$ 3,261,912</u></u>	<u><u>100.00%</u></u>

The following summarizes the general revenues received by the governmental and business-type activities for the year ended June 30, 2004 to pay for governmental activities whose cost is not reduced by program revenues:

	<u>Amount</u>	<u>Percentage</u>
Taxes	\$ 7,823,572	88.59%
Intergovernmental	795,954	9.01%
Unrestricted investment earnings	44,196	.50%
Miscellaneous	160,147	1.81%
Sale of fixed assets	<u>6,923</u>	<u>.09%</u>
Total general revenues	<u><u>\$ 8,830,792</u></u>	<u><u>100.00%</u></u>

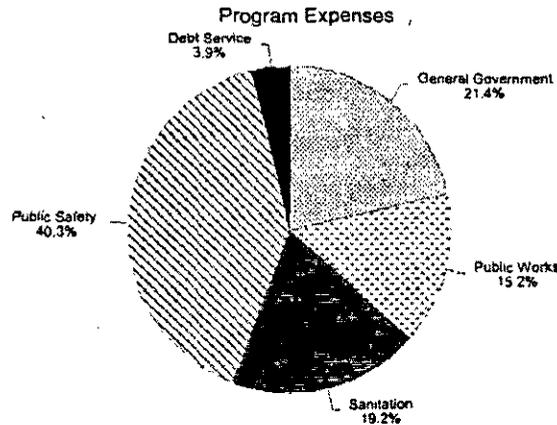
Sales taxes are the largest general revenue source for the City with ad valorem taxes being second with both revenue sources remaining relatively the same in amount as the previous fiscal year. For the year ended June 30, 2004, taxes of 40.30 mills were levied on property inside the City limits. Although the millage rate remained constant, ad valorem tax revenue increased \$83,267 over the prior fiscal year.



	2002		2003	
	Levied	Mills	Levied	Mills
General corporate purposes	\$ 610,668	9.58	\$ 629,368	9.58
Police	433,458	6.80	446,732	6.80
Street improvements	433,458	6.80	446,732	6.80
Sewer maintenance	433,458	6.80	446,732	6.80
Fire #1	216,728	3.40	223,365	3.40
Fire #2	201,429	3.16	207,598	3.16
Recreation	159,376	2.50	164,255	2.50
Cemetery	40,159	.63	41,389	.63
Building maintenance	40,159	.63	41,389	.63
Total levied	\$ 2,568,896	40.30	\$ 2,647,563	40.30

Four of the property tax levies (fire #2, recreation, cemetery, and building maintenance) expired on December 31, 2003. Renewal of those taxes was approved by public election, for a period of 20 years, on November 2, 2004.

The following details the program expenses of the governmental activities paid for with program and general revenues:

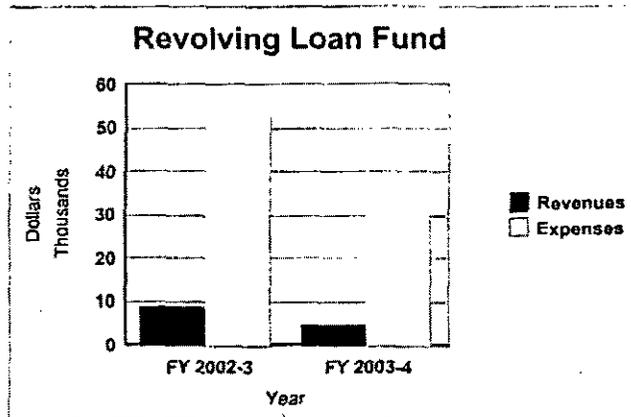


Business - Type Activities

The business-type activities of the City include an enterprise fund (Revolving Loan Fund) which accounts for low-interest lending to qualified applicants for economic development and the creation of jobs. The following summarizes the fund's activity:

	Year Ended June 30,		Increase (Decrease)
	2003	2004	
Non-operating revenues	\$ 9,091	\$ 5,091	\$ (4,000)
Operating expenses	52,973	30,245	(22,728)

Business-type activities are funded totally by general revenues.



Financial Analysis of the City's Funds

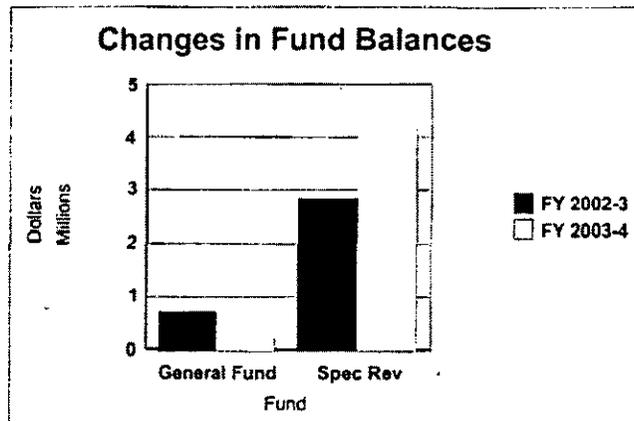
Governmental funds are comprised of the General and Special Revenue Funds (major funds) and the Debt Service and Capital Projects Funds (non-major funds) and as discussed, are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the fiscal year in comparison with upcoming financing requirements. Governmental funds reported total ending fund balances of \$4,367,196. Of this total, only \$116,670 is unreserved, indicating availability for continuing City service requirements. Reserved fund balances include \$18,980 of restricted assets exceeding restricted liabilities payable therefrom, \$70,353 offset for inventory accounted for under the purchase method, and \$4,161,193 committed to debt service. The total ending fund balances of governmental funds show an increase of \$812,959 over the prior fiscal year.

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund decreased by \$495,004 from the prior fiscal year end. Key factors contributing to this decrease include the continued increase in operating costs and revenue sources remaining unchanged.

As in past years, regular cash flow has been problematic, as much of the City's revenue, in the form of ad valorem tax revenue, is received only during the months of December through March. The City has therefore resorted to borrowing monies in anticipation of these revenues, through the vehicle of revenue anticipation notes. \$1,500,000 was borrowed in the current fiscal year and repaid in February 2004, in advance of the March 1 maturity date.

The Special Revenue Fund (Sewer Use Fee Fund) had a year-end reserved fund balance of \$4,161,193, an increase of \$1,307,963 over the prior fiscal year. This increase is primarily due to revenues remaining relatively constant while expenditures declined approximately \$435,000 and \$400,000 more than the prior fiscal year of other financing sources from revenue bond proceeds was received.

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.



Budgetary Highlights

The City adopts an annual appropriated budget for its General and Special Revenue (Sewer Use Fee) Funds. The General Fund budget complied with financial policies approved by the Board of Aldermen and maintained core City services.

The significant budget variances in the General Fund were due to the previously mentioned revenue anticipation note (\$1,500,000) originally unbudgeted, either as an other financing source or as a debt service expenditure. Due to local outbreaks of the West Nile Virus, additional large, unbudgeted expenditures for mosquito control in the sanitation department of the General Fund were realized. Because of budgetary constraints, the entire appropriation for capital outlay expenditures was unutilized.

Capital Assets and Debt Administration

The City's investment in capital assets, net of accumulated depreciation, for business-type activities as of June 30, 2004 was \$521,128. The only capital asset addition during the current fiscal year was the completion of a project costing \$110,827 to modernize and rehabilitate an existing City-owned building to currently required industry and health standards. As discussed, capital assets nor depreciation were recorded in the governmental activities of the government-wide financial statements.

At the end of the fiscal year, the City had outstanding long-term debt comprised of the following:

Certificates of indebtedness	\$ 373,000
Capital leases	72,292
Compensated absences	205,417
Pension liabilities	376,764
Sewer revenue bonds	<u>8,770,000</u>
Total long-term liabilities	<u>\$ 9,797,473</u>

All debt service requirements of the current fiscal year were timely met. Outstanding long-term liabilities increased by \$1,614,331 from the prior fiscal year end due to the issuance of \$2,100,000 of sewer revenue bonds.

Economic Factors and Next Year's Budget

The following factors were considered in preparing the City's budget for the fiscal year ending June 30, 2005:

All of the three employee systems which cover City employees have mandated large increases in employer contributions to the systems. Employer contributions to the Municipal Employees' Retirement System increased from 11% to 15%, the Municipal Police Employees' Retirement System from 9% (in 2003) to 21.5%, and the Firefighters' Retirement System from 9% to 21%.

The City, along with other members of the Louisiana Municipal Association (LMA), participated in litigation against the Firefighters' Retirement System, seeking relief from this onerous burden. Although lower courts upheld LMA's position, the Louisiana Supreme Court ruled in favor of the higher rates. The City is now liable for almost \$125,000 in unpaid contributions for the fiscal year ended June 30, 2004, as well as increased rates for all three systems for the fiscal year ending June 30, 2005, as outlined below:

	<u>Current</u> <u>Rate</u>	<u>Previous</u> <u>Rate</u>	<u>Amount</u> <u>Budgeted</u>	<u>Liability</u> <u>At</u> <u>Prior Rate</u>	<u>Increased</u> <u>Liability</u>
Municipal	15.0%	11.0%	\$ 251,740	\$ 184,609	\$ 67,131
Firefighters'	21.0%	9.0%	298,401	127,886	170,515
Police	21.5%	9.0%*	<u>312,000</u>	<u>130,605</u>	<u>181,395</u>
			<u>\$ 862,141</u>	<u>\$ 443,100</u>	<u>\$ 419,041</u>

* Rate prior to 7/1/03

After preparing the estimates of revenues for the fiscal year ending June 30, 2005, it was learned that, due to reassessment of property and to the expiration of certain tax exemptions, the anticipated ad valorem tax revenues should be approximately \$400,000 higher than received in the prior fiscal year.

In light of continuing increased expenditures and stable revenues, the City closed its municipal jail, contracting the care of prisoners to Morehouse Parish Sheriff. In addition to the savings realized in the care and feeding of the prisoners, three jailers and two cooks were terminated.

A one-half cent sales tax was proposed in early 2004, with proceeds to be used exclusively for street renovations. The initial proposal was defeated by the voters, who, however, approved the measure when it was again brought forth in November 2004. Proceeds from this tax will be segregated, and a separate fund will be established for these funds.

Additional personnel reductions have been made, with two positions in the administrative department eliminated.

Requests for Information

This financial report is designed to provide a general overview of the City's financial picture for all those with an interest in the City's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to George G. Sims, City Clerk, P.O. Box 431, Bastrop, Louisiana 71221-0431.

BASIC FINANCIAL STATEMENTS

CITY OF BASTROP, LOUISIANA

STATEMENT OF NET ASSETS

June 30, 2004

ASSETS	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Totals</u>
Cash	\$ 458,840	\$ 19,512	\$ 478,352
Cash deposit held by others	10,000	50,000	60,000
Pooled deposits	1,055,423	226,949	1,282,372
Receivables:			
Accounts	146,888	-	146,888
Taxes	76,610	-	76,610
Inventory	70,353	-	70,353
Due from other governments	334,326	-	334,326
Internal balances	-	6,244	-
Restricted assets:			
Cash	23,958	-	23,958
Pooled deposits	2,775,524	-	2,775,524
Loans receivable	44,542	80,552	125,094
Capital assets, net of accumulated depreciation	<u>-</u>	<u>521,128</u>	<u>521,128</u>
Total assets	<u>\$ 4,996,464</u>	<u>\$ 904,385</u>	<u>\$ 5,894,605</u>

(continued)

CITY OF BASTROP, LOUISIANA

STATEMENT OF NET ASSETS (Continued)

June 30, 2004

LIABILITIES	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Accounts payable	\$ 368,349	\$ -	\$ 368,349
Deferred revenue	131,570	-	131,570
Accrued salaries	87,835	-	87,835
Internal balances	6,244	-	-
Refund due	33,244	-	33,244
Payable from restricted assets	2,026	-	2,026
Accrued interest	44,951	-	44,951
Long-term liabilities:			
Due within one year	698,016	-	698,016
Due in more than one year	<u>9,099,457</u>	<u>-</u>	<u>9,099,457</u>
Total liabilities	<u>\$ 10,471,692</u>	<u>\$ -</u>	<u>\$ 10,465,448</u>
NET ASSETS			
Invested in capital assets	\$ -	\$ 521,128	\$ 521,128
Restricted for debt service	1,016,550	-	1,016,550
Restricted by grantor	18,841	-	18,841
Restricted for construction	1,762,046	-	1,762,046
Unrestricted (deficit)	<u>(8,272,665)</u>	<u>383,257</u>	<u>(7,889,408)</u>
Total net assets	<u>\$ (5,475,228)</u>	<u>\$ 904,385</u>	<u>\$ (4,570,843)</u>
 Total liabilities and net assets	 <u>\$ 4,996,464</u>	 <u>\$ 904,385</u>	 <u>\$ 5,894,605</u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

		<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Governmental activities:				
General government	\$ 2,737,613	\$ 627,783	\$ 375,910	\$ 346,307
Public safety	5,149,799	198,538	92,971	-
Public works	1,938,414	22,644	-	497,784
Sanitation	2,546,782	1,099,975	-	-
Interest and fiscal charges	<u>395,809</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	\$ 12,768,417	\$ 1,948,940	\$ 468,881	\$ 844,091
Business-type activities:				
Revolving loan	<u>30,245</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total government	<u>\$ 12,798,662</u>	<u>\$ 1,948,940</u>	<u>\$ 468,881</u>	<u>\$ 844,091</u>

General revenues:

Taxes

Intergovernmental

Unrestricted investment earnings

Miscellaneous

Total general revenues

Changes in net assets

Net assets - beginning

Prior period adjustments

Cumulative effect of change in accounting principle

Net assets - ending

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
\$ (1,387,613)		\$ (1,387,613)
(4,858,290)		(4,858,290)
(1,417,986)		(1,417,986)
(1,446,807)		(1,446,807)
<u>(395,809)</u>		<u>(395,809)</u>
\$ (9,506,505)		\$ (9,506,505)
-	\$ (30,245)	(30,245)
<u>\$ (9,506,505)</u>	<u>\$ (30,245)</u>	<u>\$ (9,536,750)</u>
\$ 7,823,572	\$ -	\$ 7,823,572
795,954	-	795,954
44,196	5,091	49,287
<u>167,070</u>	<u>-</u>	<u>167,070</u>
<u>\$ 8,830,792</u>	<u>\$ 5,091</u>	<u>\$ 8,835,883</u>
\$ (675,713)	\$ (25,154)	\$ (700,867)
3,554,237	929,539	4,483,776
(138,552)	-	(138,552)
<u>(8,215,200)</u>	<u>-</u>	<u>(8,215,200)</u>
<u>\$ (5,475,228)</u>	<u>\$ 904,385</u>	<u>\$ (4,570,843)</u>

CITY OF BASTROP, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2004

	<u>General</u> <u>Fund</u>	<u>Sewer</u> <u>Use Fee</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Totals</u>
ASSETS				
Cash	\$ 380,190	\$ 78,620	\$ 30	\$ 458,840
Cash deposit held by others	10,000	-	-	10,000
Pooled deposits	-	1,022,209	33,214	1,055,423
Receivables:				
Accounts	-	146,888	-	146,888
Taxes	76,610	-	-	76,610
Inventory	70,353	-	-	70,353
Due from other governments	178,548	-	155,778	334,326
Due from other funds	-	135,000	-	135,000
Restricted assets:				
Cash	21,006	2,952	-	23,958
Pooled deposits	-	2,775,524	-	2,775,524
Loans receivable	<u>44,542</u>	<u>-</u>	<u>-</u>	<u>44,542</u>
Total assets	<u>\$ 781,249</u>	<u>\$ 4,161,193</u>	<u>\$ 189,022</u>	<u>\$ 5,131,464</u>

(continued)

CITY OF BASTROP, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUNDS (Continued)

June 30, 2004

	<u>General Fund</u>	<u>Sewer Use Fee Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 212,571	\$ -	\$ 155,778	\$ 368,349
Deferred revenue	131,570	-	-	131,570
Accrued salaries	87,835	-	-	87,835
Due to other funds	141,244	-	-	141,244
Refund due	-	-	33,244	33,244
Payable from restricted asset	<u>2,026</u>	<u>-</u>	<u>-</u>	<u>2,026</u>
Total liabilities	<u>\$ 575,246</u>	<u>\$ -</u>	<u>\$ 189,022</u>	<u>\$ 764,268</u>
Fund balances:				
Reserved for net restricted asset	\$ 18,980	\$ -	\$ -	\$ 18,980
Reserved for inventory	70,353	-	-	70,353
Reserved for sewage system	-	4,161,193	-	4,161,193
Unreserved - undesignated	<u>116,670</u>	<u>-</u>	<u>-</u>	<u>116,670</u>
Total equity and other credits	<u>\$ 206,003</u>	<u>\$ 4,161,193</u>	<u>\$ -</u>	<u>\$ 4,367,196</u>
Total liabilities and fund balances	<u>\$ 781,249</u>	<u>\$ 4,161,193</u>	<u>\$ 189,022</u>	<u>\$ 5,131,464</u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2004

	General Fund	Sewer Use Fee Fund	Other Governmental Funds	Totals
Revenues:				
Taxes	\$ 7,823,572	\$ -	\$ -	\$ 7,823,572
Licenses and permits	447,811	-	-	447,811
Intergovernmental	1,611,142	-	497,784	2,108,926
Fees, charges, and commissions for services	206,037	1,099,975	-	1,306,012
Fines and forfeitures	169,485	-	-	169,485
Interest and miscellaneous	193,754	36,221	-	229,975
Total revenues	<u>\$ 10,451,801</u>	<u>\$1,136,196</u>	<u>\$ 497,784</u>	<u>\$ 12,085,781</u>
Expenditures:				
Current:				
General government	\$ 2,396,673	\$ -	\$ -	\$ 2,396,673
Public safety	5,054,206	-	-	5,054,206
Public works	1,785,539	-	-	1,785,539
Sanitation	949,226	931,006	567,162	2,447,394
Debt service:				
Principal	1,602,242	385,000	-	1,987,242
Interest and fiscal charges	61,039	304,439	-	365,478
Costs of debt issuance	-	99,386	-	99,386
Capital outlay	<u>587,835</u>	<u>-</u>	<u>-</u>	<u>587,835</u>
Total expenditures	<u>\$ 12,436,760</u>	<u>\$1,719,831</u>	<u>\$ 567,162</u>	<u>\$ 14,723,753</u>
Excess (deficiency) of revenues over expenditures	<u>\$(1,984,959)</u>	<u>\$(583,635)</u>	<u>\$(69,378)</u>	<u>\$(2,637,972)</u>

(continued)

CITY OF BASTROP, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS (Continued)
For the Year Ended June 30, 2004

	<u>General Fund</u>	<u>Sewer Use Fee Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
<i>Other financing sources (uses):</i>				
Operating transfers in (out)	\$(69,378)	\$ -	\$ 69,378	\$ -
Revenue anticipation note proceeds	1,500,000	-	-	1,500,000
Sewer revenue bond proceeds	-	2,100,000	-	2,100,000
Debt issuance discount	-	(17,440)	-	(17,440)
Sale of fixed assets	<u>6,923</u>	<u>-</u>	<u>-</u>	<u>6,923</u>
Total other financing sources (uses)	<u>\$ 1,437,545</u>	<u>\$ 2,082,560</u>	<u>\$ 69,378</u>	<u>\$ 3,589,483</u>
Net changes in fund balances	\$(547,414)	\$ 1,498,925	\$ -	\$ 951,511
Fund balances - beginning	701,007	2,853,230	-	3,554,237
Prior period adjustments	<u>52,410</u>	<u>(190,962)</u>	<u>-</u>	<u>(138,552)</u>
Fund balances - ending	<u>\$ 206,003</u>	<u>\$ 4,161,193</u>	<u>\$ -</u>	<u>\$ 4,367,196</u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2004

Total fund balances - governmental funds balance sheet	\$ 4,367,196
Amounts reported for governmental activities in statement of net assets are different because:	
Bonds payable and accrued interest are not due and payable in the current period and therefore are not reported in the funds.	<u>(9,842,424)</u>
Total net assets of governmental activities - government-wide statement of net assets	<u><u>\$ (5,475,228)</u></u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

June 30, 2004

Net changes in fund balances - governmental funds \$ 951,511

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

Government funds report debt proceeds as current financial resources.
However, in the statement of activities, debt proceeds increase long-term
liabilities. This is the amount of current debt proceeds. (2,100,000)

Governmental funds report principal and interest payments on long-term
obligations as an expense when actually paid. However, in the statement of
activities, interest is expensed as accrued and principal payments are reported
as reductions of the related debt. This is the amount related to these reporting
differences. 472,776

Changes in net assets of governmental activities - government-wide
statement of activities \$ (675,713)

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

STATEMENT OF NET ASSETS - PROPRIETARY FUND - REVOLVING LOAN FUND

June 30, 2004

ASSETS

Current assets:		
Cash	\$	19,512
Cash deposit held by others		50,000
Pooled deposits		226,949
Due from other funds		6,244
Loans receivable		66,260
Noncurrent assets:		
Loans receivable		14,292
Capital assets, net of accumulated depreciation		<u>521,128</u>
Total assets	\$	<u>904,385</u>

NET ASSETS

Invested in capital assets	\$	521,128
Unrestricted		<u>383,257</u>
Total net assets	\$	<u>904,385</u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - PROPRIETARY FUND - REVOLVING LOAN FUND
For the Year Ended June 30, 2004

Operating expenses:	
Depreciation	\$ 20,246
Other	<u>9,999</u>
Total operating expenses	<u>\$ 30,245</u>
Operating income (loss)	\$ (30,245)
Non-operating revenues:	
Interest and miscellaneous	<u>5,091</u>
Income (loss) before capital contributions	\$ (25,154)
Capital contributions	<u>110,827</u>
Change in net asset	\$ 85,673
Net assets - beginning	<u>818,712</u>
Net assets - ending	<u>\$ 904,385</u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

STATEMENT OF CASH FLOWS - PROPRIETARY FUND - REVOLVING LOAN FUND
For the Year Ended June 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from borrowers	\$ 17,939
Payments to agency	(10,000)
Internal activity	<u>(6,244)</u>
Net cash provided by operating activities	<u>\$ 1,695</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and miscellaneous	\$ 5,091
Sale of investments	15,000
Purchase of investments	<u>(9,761)</u>
Net cash provided by investing activities	<u>\$ 10,330</u>
Net increase in cash	\$ 12,025
Cash - beginning	<u>57,487</u>
Cash - ending	<u><u>\$ 69,512</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (30,245)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	20,246
(Increase) decrease in due from other funds	(6,244)
(Increase) decrease in loans receivable - net	<u>17,938</u>
Net cash provided by operating activities	<u><u>\$ 1,695</u></u>
NON-CASH CAPITAL FINANCING ACTIVITIES	
Capital assets of \$110,827 were contributed by the General Fund.	

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2004

Note 1. Organization and Summary of Significant Accounting Policies

City of Bastrop, Louisiana, (the "City") operates under a mayor-board of aldermen form of government in accordance with the provisions of the charter adopted July 3, 1952. Citizens elect the mayor (at large) and five council members (by districts) who are each compensated. The City is located in northeast Louisiana, its population is approximately 13,000, and it employs approximately 200 people.

The following services are provided as authorized by its charter: general administrative services, public safety (police and fire), public works (building maintenance, cemetery, health, recreation, and streets), sanitation, and public improvements.

The more significant of the City's accounting policies are described below:

Financial Reporting Entity:

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

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

1. Appointing a voting majority of an organization's governing body, and
 - a. the ability of the municipality to impose its will on that organization and/or
 - b. the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.

NOTES TO FINANCIAL STATEMENTS

2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Considered in the determination of component units of the reporting entity were Bastrop City Marshal and City Court of Bastrop. It was determined that these governmental entities are not component units of the City's reporting entity because they are staffed by independently elected officials, are legally separate, and are fiscally independent of the City.

Government-Wide Financial Statements:

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report licenses, permits, fees, fines, and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements:

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported in separate columns with a composite column for non-major funds.

NOTES TO FINANCIAL STATEMENTS

Basis of Accounting, Measurement Focus, and Financial Statement Presentation:

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest related to long-term debt which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual are ad valorem taxes, sales taxes, gross receipts taxes, intergovernmental revenues, and sewer use fees. In general, other revenues are recognized when cash is received.

Operating income reported in the proprietary fund financial statement includes revenues and expenses related to primary, continuing operations of the fund. Principal operating expenses are depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

NOTES TO FINANCIAL STATEMENTS

Fund Types and Major Funds:

The City reports the following major governmental funds:

General Fund - the general operating fund of the City and accounts for all financial resources, except those required to be accounted for in other funds.

Sewer Use Fee Fund - accounts for a dedicated source of revenue available for repayment of funds borrowed for improvements to the sewage treatment and collection systems.

The City reports the following major proprietary fund:

Revolving Loan Fund - accounts for low-interest lending to qualified applicants, all of which must be related to economic development and the creation of jobs.

Budgets and Budgetary Accounting:

The Board of Aldermen adopted annual budgets for the General Fund and Special Revenue Fund on August 14, 2003 and July 10, 2003, respectively. The annual budgets were prepared in accordance with the basis of accounting utilized by the funds. The City Clerk is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter total expenditures resulting from revenues exceeding amounts estimated must be approved by the Board of Aldermen. Amendments were made to both budgets on July 8, 2004 and the budgetary comparison schedules included as supplementary information in the accompanying financial statements include the original and amended budgeted amounts. All annual appropriations lapse at the end of each fiscal year.

Grant periods may differ from the City's fiscal year; therefore, the City did not budget for all grant monies received and expended by the General Fund as budgetary control is maintained on an individual grant basis.

Encumbrances:

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

NOTES TO FINANCIAL STATEMENTS

Use of Estimates:

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

Cash:

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

Pooled Deposits:

Pooled deposits are stated at fair value based on quoted market values. The fair value of the deposits is determined on a weekly basis to monitor any variances between amortized cost and market value. Legally binding guarantees have not been obtained to support the value of the deposits and investments, since all are short-term, highly-liquid securities.

State statutes authorize the City to invest in United States bonds, treasury notes and bills, or certificates or time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in Louisiana Asset Management Pool, Inc. (LAMP), a non-profit corporation formed by an initiative of the State Treasurer in 1993 and organized under the laws of the State of Louisiana, which operates a local government investment pool.

Receivables and Due From Other Governments:

Significant receivables include franchise taxes, sales taxes, and amounts due from customers for utility services. Un-billed utility service receivables resulting from utility services rendered from the last date prior to the end of the fiscal year that meters were read to the end of the fiscal year are included in the amounts recorded as due from utility customers. Intergovernmental receivables are primarily comprised of amounts due for capital assets acquired, constructed, or rehabilitated with grants. Revenue is recorded as earned when eligibility requirements are met. Loans receivable are recorded for economic development loans.

NOTES TO FINANCIAL STATEMENTS

Uncollectible Allowance:

The statements contain no provision for uncollectible accounts. City management is of the opinion that such allowance would be immaterial in relation to the financial statements taken as a whole.

Inventory:

Inventory of the General Fund consists of expendable supplies held for consumption and is reported at cost. Expenditures are recognized when the items are purchased.

Interfund Transactions:

Activity between funds that are representative of lending/borrowing arrangements and other miscellaneous receivables/payables outstanding at the end of the fiscal year are reported as due to/from other funds (i.e. the current portion of interfund loans) in the fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Transfers and payments within the reporting entity that are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis are reported as operating transfers between funds of the reporting entity.

Interfund transactions are eliminated in the government-wide financial statement of activities within the segregated governmental and business-type activities. Only interfund transactions between governmental and business-type activities appear in the government-wide statement of activities.

Restricted Assets:

Restricted assets are reported for cash, pooled deposits, or investments legally restricted for specified uses such as payment of debt service and fiscal fees on long-term debt.

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

NOTES TO FINANCIAL STATEMENTS

Capital Assets and Depreciation:

Accounting principles generally accepted in the United States of America require that capital assets be recorded for the governmental activities in the government-wide financial statements. As accurate historical costs of the assets of the governmental activities could not be determined by the City as of June 30, 2004, no capital assets are recorded for the governmental activities in the government-wide financial statements.

The City's recorded property, plant, and equipment with useful lives of more than one year at historical or estimated historical cost. Donated assets are stated at fair value on the date of donation. Capital assets of the business-type activities are comprehensively reported in the government-wide financial statements. Proprietary fund capital assets are also reported in its respective fund financial statements.

The City generally capitalizes assets of the business-type activities with cost of \$2,500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs not adding to an asset's value or materially extending its useful life are not capitalized. Capital assets are depreciated using the straight-line method over estimated useful lives of 30 years. Upon disposition of capital assets, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

The City has until the fiscal year beginning after June 15, 2007 to record major general infrastructure assets of the governmental activities; therefore, only infrastructure assets of the business-type activities have been reported in the financial statements. In the governmental activities, costs incurred during the current fiscal year for infrastructure assets have been recorded as current expenditures. Retroactively reporting infrastructure assets is encouraged at the transition but not required.

Deferred Revenue:

The City reports deferred revenue which arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed and revenue is recognized.

NOTES TO FINANCIAL STATEMENTS

Accumulated Compensated Absences:

Allowable annual vacation and sick leave is prescribed by municipal ordinance, based on length of continuous employment by the City, accrued on an employment anniversary basis, and accrued to specified maximums. Compensatory time is also granted to supervisory personnel in lieu of overtime pay. Employees may accumulate unused compensatory time which is paid to the employee in the form of time off or at the employee's current rate of pay upon separation from service.

Estimated accrued compensated absences resulting from unused vacation and compensatory time at the end of the fiscal year are recorded in the government-wide financial statements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Compensated absences are paid from the fund responsible for the employee's compensation with significant liabilities payable from the General Fund.

Long-Term Liabilities:

In the government-wide financial statements, outstanding debt and the related accrued interest is reported as liabilities. The fund financial statements recognize proceeds of debt and discounts as other financing sources (uses) of the current period while issuance costs are reported as expenditures. Expenditures for long-term debt principal and interest payments are recorded in the fund financial statements in the year due.

Equity Classifications:

In the government-wide and proprietary fund financial statements, equity is classified as net assets and classified into three components:

1. 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 attributable to the acquisition, construction, or improvement of the assets.
2. Restricted - consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted - consists of all other assets.

NOTES TO FINANCIAL STATEMENTS

In the fund financial statements, governmental fund balances are classified as reserved or unreserved, with unreserved further classified between designated and undesignated. Fund balance is reserved for amounts not available for appropriation or legally restricted for specified purposes.

Revenue Recognition - Ad Valorem and Sales/Use Taxes:

Ad valorem taxes attach as an enforceable lien on property as of January 1. Taxes are levied by the City in September or October, are actually billed to the taxpayers in November, and are due and payable on or before January 1 of the following year. All unpaid taxes become delinquent on March 15 of the following year. The City bills and collects its own property taxes using the assessed values determined by the tax assessor of Morehouse Parish. The City's ad valorem tax revenues are recognized when levied.

Sales/use taxes collected and held by other governments at year end on behalf of the City and those collected by other governments and remitted to the City within 60 days after June 30 for preceding months are recognized as revenue. The sales/use taxes are collected by Morehouse Sales and Use Tax Commission and remitted to the City.

Note 2. Revenues and Expenditures - Budget and Actual

Actual expenditures and other financing uses of the General Fund of \$12,506,138 exceeded budgeted expenditures and other financing uses of \$11,081,419 for the year ended June 30, 2004 by \$1,424,719 or 12.86%. The significant unfavorable variance resulted from debt service expenditures not being budgeted.

Note 3. Cash and Deposits

The following is a summary of cash and deposits as of June 30, 2004:

Non-pooled deposits:	
Interest-bearing demand deposits	\$ 500,110
Petty cash	2,200
Cash deposits held by others	60,000
Pooled deposits	<u>4,057,896</u>
	<u>\$ 4,620,206</u>

NOTES TO FINANCIAL STATEMENTS

The non-pooled deposits are stated at cost, which approximates market. Under state law, the non-pooled deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held by the City or its agent in the name of the City in a holding or custodial bank that is mutually acceptable to both parties.

As of June 30, 2004, the City had \$654,222 in demand deposits (collected bank balances). These deposits were secured from risk by \$101,796 of federal deposit insurance (GASB Category 1) and \$552,426 of pledged securities held by the pledging financial institution's trust department or agent in the City's name (GASB Category 2).

Pooled deposits are held at June 30, 2004 by Louisiana Asset Management Pool, Inc. (LAMP) and the corporate trust department of Regions Bank. In accordance with GASB, the pooled deposits held by the City as of June 30, 2004 are not categorized in the three risk categories provided by GASB because the pooled deposits are in pools of funds and thereby not evidenced by securities that exist in physical or book entry form.

LAMP is administered by a Louisiana non-profit corporation, LAMP, Inc., which is governed by a board of members elected by the pool's participants each year at the annual meeting. The objective of LAMP is to provide safety of principal and daily liquidity with a competitive rate of return. LAMP invests its assets only in securities and other obligations that are permissible under Louisiana state law for local governments. Regions Bank restricts its investments to securities issued, guaranteed, or otherwise backed by the U.S. Treasury, the U.S. government, or one of its agencies or instrumentalities, government-only money market funds rated AAAM by Standard & Poor's, and commercial paper of domestic United States corporations rated A-1 or A-1+ by Standard & Poor's.

There were no repurchase or reverse repurchase agreements as of June 30, 2004.

NOTES TO FINANCIAL STATEMENTS

Note 4. Receivables and Due From Other Governments

The following is a summary of receivables and due from other governments as of June 30, 2004:

	<u>Governmental Activities</u>			<u>Totals</u>
	<u>General Fund</u>	<u>Sewer Use Fee Fund</u>	<u>Other Governmental Funds</u>	
Taxes:				
Franchise	\$ 51,687	\$ -	\$ -	\$ 51,687
Sales	24,923	-	-	24,923
Intergovernmental:				
Federal	1,438	-	155,778	157,216
State	143,443	-	-	143,443
Local	33,667	-	-	33,667
User fees:				
Sewer	<u>-</u>	<u>146,888</u>	<u>-</u>	<u>146,888</u>
	<u>\$ 255,158</u>	<u>\$ 146,888</u>	<u>\$ 155,778</u>	<u>\$ 557,824</u>

Note 5. Taxes

For the year ended June 30, 2004, ad valorem taxes of 40.3 mills were levied on property with assessed valuations totaling \$65,695,940 as follows:

	<u>Maximum Millage</u>	<u>Authorized Millage</u>	<u>Expiration Date</u>
General corporate purposes	9.81	9.58	Perpetual
Police	6.80	6.80	2021
Street improvements	6.80	6.80	2021
Sewer maintenance	6.80	6.80	2021
Fire (#1)	3.40	3.40	2021
Fire (#2)	3.23	3.16	2003
Recreation	2.56	2.50	2003
Cemetery	.65	.63	2003
Building maintenance	.65	.63	2003

NOTES TO FINANCIAL STATEMENTS

The following is the principal ad valorem taxpayer for the City:

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>	<u>Ad Valorem Tax Revenue</u>
International Paper Company	\$ 24,409,610	37.16%	\$ 983,707

Total ad valorem taxes levied were \$2,645,309. There were no uncollected ad valorem taxes as of June 30, 2004.

As of June 30, 2004, the following sales and use taxes were levied:

<u>Rate</u>	<u>Purpose</u>	<u>Expiration Date</u>
½%	any lawful municipal purposes	June 1, 2010
½%	any lawful municipal purposes	August 1, 2009
1%	any and all lawful municipal purposes	August 1, 2008
½%	general, fire, and police operations	Perpetual

Note 6. Interfund Balances and Transfers

A summary of interfund balances as of June 30, 2004 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sewer Use Fee	General	\$ 135,000
Revolving Loan	General	<u>6,244</u>
		<u>\$ 141,244</u>

\$135,000 was loaned to the General Fund to pay general expenses until the revenue anticipation note was obtained. \$6,244 was recorded for expenditures erroneously paid from the Revolving Loan Fund. Both amounts have been repaid to the applicable funds as of the date of this report.

Operating transfers of \$69,378 were made from the General Fund to the Capital Projects Fund to meet the local funding requirements of a community development block grant.

NOTES TO FINANCIAL STATEMENTS

Note 7. Restricted Assets and Liabilities Payable From Same

Restricted assets of \$21,006 of the General Fund consists of \$18,841 unexpended funds of grant awards that can only be expended for allowable costs under the programs, \$120 derived from bond issuances, and \$2,045 of ad valorem taxes paid under protest.

Restricted assets of \$2,778,476 of the Sewer Use Fee Fund consist of funds required by sewer revenue bond loan and pledge agreements to be maintained and the use is restricted by the agreements.

Note 8. Loans Receivable

The General Fund made loans to local businesses to purchase industrial park lots during the year ended June 30, 2002. The terms and balances of these outstanding individual loans as of June 30, 2004 are as follows:

<u>Lendee</u>	<u>Original Note</u>	<u>Monthly Payment</u>	<u>Term in Months</u>	<u>Beginning Date of Payments</u>	<u>Interest Rate</u>	<u>Balance June 30, 2004</u>
Foley & McIntyre, Inc.	\$ 22,500	\$ 684	36	January 1, 2004	6.00%	\$ 22,500
Jireh Plastics and Assemblies, L.L.C.	4,500	137	36	January 1, 2004	6.00%	4,500
3-D Trucking, L.L.C.	<u>18,000</u>	548	36	November 1, 2003	6.00%	<u>17,542</u>
	<u>\$ 45,000</u>					<u>\$ 44,542</u>

The loans made provision for payment by economic impact credits if the businesses employed the required number of full-time, local employees during the stated consecutive quarters of the 2003 calendar year. Failure by all parties to meet the defined economic impact credits and/or ceasing operations resulted in initial payments becoming due on November 1, 2003 or January 1, 2004. As of June 30, 2004, only one monthly payment had been received from one party.

The City makes low-interest loans to qualified applicants who must use the loan proceeds for economic development and the creation of jobs. As of June 30, 2004, the terms and balances of these outstanding individual loans made from the Revolving Loan Fund are as follows:

NOTES TO FINANCIAL STATEMENTS

<u>Lendee</u>	<u>Original Note</u>	<u>Monthly Payment</u>	<u>Term in Months</u>	<u>Beginning Date of Payments</u>	<u>Interest Rate</u>	<u>Balance June 30, 2004</u>
Sallie Youngblood	\$ 15,000	\$ 290	60	June 5, 2000	6.00%	\$ 3,369
Henry C. Cotton	18,000	298	72	August 10, 2000	6.00%	8,781
Mountain Valley Water of Northeast Louisiana, Inc.	20,000	387	60	January 25, 1996	6.00%	6,333
Donald and Teresa Britton	10,000	193	60	March 3, 1996	6.00%	3,923
Kimberly Lynn	250	43	6	August 5, 1994	8.00%	126
Roy Goldsby	15,000	456	36	September 30, 2000	6.00%	11,661
John E. Harris	2,500	215	12	September 30, 2000	6.00%	725
Bennie J. and Bessie M. Johnson	12,000	282	48	December 20, 2000	6.00%	5,351
Blind Labor Training Center, Inc.	5,000	200	24	December 30, 2000	6.00%	5,000
Phillip K. and Vearis M. Atlas	10,000	193	60	December 1, 2001	6.00%	5,868
Foley Mechanical, L.L.C.	36,000	1,079	36	May 1, 2003	5.00%	<u>29,415</u>
						<u>\$ 80,552</u>

Note 9. Capital Assets

As of the date of this report, the City was unable to provide sufficient evidence to verify the historical costs associated with capital assets of the governmental activities; therefore, no capital assets or the related accumulated and current depreciation have been recorded for the governmental activities. Capital assets are presumed to be material in relation to the City's governmental activities. Therefore, the omission of the presentation of all capital assets in the basic financial statements has resulted in the issuance of an adverse opinion on the governmental activities opinion unit.

The City's recording of capital assets and depreciation in the next fiscal year will result in material prior period adjustments to the financial statements prepared as of and for the year ended June 30, 2004.

NOTES TO FINANCIAL STATEMENTS

Capital asset activity of the business-type activities for the year ended June 30, 2004 was as follows with current depreciation being charged as sanitation expenditures:

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2004</u>
Buildings	\$ 228,185	\$ 110,827	\$ 339,012
Improvements other than buildings	<u>351,564</u>	<u>-</u>	<u>351,564</u>
Total capital assets	<u>\$ 579,749</u>	<u>\$ 110,827</u>	<u>\$ 690,576</u>
Less accumulated depreciation:			
Buildings	\$ 61,230	\$ 8,528	\$ 69,758
Improvements other than buildings	<u>87,972</u>	<u>11,718</u>	<u>99,690</u>
Total accumulated depreciation	<u>\$ 149,202</u>	<u>\$ 20,246</u>	<u>\$ 169,448</u>
Capital assets, net of accumulated depreciation	<u>\$ 430,547</u>	<u>\$ 90,581</u>	<u>\$ 521,128</u>

Note 10. Short-Term Debt

On September 4, 2003, the City issued a \$1,500,000 revenue anticipation note for the purpose of paying current general expenses for the fiscal year ended June 30, 2004. The maturity date was on or before March 1, 2004 and the City paid the note in full with interest thereon on February 11, 2004.

Note 11. Changes in Long-Term Debt

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

	<u>Certificates</u> <u>of</u> <u>Indebtedness</u>	<u>Governmental Activities</u> <u>General Fund</u>			<u>Sewer Use</u> <u>Fee Fund</u> <u>Sewer</u> <u>Revenue</u> <u>Bonds</u>	<u>Totals</u>
	<u>Capital</u> <u>Leases</u>	<u>Compen-</u> <u>sated</u> <u>Absences</u>	<u>Pension</u> <u>Liabilities</u>			
Long-term debt payable - July 1, 2003	\$ 412,500	\$ 94,346	\$ 203,844	\$ 417,452	\$ 7,055,000	\$ 8,183,142
Additions	-	-	13,159	-	2,100,000	2,113,159
Retirements	<u>(39,500)</u>	<u>(22,054)</u>	<u>(11,586)</u>	<u>(40,688)</u>	<u>(385,000)</u>	<u>(498,828)</u>
Long-term debt payable - June 30, 2004	<u>\$ 373,000</u>	<u>\$ 72,292</u>	<u>\$ 205,417</u>	<u>\$ 376,764</u>	<u>\$ 8,770,000</u>	<u>\$ 9,797,473</u>

NOTES TO FINANCIAL STATEMENTS

The following is a summary of the current (due within one year) and long-term (due in more than one year) portions of long-term obligations as of June 30, 2004:

	<u>Governmental Activities</u>				<u>Sewer Use</u>	<u>Totals</u>
	<u>Certificates</u>	<u>General Fund</u>		<u>Pension</u>	<u>Fee Fund</u>	
	<u>of</u>	<u>Capital</u>	<u>Compen-</u>	<u>Liabilities</u>	<u>Revenue</u>	
	<u>Indebtedness</u>	<u>Leases</u>	<u>sated</u>	<u>Absences</u>	<u>Bonds</u>	
Current portion	\$ 40,500	\$ 22,777	\$ 151,203	\$ 43,536	\$ 440,000	\$ 698,016
Long-term portion	<u>332,500</u>	<u>49,515</u>	<u>54,214</u>	<u>333,228</u>	<u>8,330,000</u>	<u>9,099,457</u>
	<u>\$ 373,000</u>	<u>\$ 72,292</u>	<u>\$ 205,417</u>	<u>\$ 376,764</u>	<u>\$ 8,770,000</u>	<u>\$ 9,797,473</u>

The certificates of indebtedness and bonds are comprised of the following individual issues:

Certificates of Indebtedness Series 2002 - dated July 11, 2002, non-interest bearing, principal due July 1 of each year.

Certificates of Indebtedness Series 2002 - dated July 11, 2002, bear interest at 5.0% per annum, interest due January 1 and July 1 of each year, principal due July 1 of each year.

The City issued the certificates of indebtedness to Louisiana Public Facilities Authority (\$67,500) and to a local bank (\$382,500) for the purpose of (a) refunding prior certificates; (b) paying costs of acquiring public works equipment; (c) the acquisition, construction, and installation of improvements to the City's infrastructure, including streets and drainage; and (d) paying costs incurred in connection with the issuance of the certificates. The certificates of indebtedness are secured by and payable solely from a pledge and dedication of the excess of annual revenues of the City above statutory, necessary, and usual charges in each of the fiscal years during which the certificates are outstanding.

The certificates are payable as to principal and interest from an irrevocable pledge and dedication of the City's excess revenues above statutory, necessary, and usual charges in each fiscal year during which the certificates are outstanding.

\$7,500,000 Sewer Revenue Bonds - dated December 1, 1994, bear interest at 2.45% per annum, interest and principal payable July 1 of each year.

\$1,700,00 Sewer Revenue Bonds - dated November 1, 2002, bear interest at a rate not to exceed 7.0% per annum, interest due May 1 and November 1 of each year, principal due November 1 of each year.

NOTES TO FINANCIAL STATEMENTS

\$2,100,00 Sewer Revenue Bonds - dated September 24, 2003, bear interest at a rate not to exceed 6.0% per annum, interest due May 1 and November 1 of each year, principal due November 1 of each year.

Proceeds of the sewer revenue bonds dated in 1994 were received in two separate series and for the purpose of financing the acquisition and construction of extensions and improvements to the City's sewage and wastewater collection, treatment, and disposal systems.

The proceeds of the sewer revenue bonds dated in 2002 and 2003 were for the purpose of providing funds to (a) construct and acquire improvements, extensions, replacements, and renovations to the City's sewage system, including appurtenant equipment, accessories, and properties, both personal and real; (b) fund the reserve requirement; and (c) pay the costs of issuance of the bonds.

The sources and uses of funds of the sewer revenue bonds dated in 2003 were:

	<u>Sources</u>
Proceeds of the bonds	\$ 2,100,000
Original issue discount	(17,440)
	<u>\$ 2,082,560</u>
	<u>Uses</u>
Costs of the project	\$ 1,837,121
Fund reserve requirement	146,053
Costs of issuance	57,386
Underwriter's discount	<u>42,000</u>
	<u>\$ 2,082,560</u>

The sewer revenue bonds are payable as to principal, interest, and administrative fees solely from the revenues and income derived or to be derived from the operation of the sewage system.

Bond covenants contain significant requirements for annual debt service and flow of funds through various restricted accounts. Specifically, the revenue bond indentures require the use of revenue, bond proceeds, operations and maintenance, reserve, sinking, construction, and renewal and replacement accounts. The City is in compliance with all significant requirements of the various bond covenants.

The interest and principal payments on both the certificates of indebtedness and bonds due July 1 of the succeeding fiscal year are consistently being reported and budgeted by the City in the current fiscal year when payments are actually made.

NOTES TO FINANCIAL STATEMENTS

The City's outstanding capital lease agreement is for a pumper with an original recorded amount of \$169,050. As of June 30, 2004, future minimum lease payments together with the present value of the net minimum lease payments are:

Year Ending				
June 30,				
2005			\$ 26,890	
2006			26,890	
2007			<u>26,890</u>	
			\$ 80,670	
Amounts representing interest			<u>(8,378)</u>	
			<u>\$ 72,292</u>	

The annual requirements to amortize the certificates of indebtedness, sewer revenue bonds, and pension liabilities as of June 30, 2004 are as follows:

Year Ending June 30,	<u>Governmental Activities</u>		<u>Sewer Use</u>	<u>Totals</u>
	<u>General Fund</u>		<u>Fee Fund</u>	
	<u>Certificates of Indebtedness</u>	<u>Pension Liabilities</u>	<u>Sewer Revenue Bonds</u>	
2005	\$ 40,500	\$ 43,536	\$ 440,000	\$ 524,036
2006	41,500	46,584	460,000	548,084
2007	43,500	49,844	470,000	563,344
2008	45,000	53,334	485,000	583,334
2009	47,000	57,067	505,000	609,067
2010-14	155,500	126,399	2,745,000	3,026,899
2015-19	-	-	1,685,000	1,685,000
2020-24	-	-	920,000	920,000
2025-28	<u>-</u>	<u>-</u>	<u>1,060,000</u>	<u>1,060,000</u>
Totals	<u>\$ 373,000</u>	<u>\$ 376,764</u>	<u>\$ 8,770,000</u>	<u>\$ 9,519,764</u>

NOTES TO FINANCIAL STATEMENTS

The City incurred and charged to expense \$347,010 of interest costs during the year ended June 30, 2004. The annual requirements to amortize all interest and administrative fees applicable to the certificates of indebtedness, sewer revenue bonds, and pension liabilities as of June 30, 2004 are as follows:

Year Ending June 30,	<u>Governmental Activities</u>					<u>Totals</u>
	<u>Certificates of Indebtedness</u>	<u>Pension Liabilities</u>	<u>Sewer Revenue Bonds</u>			
	<u>Interest</u>	<u>Interest</u>	<u>Interest</u>	<u>Administrative Fees</u>		
2005	\$ 16,625	\$ 29,222	\$ 299,068	\$ 25,050	\$	369,965
2006	15,275	26,373	288,130	23,275	\$	353,053
2007	13,875	23,326	276,847	21,450		335,498
2008	12,375	20,065	264,645	19,575		316,660
2009	10,125	16,576	251,643	17,650		295,994
2010-14	15,825	26,264	1,042,512	57,275		1,141,876
2015-19	-	-	655,610	7,275		662,885
2020-24	-	-	420,256	-		420,256
2025-28	-	-	147,465	-		147,465
Totals	<u>\$ 84,100</u>	<u>\$ 141,826</u>	<u>\$ 3,646,176</u>	<u>\$ 171,550</u>	<u>\$</u>	<u>4,043,652</u>

As of June 30, 2004, employees of the City had accumulated and vested \$205,417 of employee leave benefits, which was computed in accordance with GASB Statement No. 16.

Note 12. Revolving Loan Fund Net Assets - Restricted

Repayment of the loans made by the City to local businesses and individual proprietors, and interest collected thereon, addressed in Note 7, is restricted to making other loans and expenditures related to economic development and the creation of jobs.

Note 13. Fund Balances - Reserved

The net difference in the General Fund of the restricted assets and the liabilities payable therefrom has been reserved to indicate the current unavailability of the net assets to pay current expenditures.

Inventory at year end is equally offset by a fund balance reservation of the General Fund under the purchase method.

Revenues collected by the Sewer Use Fee Fund are dedicated for repayment of funds borrowed for acquisition, construction, and improvements to the sewage and wastewater collection, treatment, and disposal systems.

NOTES TO FINANCIAL STATEMENTS

Note 14. Prior Period Adjustments

Prior period adjustments were made to correct the current fiscal year's beginning net assets and fund balances for the effect of errors on the prior fiscal year's ending balances. The effect on beginning net assets and fund balances of the errors were computed as follows:

	<u>Governmental Activities</u>		
	<u>General Fund</u>	<u>Sewer Use Fee Fund</u>	<u>Totals</u>
Deferred revenue overstated	\$(47,815)	\$ -	\$(47,815)
Prior year expenditure recorded as current year expenditure	75,380	-	75,380
Accounts receivable understated	24,845	-	24,845
Accounts payable understated	<u>-</u>	<u>(190,962)</u>	<u>(190,962)</u>
	<u>\$ 52,410</u>	<u>\$(190,962)</u>	<u>\$(138,552)</u>

Note 15. Change in Accounting Principle

During the year ended June 30, 2004, the City adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. In accordance with GASB Statement No. 34, long-term debt liabilities not previously recorded in governmental activities were recorded in the government-wide financial statements. Interest expense that would have impacted the change in net assets in prior years related to these long-term debt liabilities was also considered. The cumulative effect on beginning net assets of these changes was computed as follows:

	<u>Governmental Activities</u>		
	<u>General Fund</u>	<u>Sewer Use Fee Fund</u>	<u>Total</u>
(Increase) in long-term liabilities and accrued interest as of July 1, 2003	<u>\$(1,145,432)</u>	<u>\$(7,069,768)</u>	<u>\$(8,215,200)</u>

NOTES TO FINANCIAL STATEMENTS

Note 16. Deferred Compensation Plan

The City offers all full-time employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency except for a one-time withdrawal which is subject to certain restrictions.

All assets of the plan, including all deferred amounts, property, and rights purchased with deferred amounts, and all income attributable to such deferred amounts, property, or rights, are held in a qualified trust, custodial account, or annuity contract for the exclusive benefit of the participants and beneficiaries. The assets are not subject to the claims of the City's creditors nor can they be used by the City for any purpose other than the payment of benefits to those individuals participating in the plan or their designated beneficiaries.

Note 17. Pension Plans and Other Pension Liabilities

For the year ended June 30, 2004, the City paid retirement benefits of \$96,783 from the General Fund to firemen who were already receiving benefits prior to December 1981. In December 1981, active City firemen were accepted into the Firefighters' Retirement System of Louisiana. The liability associated with this acceptance has been recorded in the government-wide financial statements as General Fund debt.

Substantially all employees of the City are members of Municipal Employees' Retirement System of Louisiana, Municipal Police Employees' Retirement System of Louisiana, or Firefighters' Retirement System of Louisiana. These systems are cost-sharing, multiple-employer, defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to each plan follows:

Municipal Employees' Retirement System of Louisiana (the "System"):

Plan Description:

The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All participating employees of the City are members of Plan A.

NOTES TO FINANCIAL STATEMENTS

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from City funds and all elected City officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produces the highest average. Employees who terminate with at least the amount of retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225)925-4810.

Funding Policy:

Under Plan A, members are required by state statute to contribute 9.25% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 11.0% of annual covered payroll. Contributions to the System also include 1/4 of 1% (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, 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. The City's contributions to the System under Plan A for the years ended June 30, 2004, 2003, and 2002 were \$197,889, \$140,206, and \$116,456, respectively, equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

Municipal Police Employees' Retirement System of Louisiana (the "System"):

Plan Description:

All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produces the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Municipal Police Employees' Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225)929-7411.

Funding Policy:

Plan members are required by state statute to contribute 7.5% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 15.25% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, 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. The City's contributions to the System for the years ended June 30, 2004, 2003, and 2002 were \$218,633, \$126,987, and \$126,041, respectively, equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

Firefighters' Retirement System of Louisiana (the "System"):

Plan Description:

Membership in the Firefighters' Retirement System of Louisiana is mandatory for all full-time firefighters employed by a municipality, parish, or fire protection district that did not enact an ordinance before January 1, 1980, exempting itself from participation in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service, not to exceed 100% of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produces the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Firefighters' Retirement System of Louisiana, P. O. Box 94095, Baton Rouge, Louisiana 70804, 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 the City is required to contribute at an actuarially determined rate. The rate of annual covered payroll varied during the year ended June 30, 2004 from 9.0% to 21.0%. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, 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. The City's contributions to the System for the years ended June 30, 2004, 2003, and 2002, were \$142,234, \$128,947, and \$98,261, respectively, equal to the required contributions for each year.

Note 18. On-Behalf Payments for Salaries

For the year ended June 30, 2004, the City recognized revenue and expenditures of \$10,800, \$155,090, and \$173,610 in salary supplements from the State of Louisiana paid directly to employees of the administrative, police, and fire departments, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 19. Operating Leases

The City has entered into a number of operating leases for copiers which contain cancellation provisions and are subject to annual appropriations. For the year ended June 30, 2004, rental expenditures approximated \$17,460 for such leases which primarily supported governmental activities.

Note 20. Agreement for Operations, Maintenance, and Management Services

On June 1, 1996, the City entered into an agreement for operations, maintenance, and management services of the wastewater and related treatment facilities with Professional Services Group, Inc. (PSG), for a period of five years.

PSG's compensation under the agreement consisted of an annual fee which was negotiated each year with one-twelfth of the annual fee due and payable on the first day of each month that services were to be provided.

In June 2000, the Board of Aldermen approved renewing the agreement one year early and extending the contract to June 1, 2006 with the current owner of PSG (U.S. Filter Operating Services, Inc.) (USFOS).

On April 28, 2003, upon entering the eighth year of the contract with USFOS, the City agreed to an annual fee increase of 3.2% representing an annual increase of \$26,492.

Note 21. Billing and Collection Agreement

A sewer billing and collection agreement was signed on March 27, 2001 by the City with Water Treatment & Controls Company (WT&C) wherein WT&C will act and serve as billing, receiving, and collection agent for the City's sewerage charges owed by WT&C customers who are also the City's sewer customers. The City will pay WT&C a monthly fee of \$2,500 for their services. The contract is for a period of one year commencing at the date of execution and will automatically be extended from year to year unless one of the parties gives 90 days written notice prior to the end of the current year of its intention to terminate the agreement.

Note 22. Cooperative Endeavor Agreements

On February 19, 1999, the City entered into a contract and agreement with Bastrop Area Fire Protection District No. 2 (the "District") for the public benefit of the citizens of the City and the District. The term of the contract is for ten years commencing on January 1, 1999 and terminating on December 31, 2009. This agreement novated and replaced the last year of the contract and agreement which had been previously agreed to by the two parties.

NOTES TO FINANCIAL STATEMENTS

Under the agreement, the District agreed to pay the City the base sum of \$367,000 during the first calendar year of the contract. For each calendar year thereafter, the District agreed to pay the base sum and an additional amount equal to 3% of the total amount of all payments received by the City from the District for the previous calendar year. The annual amount owed to the City by the District shall be paid in two equal installments with payments being due on February 1 and July 1. The additional amount may be revised annually if raises are given to firemen or if the inflation rate exceeds 5% annually.

During the year ended June 30, 2002, the District agreed to, with no formal agreement, and did pay the City \$17,500 for the use of a service truck and agreed to pay \$7,500 annually for its use also subject to the 3% additional amount each year.

On October 11, 2001, the City entered into a cooperative endeavor agreement with U.S. Filter (USF). The City paid USF \$8,680 toward the acquisition of a backhoe to further the joint efforts of the City and USF in rehabilitating the City's sewage system. USF entered into a lease purchase agreement to acquire the backhoe and agreed, for so long as USF maintains a contractual agreement with the City for sewer rehab or service operation services (see Note 16), to assume any and all additional costs for acquisition of the backhoe. Provided that all contractual agreements between the City and USF remain in effect for a period of not less than eight years from the effective date of this agreement, with no material breach of the contractual agreement by the City, USF agrees to deliver full title to the equipment on or before the expiration of eight years after the of the effective date of this agreement, without further payment or remuneration due from the City.

Note 23. Contingencies and Risk Management

A lawsuit has been filed by the City against a party as the result of default on repaying the full amounts remaining due to the City on one of the loans receivable discussed in Note 8. The City has entered a preliminary default judgement against the party and will secure a court date to confirm the default judgement, after confirming that bankruptcy proceedings are not pending.

The City has filed a civil suit along with approximately 36 other plaintiffs and Louisiana Municipal Association (LMA) against Firefighters' Retirement System of Louisiana, challenging the constitutionality of a state law that imposes an "unfunded mandate" on local municipalities to fund the extra costs associated with maintaining a state-wide firefighter retirement system. Louisiana Supreme Court ruled in late January 2005 against the plaintiffs, but request for rehearing may or will be filed on behalf of the plaintiffs. If Louisiana Supreme Court's ruling stands, the City and all other municipalities throughout the state will have to incur the additional costs (more than double the prior cost) of funding the increased costs of the retirement system.

NOTES TO FINANCIAL STATEMENTS

No liability has been recorded for the possible funding of prior years' contribution requirements. No litigation costs have been incurred by the City as of the date of this report, and the City's legal counsel is of the opinion that no litigation costs are expected to be incurred, irrespective of the outcome of the litigation, as LMA is funding the litigation cost for the plaintiffs.

The City's legal counsel is also of the opinion that Morehouse Parish Police Jury is legally responsible for meeting all federal, state, or local laws or regulations related to the solid waste landfill which is owned by the City but operated and managed by the Jury.

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 carries commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. There were no significant reductions in the insurance coverage during the fiscal year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior fiscal years.

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable as of June 30, 2004 may be impaired. In the opinion of City management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Note 24. Commitments

On June 23, 2003, the City was awarded a rural development grant up to the maximum amount of \$38,666 for the purpose of constructing a skating park from old tennis courts. An extension of time was granted to the City until December 15, 2004 and an additional extension of time was requested by the City on December 10, 2004 to complete the project. No work was performed as of June 30, 2004 as the City was searching for additional financing resources for the project.

Delta Regional Authority awarded the City a grant of \$22,230 on March 23, 2004 for the purpose of high-speed internet access and no work had begun as of June 30, 2004.

NOTES TO FINANCIAL STATEMENTS

In November 2003, the City was awarded a fire operations and firefighter safety grant of \$130,388 from Federal Emergency Management Agency for the acquisition of equipment. The grant covers 90% of approved project costs and the City will share 10%, or \$14,488, of the project costs. As of June 30, 2004, no federal or local funds had been expended or obligated.

As of June 30, 2004, approximately \$50,000 of emergency preparedness equipment and supplies had been purchased on the City's behalf with grant funding received by Morehouse Parish Police Jury. The City does not have legal title to the assets as of June 30, 2004, but City's management is of the opinion that an act of donation of the equipment and supplies will be made by Morehouse Parish Police Jury within the next fiscal year.

On December 12, 2002, the City, as sponsoring entity, and Thermal Logic, Inc. entered into an economic development award contract/agreement for \$120,000 with Louisiana Department of Economic Development. The grant funding provided for the modernization and rehabilitation of an existing City-owned building to currently required industry and health standards. As of June 30, 2004, the project had been completed at a cost of \$110,827 and a receivable for the grant funding reimbursement in the same amount was recorded.

On April 23, 2003, the City entered into an agreement with Louisiana Division of Administration for a community development block grant of \$562,000 with the City committing local funds of \$91,900. The funding sources are being used for sewage improvements. As of June 30, 2004, \$69,378 of the local committed funding had been expended and \$497,784 of the state funding had been obligated or expended.

The City paid Ditto Apparel of California, Inc. a \$50,000 deposit on June 26, 2003 under the terms of an agreement to purchase land, buildings, other constructions, and other improvements for a total purchase price of \$350,000 with funds anticipated to become available from State of Louisiana. As of June 30, 2004, the City was in the process of scheduling a closing to effectuate the purchase.

Note 25. Subsequent Events

In August 2003, the City was granted approval from the State Bond Commission to hold a special election on November 15, 2003 to submit to the electors a proposition for a .5% sales tax commencing January 1, 2004 with proceeds dedicated to street improvements. The election date was officially changed to January 17, 2004 and the tax proposal was soundly defeated. The City was granted approval in September 2004 to again place the proposal on the November 2, 2004 ballot commencing on January 1, 2005. The proposal narrowly passed by an approximate 51%.

NOTES TO FINANCIAL STATEMENTS

Four of the property tax levies expired on December 31, 2003 but renewal was also approved by public election, for a period of 20 years, on November 2, 2004.

The State Bond Commission approved on August 19, 2004 the City incurring debt and issuing not to exceed \$1,500,000 revenue anticipation notes for the purpose of paying current expenses and to pay the costs incurred in connection with the issuance of the notes. The proceeds of the notes were deposited by the City in August 2004 and repaid in full on January 13, 2005.

On September 20, 2004, the City accepted a \$989,477 grant award from U.S. Department of Justice to replace, upgrade, and acquire equipment for and provide training to the City's police department.

The City accepted a grant not to exceed \$54,011 from Federal Aviation Administration on August 10, 2004 for the development of an airport action plan and updated airport layout plan. State of Louisiana will contribute 5%, not to exceed \$3,000, of the program eligible cost of the project.

REQUIRED SUPPLEMENTARY INFORMATION (Part 2 of 2)

CITY OF BASTROP, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GOVERNMENTAL FUND - GENERAL FUND

For the Year Ended June 30, 2004

	<u>Budget</u>		<u>Actual</u>	Variance - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 7,939,478	\$ 7,809,719	\$ 7,823,572	\$ 13,853
Licenses and permits	452,860	448,336	447,811	(525)
Intergovernmental	1,152,388	1,643,603	1,611,142	(32,461)
Fees, charges, and commissions for services	201,090	206,037	206,037	-
Fines and forfeitures	223,100	169,485	169,485	-
Interest and miscellaneous	<u>189,545</u>	<u>198,917</u>	<u>193,754</u>	<u>(5,163)</u>
Total revenues	<u>\$ 10,158,461</u>	<u>\$ 10,476,097</u>	<u>\$ 10,451,801</u>	<u>\$ (24,296)</u>
Expenditures:				
Current:				
General government	\$ 2,159,841	\$ 2,292,901	\$ 2,396,673	\$ (103,772)
Public safety	5,120,018	5,165,472	5,054,206	111,266
Public works	1,692,212	1,762,306	1,785,539	(23,233)
Sanitation	891,375	863,017	949,226	(86,209)
Debt service:				
Principal	127,335	127,614	1,602,242	(1,474,628)
Interest and fiscal charges	-	-	61,039	(61,039)
Capital outlay	<u>763,534</u>	<u>870,109</u>	<u>587,835</u>	<u>282,274</u>
Total expenditures	<u>\$ 10,754,315</u>	<u>\$ 11,081,419</u>	<u>\$ 12,436,760</u>	<u>\$ (1,355,341)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (595,854)</u>	<u>\$ (605,322)</u>	<u>\$ (1,984,959)</u>	<u>\$ (1,379,637)</u>

(continued)

CITY OF BASTROP, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GOVERNMENTAL FUND - GENERAL FUND (Continued)
 For the Year Ended June 30, 2004

	<u>Original</u>	<u>Budget</u> <u>Final</u>	<u>Actual</u>	Variance - Favorable <u>(Unfavorable)</u>
Other financing sources (uses):				
Operating transfers in (out)	\$ -	\$ -	\$ (69,378)	\$ (69,378)
Certificate of indebtedness proceeds	-	-	-	-
Revenue anticipation note proceeds	-	103,696	1,500,000	1,396,304
Sale of fixed assets	<u>24,500</u>	<u>7,470</u>	<u>6,923</u>	<u>(547)</u>
Total other financing sources (uses)	<u>\$ 24,500</u>	<u>\$ 111,166</u>	<u>\$ 1,437,545</u>	<u>\$ 1,326,379</u>
Net change in fund balance	\$ (571,354)	\$ (494,156)	\$ (547,414)	\$ (53,258)
Fund balance - beginning	571,354	571,354	701,007	129,653
Prior period adjustment	<u>-</u>	<u>-</u>	<u>52,410</u>	<u>52,410</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 77,198</u>	<u>\$ 206,003</u>	<u>\$ 128,805</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GOVERNMENTAL FUND - SEWER USE FEE FUND
 For the Year Ended June 30, 2004

	Budget		Actual	Variance - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Fees, charges, and commissions for services	\$ 1,004,400	\$ 1,112,868	\$ 1,099,975	\$ (12,893)
Interest and miscellaneous	<u>30,000</u>	<u>35,745</u>	<u>36,221</u>	<u>476</u>
Total revenues	<u>\$ 1,034,400</u>	<u>\$ 1,148,613</u>	<u>\$ 1,136,196</u>	<u>\$ 12,417</u>
Expenditures:				
Current:				
Sanitation	\$ 1,999,618	\$ 1,138,494	\$ 931,006	\$ 207,488
Debt service:				
Principal	630,963	824,439	385,000	439,439
Interest and fiscal charges	-	-	304,439	(304,439)
Costs of debt issuance	<u>-</u>	<u>-</u>	<u>99,386</u>	<u>(99,386)</u>
Total expenditures	<u>\$ 2,630,581</u>	<u>\$ 1,962,933</u>	<u>\$ 1,719,831</u>	<u>\$ 243,102</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (1,596,181)</u>	<u>\$ (814,320)</u>	<u>\$ (583,635)</u>	<u>\$ 230,685</u>
Other financing sources (uses):				
Sewer revenue bond proceeds	\$ 2,100,000	\$ 1,837,573	\$ 2,100,000	\$ 262,427
Debt issuance discount	<u>-</u>	<u>-</u>	<u>(17,440)</u>	<u>(17,440)</u>
Total other financing sources (uses)	<u>\$ 2,100,000</u>	<u>\$ 1,837,573</u>	<u>\$ 2,082,560</u>	<u>\$ 244,987</u>
Net changes in fund balance	\$ 503,819	\$ 1,023,253	\$ 1,498,925	\$ 475,672
Fund balance - reserved - beginning	951,306	951,306	2,853,230	1,901,924
Prior period adjustment	<u>-</u>	<u>-</u>	<u>(190,962)</u>	<u>(190,962)</u>
Fund balance - reserved - ending	<u>\$ 1,455,125</u>	<u>\$ 1,974,559</u>	<u>\$ 4,161,193</u>	<u>\$ 2,186,634</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF BASTROP, LOUISIANA

SCHEDULE OF GENERAL FUND REVENUES -
BUDGET AND ACTUAL

For the Year Ended June 30, 2004

	<u>Budget</u>			Variance -
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Favorable (Unfavorable)
Taxes:				
Ad valorem	\$ 2,600,000	\$ 2,655,466	\$ 2,655,466	\$ -
Sales	5,015,000	4,850,378	4,864,891	14,513
Gross receipts	309,478	289,075	288,415	(660)
Costs and interest	<u>15,000</u>	<u>14,800</u>	<u>14,800</u>	<u>-</u>
	<u>\$ 7,939,478</u>	<u>\$ 7,809,719</u>	<u>\$ 7,823,572</u>	<u>\$ 13,853</u>
Licenses and permits:				
Business licenses	\$ 230,000	\$ 220,734	\$ 220,209	\$ (525)
Insurance licenses	180,000	179,938	179,938	-
Building permits	15,000	26,068	26,068	-
Beer and liquor permits	15,000	10,096	10,096	-
Other permits	<u>12,860</u>	<u>11,500</u>	<u>11,500</u>	<u>-</u>
	<u>\$ 452,860</u>	<u>\$ 448,336</u>	<u>\$ 447,811</u>	<u>\$ (525)</u>
Intergovernmental:				
Fire insurance	\$ 28,434	\$ 31,227	\$ 33,667	\$ 2,440
Bastrop Fire District Two	433,648	690,756	665,911	(24,845)
Grants	218,030	482,075	474,788	(7,287)
Supplemental pay	347,200	340,400	340,400	-
Other	<u>125,076</u>	<u>99,145</u>	<u>96,376</u>	<u>(2,769)</u>
	<u>\$ 1,152,388</u>	<u>\$ 1,643,603</u>	<u>\$ 1,611,142</u>	<u>\$ (32,461)</u>

(continued)

CITY OF BASTROP, LOUISIANA

SCHEDULE OF GENERAL FUND REVENUES -
 BUDGET AND ACTUAL (Continued)
 For the Year Ended June 30, 2004

	<u>Budget</u>		<u>Actual</u>	Variance - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Fees, charges, and commissions for services:				
Cemetery lot sales	\$ 40,000	\$ 52,361	\$ 52,361	\$ -
City court and police jury	24,480	24,482	24,482	-
Recreation fees	27,000	22,644	22,644	-
Sewer fees	53,200	51,236	51,236	-
Municipal center	50,000	43,113	43,113	-
Other charges	6,410	12,201	12,201	-
	<u>\$ 201,090</u>	<u>\$ 206,037</u>	<u>\$ 206,037</u>	<u>\$ -</u>
Fines and forfeitures:				
Court and parking	<u>\$ 223,100</u>	<u>\$ 169,485</u>	<u>\$ 169,485</u>	<u>\$ -</u>
Interest and miscellaneous:				
Interest	\$ 25,000	\$ 8,337	\$ 8,427	\$ 90
Rents	18,600	18,368	18,368	-
Other	145,945	172,212	166,959	(5,253)
	<u>\$ 189,545</u>	<u>\$ 198,917</u>	<u>\$ 193,754</u>	<u>\$ (5,163)</u>
Total general fund revenues	<u>\$ 10,158,461</u>	<u>\$ 10,476,097</u>	<u>\$ 10,451,801</u>	<u>\$ (24,296)</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF GENERAL FUND CURRENT EXPENDITURES -
BUDGET AND ACTUAL
For the Year Ended June 30, 2004

	<u>Budget</u>		<u>Actual</u>	Variance - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
General government:				
Salaries	\$ 789,659	\$ 812,228	\$ 802,820	\$ 9,408
Payroll taxes and retirement	240,304	228,707	237,057	(8,350)
Street and traffic lights	156,000	197,002	183,299	13,703
Utilities and telephone	151,763	117,097	116,254	843
Office	22,100	26,230	26,110	120
Vehicle	8,750	10,225	10,159	66
Maintenance and supplies	49,975	24,259	91,629	(67,370)
Insurance	533,346	593,953	594,169	(216)
Travel	28,500	27,486	26,756	730
Airport	20,000	21,427	21,797	(370)
Mainstreet	8,000	(7,970)	31,345	(39,315)
Other	<u>151,444</u>	<u>242,257</u>	<u>255,278</u>	<u>(13,021)</u>
Total general government	<u>\$ 2,159,841</u>	<u>\$ 2,292,901</u>	<u>\$ 2,396,673</u>	<u>\$ (103,772)</u>
Public safety:				
Police:				
Salaries	\$ 1,669,858	\$ 1,727,101	\$ 1,706,166	\$ 20,935
Payroll taxes and retirement	277,901	262,264	257,395	4,869
Insurance	239,000	242,912	238,419	4,493
Office	15,000	10,519	10,249	270
Vehicle	48,500	68,110	67,413	697
Maintenance and supplies	24,000	56,831	27,971	28,860
Jail	28,000	18,444	26,870	(8,426)
Uniforms and laundry	14,413	14,935	13,979	956
Other	<u>71,400</u>	<u>62,706</u>	<u>59,181</u>	<u>3,525</u>
Total police	<u>\$ 2,388,072</u>	<u>\$ 2,463,822</u>	<u>\$ 2,407,643</u>	<u>\$ 56,179</u>

(continued)

CITY OF BASTROP, LOUISIANA

SCHEDULE OF GENERAL FUND CURRENT EXPENDITURES -
BUDGET AND ACTUAL (Continued)

For the Year Ended June 30, 2004

	<u>Original</u>	<u>Budget</u> <u>Final</u>	<u>Actual</u>	Variance - Favorable <u>(Unfavorable)</u>
Public safety (continued):				
Fire:				
Salaries	\$ 1,711,031	\$ 1,811,865	\$ 1,791,768	\$ 20,097
Payroll taxes and retirement	511,885	276,559	281,428	(4,869)
Insurance	240,000	288,108	280,861	7,247
Utilities and telephone	43,000	38,215	38,097	118
Vehicle	24,000	24,158	24,018	140
Maintenance and supplies	53,760	136,254	107,288	28,966
Uniforms and laundry	17,000	3,453	3,629	(176)
Retiree benefits	98,720	96,783	96,783	-
Other	<u>32,550</u>	<u>26,255</u>	<u>22,691</u>	<u>3,564</u>
Total fire	<u>\$ 2,731,946</u>	<u>\$ 2,701,650</u>	<u>\$ 2,646,563</u>	<u>\$ 55,087</u>
Total public safety	<u>\$ 5,120,018</u>	<u>\$ 5,165,472</u>	<u>\$ 5,054,206</u>	<u>\$ 111,266</u>
Public works:				
Highways and streets:				
Salaries	\$ 364,191	\$ 380,718	\$ 375,681	\$ 5,037
Payroll taxes and retirement	66,339	64,363	64,363	-
Insurance	67,325	65,072	65,025	47
Utilities and telephone	5,200	8,812	8,618	194
Vehicle	28,900	35,999	35,392	607
Maintenance and supplies	91,100	71,578	74,025	(2,447)
Other	<u>11,800</u>	<u>4,119</u>	<u>22,974</u>	<u>(18,855)</u>
Total highways and streets	<u>\$ 634,855</u>	<u>\$ 630,661</u>	<u>\$ 646,078</u>	<u>\$(15,417)</u>

(continued)

CITY OF BASTROP, LOUISIANA

SCHEDULE OF GENERAL FUND CURRENT EXPENDITURES -
 BUDGET AND ACTUAL (Continued)
 For the Year Ended June 30, 2004

	<u>Budget</u>		<u>Actual</u>	Variance - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Public works (continued):				
Health:				
Salaries	\$ 57,640	\$ 65,019	\$ 64,486	\$ 533
Payroll taxes and retirement	9,978	9,033	9,033	-
Insurance	11,100	11,279	11,122	157
Utilities and telephone	6,700	6,548	6,553	(5)
Vehicle	4,225	2,963	2,887	76
Maintenance and supplies	24,800	44,111	48,380	(4,269)
Other	1,900	1,391	1,412	(21)
Total health	<u>\$ 116,343</u>	<u>\$ 140,344</u>	<u>\$ 143,873</u>	<u>\$ (3,529)</u>
Recreation:				
Salaries	\$ 340,986	\$ 359,244	\$ 355,230	\$ 4,014
Payroll taxes and retirement	54,546	55,127	55,127	-
Insurance	37,500	37,787	37,446	341
Utilities and telephone	47,800	85,988	85,126	862
Vehicle	13,800	11,932	11,829	103
Maintenance and supplies	44,400	85,728	98,918	(13,190)
Other	8,950	16,169	15,986	183
Total recreation	<u>\$ 547,982</u>	<u>\$ 651,975</u>	<u>\$ 659,662</u>	<u>\$ (7,687)</u>
Cemetery:				
Salaries	\$ 140,218	\$ 116,834	\$ 115,174	\$ 1,660
Payroll taxes and retirement	25,763	20,405	20,405	-
Insurance	24,390	24,509	24,391	118
Utilities and telephone	1,153	1,337	1,295	42
Vehicle	7,300	5,736	5,664	72
Maintenance and supplies	11,350	7,157	7,157	-
Other	1,570	1,457	1,457	-
Total cemetery	<u>\$ 211,744</u>	<u>\$ 177,435</u>	<u>\$ 175,543</u>	<u>\$ 1,892</u>

(continued)

CITY OF BASTROP, LOUISIANA

SCHEDULE OF GENERAL FUND CURRENT EXPENDITURES -
 BUDGET AND ACTUAL (Continued)
 For the Year Ended June 30, 2004

	<u>Budget</u>		<u>Actual</u>	Variance - Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Public works (continued):				
Building maintenance:				
Salaries	\$ 100,318	\$ 100,905	\$ 99,611	\$ 1,294
Payroll taxes and retirement	17,761	17,452	17,452	-
Insurance	18,359	18,798	18,359	439
Vehicle	3,350	2,651	2,621	30
Maintenance and supplies	40,900	22,052	22,307	(255)
Other	600	33	33	-
Total building maintenance	<u>\$ 181,288</u>	<u>\$ 161,891</u>	<u>\$ 160,383</u>	<u>\$ 1,508</u>
Total public works	<u>\$ 1,692,212</u>	<u>\$ 1,762,306</u>	<u>\$ 1,785,539</u>	<u>\$ (23,233)</u>
Sanitation:				
Sewer:				
Service contract	\$ 874,375	\$ 847,559	\$ 918,560	\$ (71,001)
Other	17,000	15,458	30,666	(15,208)
Total sanitation	<u>\$ 891,375</u>	<u>\$ 863,017</u>	<u>\$ 949,226</u>	<u>\$ (86,209)</u>
 Total general fund current expenditures	 <u>\$ 9,863,446</u>	 <u>\$10,083,696</u>	 <u>\$ 10,185,644</u>	 <u>\$ (101,948)</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF SEWER USE FEE FUND REVENUES -
BUDGET AND ACTUAL

For the Year Ended June 30, 2004

	<u>Original</u>	<u>Budget</u> <u>Final</u>	<u>Actual</u>	Variance - Favorable <u>(Unfavorable)</u>
Fees, charges, and commissions for services:				
Sewer fees	\$ 1,004,400	\$ 1,112,868	\$ 1,099,975	\$ (12,893)
Interest and miscellaneous:				
Interest	\$ 30,000	\$ 35,745	\$ 35,769	\$ 24
Other	-	-	452	452
	<u>\$ 30,000</u>	<u>\$ 35,745</u>	<u>\$ 36,221</u>	<u>\$ 476</u>
 Total sewer use fee fund revenues	 <u>\$ 1,034,400</u>	 <u>\$ 1,148,613</u>	 <u>\$ 1,136,196</u>	 <u>\$ (12,417)</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF SEWER USE FEE FUND CURRENT EXPENDITURES -
BUDGET AND ACTUAL

For the Year Ended June 30, 2004

	<u>Budget</u>		<u>Actual</u>	Variance -
	<u>Original</u>	<u>Final</u>		Favorable <u>(Unfavorable)</u>
Sanitation:				
Sewer:				
Salaries	\$ 64,000	\$ 66,024	\$ 66,024	\$ -
Payroll taxes and retirement	11,968	10,457	10,457	-
Office	3,000	1,363	1,363	-
Maintenance and supplies	1,908,850	965,771	842,926	122,845
Insurance	8,300	8,812	8,812	-
Other	<u>3,500</u>	<u>86,067</u>	<u>1,424</u>	<u>84,643</u>
Total sewer use fee fund current expenditures	<u>\$ 1,999,618</u>	<u>\$ 1,138,494</u>	<u>\$ 931,006</u>	<u>\$ 207,488</u>

CITY OF BASTROP, LOUISIANA

COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2004

	Debt Service <u>Fund</u>	Capital Projects <u>Fund</u>	<u>Totals</u>
ASSETS			
Cash	\$ 30	\$ -	\$ 30
Pooled deposits	33,214	-	33,214
Due from other governments	<u>-</u>	<u>155,778</u>	<u>155,778</u>
Total assets	<u>\$ 33,244</u>	<u>\$ 155,778</u>	<u>\$ 189,022</u>
LIABILITIES			
Accounts payable	\$ -	\$ 155,778	\$ 155,778
Refund due	<u>33,244</u>	<u>-</u>	<u>33,244</u>
Total liabilities	<u>\$ 33,244</u>	<u>\$ 155,778</u>	<u>\$ 189,022</u>

CITY OF BASTROP, LOUISIANA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2004

	Debt Service <u>Fund</u>	Capital Projects <u>Fund</u>	<u>Totals</u>
Revenues:			
Intergovernmental	\$ -	\$ 497,784	\$ 497,784
Expenditures:			
Current:			
Sanitation	<u>-</u>	<u>567,162</u>	<u>\$ 567,162</u>
Excess (deficiency) of revenues over expenditures	\$ -	\$(69,378)	(69,378)
Other financing sources:			
Operating transfers in	<u>-</u>	<u>69,378</u>	<u>69,378</u>
Net changes in fund balances	\$ -	\$ -	\$ -
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF MAYOR'S AND ALDERMEN'S COMPENSATION
For the Year Ended June 30, 2004

The schedule of compensation paid to the mayor and aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the mayor and aldermen is included in the general administrative expenditures of the General Fund. The mayor and aldermen receive compensation pursuant to Louisiana Revised Statute 404.1.

Clarence Hawkins, Mayor	\$ 68,088
Betty Alford-Olive, Alderman	10,276
Willie Lenoir, Alderman	10,276
Arthur Hamlin, Alderman	10,276
Richard Heusel, III, Alderman	10,276
Beulah Robinson, Alderman	<u>10,276</u>
Total compensation	<u>\$ 119,468</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2004

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass- Through Entity Identifying Number	<u>Expenditures</u>
United States Department of Justice/ Bureau of Justice Assistance/ Louisiana Commission on Law Enforcement	16.592	2002-LB-BX-1542	\$ 8,472
Federal Emergency Management Agency/ Assistance to Firefighters Grant Program/ Fire Operations and Firefighters Safety	83.554	EMW-2002-FG-15507	77,874
Department of Transportation/ Federal Aviation Administration/ Airport Improvement Program	20.106	3-22-0004-007-2002	183,747
Department of Housing and Urban Development/ Louisiana Division of Administration/ Community Development Block Grant	14.228	596699	497,784
United States Department of Interior/ National Park Service Historic Preservation Fund/ Main Street Program	15.904	22-03-18218	<u>5,750</u>
Total expenditures of federal awards			<u>\$ 773,627</u>

See note to schedule of expenditures of federal awards.

CITY OF BASTROP, LOUISIANA

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2004

Note 1. Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of City of Bastrop, Louisiana, and is being presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the financial statements.

HILL, INZINA & COMPANY

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

The Honorable Clarence W. Hawkins, Mayor,
and Members of the Board of Aldermen
City of Bastrop, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bastrop, Louisiana (the "City"), as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 31, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 judgement, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2004-1.

A material weakness is a reportable 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 consider the reportable condition described above to be a material weakness.

-70-

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs as items 2004-2 through 2004-7.

This report is intended solely for the information and use of management, Board of Aldermen, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hill, Olympia & Co.

January 31, 2005

HILL, INZINA & COMPANY

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

The Honorable Clarence W. Hawkins, Mayor,
and Members of the Board of Aldermen
City of Bastrop, Louisiana

Compliance

We have audited the compliance of City of Bastrop, Louisiana (the "City"), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2004. The City's major federal program is 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 its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

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

Internal Control Over Compliance

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

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. 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 the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is 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 the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud 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 consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management, Board of Aldermen, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hill, Ogden & Co.

January 31, 2005

c. Identification of Major Program:

CFDA Number 14.228
Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B Programs \$500,000
Is the auditee a 'low risk' auditee, as defined by OMB Circular A-133? Yes No

Section II - Financial Statement Findings

- 2004-1 Inadequate Segregation of Duties (initial citing as of and for the ended June 30, 1985)
- Criteria: Adequate segregation of duties is essential to a proper internal control structure.
- Condition: The segregation of duties is inadequate to provide effective internal control.
- Cause: The condition is due to economic and space limitations.
- Effect: Not determined.
- Recommendation: No action is recommended.
- Management's response and planned corrective action: We concur in the finding, but it is not economically feasible nor does space allow for corrective action to be taken.
- 2004-2 Noncompliance with Local Government Budget Act (initial citing as of and for the year ended June 30, 2001)
- Criteria: All action necessary to adopt and otherwise finalize and implement the budget for an ensuing fiscal year must be completed prior to the end of the fiscal year in progress. All action necessary to amend the budget must be completed by the current fiscal year end.
- Condition: The General and Special Revenue Funds' budgets for the year ended June 30, 2004 were not formally adopted by the Board of Aldermen until August 14, 2003 and July 10, 2003, respectively. Formal action to adopt final amendments to the budgets was not taken by the Board until July 8, 2004.

Cause: The untimely adoption of the original budgets was due to the governing authority's inability to agree upon the proposed budgets. The final amendments to the budgets were not timely submitted to the Board for formal adoption by the chief executive officer or equivalent.

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

Recommendation: The proposed budget is to be completed and submitted to the Board of Aldermen and made available for public inspection no later than fifteen days prior to the beginning of each fiscal year. All action necessary to adopt and finalize the budget is to be completed prior to the end of the fiscal year in progress. All action necessary to amend the budget must be completed by the current fiscal year end.

Management's response and planned corrective action: We concur in the finding. Completion, submission, and amendment of future budgets will be timely.

2004-3 Noncompliance with Local Government Budget Act (initial citing as of and for the year ended June 30, 2003)

Criteria: The Local Government Budget Act requires that the chief executive officer or equivalent notify in writing the governing authority during the year when actual receipts and other financing sources plus projected revenue collections and other financing sources for the year fail to meet budgeted revenues and other financing sources by 5% or more, or when actual expenditures and other financing uses plus projected expenditures and other financing uses to year end exceed budgeted expenditures and other financing uses by 5% or more.

Condition: Actual expenditures and other financing uses of the General Fund of \$12,506,138 exceeded budgeted expenditures and other financing uses of \$11,081,419 for the year ended June 30, 2004 by \$1,424,719 or 12.86%. The significant unfavorable variance resulted from debt service expenditures not being budgeted.

Cause: The budget was not monitored and amended.

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

Recommendation: The chief executive officer or the equivalent should notify the governing authority in writing during the year when actual expenditures and other financing uses plus projected expenditures and other financing uses to year end exceed budgeted expenditures and other financing uses by 5% or more. The governing authority should amend the budget when notified.

Management's
response and
planned cor-
rective action:

The chief executive officer concurs with the finding and will periodically monitor the budget and notify the governing authority in writing as amendments are required.

2004-4 Asset Management (initial citing as of and for the year ended June 30, 2001)

Criteria: LSA-RS 24:515 and/or 39:321-332 as applicable, require that the City maintain records of its fixed assets and movable property. Also, GASB Statement No. 34 requires the City to record capital assets and depreciation in the government-wide financial statements.

Condition: The City has compiled an inventory listing of capital assets but such listing of capital assets of the governmental activities is not accurate as to historical cost of individual assets.

Cause: Additional time will be needed to accurately complete the records. The City did not develop in previous years a strategy to ensure retention of accurate, complete, and up-to-date records of capital assets.

Effect: Capital assets and depreciation of governmental activities have not been recorded.

Recommendation: Time should be taken and a responsible party assigned to completing the inventory records with accurate historical costs.

Management's
response and
planned cor-
rective action:

We concur in the finding and have assigned a responsible party to timely and accurately complete the inventory records.

2004-5 Delinquency of Payment Collections on Loans Receivable (initial citing as of and for the year ended June 30, 2001)

Criteria: The loans made by the General Fund to local businesses made provision for payment by economic impact credits if the businesses employed the required number of full-time, local employees during the stated consecutive quarters of the 2003 calendar year.

The individual promissory notes made by the Revolving Loan Fund state that failure to pay any installment when due, shall at the option of the holder, mature all remaining unpaid installments.

Condition: Failure by all parties to meet the defined economic impact credits and/or ceasing operations resulted in initial payments becoming due on November 1, 2003 or January 1, 2004. As of June 30, 2004, only one monthly payment had been received from one party.

All of the 11 unpaid promissory notes as of June 30, 2004 have payments in arrear.

Cause: The City has not taken legal action to enforce repayment of the loans to local businesses upon the parties failing to meet the defined economic impact credits and/or ceasing operations.

Nor has the City opted to mature all remaining unpaid installments of the promissory notes upon failure to pay any installment when due.

Effect: City funds are susceptible to being uncollected.

Recommendation: We recommend that the City promptly take legal action to enforce the payment provisions of all delinquent loans.

Management's response and planned corrective action:

We concur in the finding and will continue to seek legal counsel to enforce the provisions. As of the date of this report, one suit is pending regarding the matter of delinquency of payment collections.

2004-6 Accumulated Compensated Absences (initial citing)

Criteria: The City's personnel policy for all employees except members of the police and fire departments states that hourly employees may elect compensatory time in lieu of overtime pay with proper documentation and approval of the department head and mayor. The policy further states that compensatory time will be granted to supervisory personnel in lieu of overtime pay.

Wage and hour regulations stipulate the maximum hours that may be accumulated for employees engaged in various work related duties.

Condition: The City is allowing almost all employees, whether hourly or supervisory, to accumulate compensatory time with no limitations as to the total hours that may be accumulated and without proper documentation and approval being required for all employees.

Cause: The City is not strictly adhering to its stated personnel policy which appears to require revisions for current wage and hour regulations.

Effect: The City is at risk for loss of man power hours by allowing excessive compensatory time to be accumulated and taken by employees.

Recommendation: We recommend that the City's legal counsel advise as to wage and hour regulations, that the City's policy regarding compensatory time be revised as needed, and that the City adhere strictly to stated personnel policies.

Management's response and planned corrective action:

We concur in the finding and will take action based upon our legal counsel's recommendations.

2004-7 Violation of State Statutes

Criteria: Pursuant to Louisiana Revised Statutes 24:513 and 24:514, all annual audits must be completed and submitted to the Legislative Auditor within six months of the close of the auditee's fiscal year.

Condition: The City's annual audit for the fiscal year ended June 30, 2004 was not submitted to the Legislative Auditor within six months of the end of the fiscal year.

Cause: The City's capital asset inventory listing was not accurately compiled in a timely manner for the annual audit to be completed and submitted within the required time frame.

Effect: The City is in violation of the statutes.

Recommendation: Accurate financial records of the City should be maintained and available in a timely manner that will allow completion and submission of the annual audits.

Management's response and planned corrective action: Accurate financial records will be maintained and made available for timely completion and submission of future annual audits.

Section III - Federal Awards Finding

2004-1 Inadequate Segregation of Duties
(See 2004-1 in Section II.)

Program: Community Development Block Grant

Section IV - Management Letter

None issued.

CITY OF BASTROP, LOUISIANA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended June 30, 2004

Section I - Compliance and Internal Control Material to Financial Statements

2003-1 Inadequate Segregation of Duties

Adequate segregation of duties is essential to a proper internal control structure. Unresolved - 2004-1.

2003-2 Noncompliance with Local Government Budget Act

All action necessary to adopt and finalize the budget must be completed by the prior year end. Unresolved - 2004-2.

2003-3 Noncompliance with Local Government Budget Act

The chief executive officer, or equivalent, should notify in writing the governing authority during the year when actual receipts plus projected revenue collections for the year fail to meet budgeted revenues by 5% or more, or when actual expenditures plus projected expenditures to year end exceed budgeted expenditures by 5% or more. Unresolved - 2004-3.

2003-4 Asset Management

State statutes require that the City maintain records of its fixed assets and movable property. Unresolved - 2004-4.

2003-5 Delinquency of Payment Collections on Loans Receivable

The City has not opted to mature all remaining unpaid installments of the promissory notes upon failure to pay any installment when due. Unresolved - 2004-5.

Section II - Management Letter

None issued.