

CITY OF ZACHARY, LOUISIANA
FINANCIAL REPORT
OCTOBER 31, 2003

Under provisions of state law, this report is a public document. A copy of this 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/sheriff.

Release Date: 4-21-04

CITY OF SACRAMENTO, LOUISIANA

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**Independent Auditor's Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards**

21-54

James R. Douglas, Ltd.
Certified Public Accountants
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**INDEPENDENT AUDITORS' REPORT ON THE
GENERAL PURPOSE FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

To the Honorable Mayor and Members
of the City Council
City of Zachary, Louisiana

We have audited the accompanying general purpose financial statements of the City of Zachary, Louisiana, and the individual fund and account group financial statements of the City as of and for the year ended October 31, 2003, as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in Government Auditing Standards (1998 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Zachary, Louisiana as of October 31, 2003, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the individual fund and account group financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds and account groups of the City of Zachary, Louisiana, at October 31, 2003, and the results of operations of each fund and the cash flows of the individual proprietary fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated March 22, 2004, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole and on the individual fund and account group financial statements. The schedules listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements of the City of Zachary, Louisiana. Such information is marked "unaudited", and we express no opinion on this information.

The financial information for the preceding year, which is included for comparative purposes, was taken from the financial report for that year in which we expressed an unqualified opinion on the general purpose, individual fund, and account group financial statements of the City of Zachary, Louisiana.


James R. Douglas, Ltd.
Certified Public Accountants

March 22, 2004

GENERAL PURPOSE FINANCIAL STATEMENTS
(COMBINED STATEMENTS - OVERVIEW)

COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUPS, FUND-COMPOUND UNITS

October 31, 2003

ACCOUNT	Governmental Fund Types		Proprietary			Account Group			Totals		Totals
	General Fund	Special Revenue Fund	Enterprise Fund	General Fund	Lump-Sum Fund	Primary	Secondary	Cost of Sales	Cost of Services	Interfund	
Cash	\$ 81,000	\$ 1,000,004	\$ 280,000	\$ -	\$ -	\$ 1,007,488	\$ 20,000	\$ -	\$ -	\$ 3,007,889	\$ 3,007,889
Surplus account	1,000	-	2,000	-	-	4,000	-	-	-	4,000	4,000
Investments	124,710	1,000,000	-	-	-	1,441,112	-	-	-	1,441,112	1,441,112
Receivables (net, when applicable of allowance for uncollectibles)	-	-	-	-	-	-	-	-	-	-	-
Taxes lev	90,000	-	-	-	-	-	-	-	-	90,000	90,000
Accounts	-	-	796,200	-	-	796,200	-	-	-	796,200	796,200
Other	4,644	10,000	798,000	-	-	800,000	-	-	-	800,000	800,000
Inventory	-	-	120,000	-	-	120,000	-	-	-	120,000	120,000
Due from other funds	1,000,000	-	-	-	-	1,000,000	-	-	-	1,000,000	1,000,000
Borrowed assets:	-	-	-	-	-	-	-	-	-	-	-
Cash	-	-	200,000	-	-	200,000	-	-	-	200,000	200,000
Inventories	-	-	100,000	-	-	100,000	-	-	-	100,000	100,000
Lease	-	-	20,700	200,000	-	240,700	-	-	-	240,700	240,700
Buildings	-	-	-	2,000,000	-	2,000,000	-	-	-	2,000,000	2,000,000
Capitalization in process	-	-	2,000,000	-	-	2,000,000	-	-	-	2,000,000	2,000,000
Improvements other than building	-	-	10,000,000	-	-	10,000,000	-	-	-	10,000,000	10,000,000
Machinery and equipment	-	-	1,000,000	4,000,000	-	5,000,000	-	-	-	5,000,000	5,000,000
Accumulated depreciation	-	-	(3,000,000)	-	-	(3,000,000)	-	-	-	(3,000,000)	(3,000,000)
Total assets	1,101,710	3,011,004	11,070,200	6,000,000	-	25,801,918	11,000	-	-	41,882,628	41,882,628
Other debts:	-	-	-	-	-	-	-	-	-	-	-
Amounts to be provided by retirement of general long-term debt	-	-	-	150,000	-	150,000	-	-	-	150,000	150,000
Total debts and other debts	1,000,000	1,011,000	11,070,200	6,000,000	150,000	26,001,918	11,000	-	-	41,882,628	41,882,628

(continued)

The accompanying notes are an integral part of this statement.

CITY OF SACRAMENTO, CALIFORNIA

COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUPS, AND COMPONENT UNITS - CONTINUED

December 31, 2000

LIABILITIES, EQUITY AND OTHER CREDITS

Liabilities	Governmental Fund Types		Proprietary Fund		Accrual Strength			Trade Accounts Payable		Trade Accounts Payable - City Client Reporting Entity
	General Fund	Special Revenue Fund	Enterprise Fund	Other	General Fund	Long-Term Debt	Other	Priority	Other	
Accounts Payable	\$ 114,227	\$ 104,350	\$ 678,134	\$ -	\$ -	\$ -	\$ -	\$ 1,281,275	\$ -	\$ 1,481,275
Compressed accounts	-	-	47,148	-	-	284,276	-	311,676	-	593,676
Other payables	55,461	-	795,475	-	-	-	-	243,334	-	248,204
Due to other funds	-	-	1,198,417	-	-	-	-	1,198,417	-	1,198,417
Payable from restricted assets -	-	-	-	-	-	-	-	-	-	-
Customer deposits	-	-	170,759	-	-	-	-	170,759	-	248,791
Basis deposits	-	-	400,413	-	-	-	-	400,413	-	593,413
Total Liabilities	224,148	188,700	1,642,803	-	284,276	-	-	4,185,924	-	4,979,414
Fund equity and other credits										
Contributed capital	-	-	4,494,429	-	-	-	-	4,494,429	-	4,494,429
Designated for asset improvements	-	5,155,419	-	-	-	-	-	1,112,416	-	5,155,419
Investment in general fund assets	-	-	-	-	5,000,455	-	-	5,000,455	91,409	5,191,865
Retained earnings - nonrestricted	-	-	1,949,782	-	-	-	-	1,949,782	-	2,449,782
Fund balance - nonrestricted	2,071,265	-	-	-	-	-	-	1,057,266	28,808	2,091,272
Total Fund equity and other credits	2,071,265	5,155,419	7,494,676	-	5,000,455	-	-	11,614,392	119,517	11,641,565
Total liabilities, fund equity and other credits	2,295,413	5,814,119	11,137,479	-	5,484,731	54,276	-	25,799,716	219,017	26,159,681

The accompanying notes are an integral part of this statement.

CITY OF SACHELT, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES AND COMPONENT UNITS

Year Ended October 31, 2003

	Revenues:		Special Revenues		Totals (Governmental only)		Totals (Governmental only) Reporting Entity	
	General Fund		Special Revenues Fund		Primary Governmental	City Court of Jachet	Reporting Entity	
Taxes	\$ 4,217,166		\$ 765,828		\$ 4,982,921	\$ -	\$ 4,982,921	
License and permit	483,573		-		483,573	-	483,573	
Intergovernmental	303,621		-		303,621	-	303,621	
Charge for services	596,583		-		596,583	-	596,603	
Contributions	821,683		-		821,683	-	821,683	
Fees	76,343		-		76,343	-	76,343	
Miscellaneous	70,866		15,813		214,881	113,564	328,445	
Total revenues	<u>6,375,305</u>		<u>822,694</u>		<u>7,198,300</u>	<u>113,564</u>	<u>7,311,864</u>	
Expenditures:								
General government	1,809,340		-		1,809,340	181,889	1,991,229	
Police	2,038,448		-		2,038,448	-	2,038,448	
Fire	1,375,417		-		1,375,417	-	1,375,417	
Street	614,147		972,317		1,586,474	-	1,586,474	
Sanitation	600,038		-		600,038	-	600,038	
Total expenditures	<u>6,437,390</u>		<u>972,317</u>		<u>7,409,705</u>	<u>181,889</u>	<u>7,591,594</u>	

FOOTNOTES

The accompanying notes are an integral part of this statement.

COMPILED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - ALL GOVERNMENTAL, FUNDS TYPES AND COMPONENT UNITS (CONTINUED)
Year Ended October 31, 2000

	General Fund	Special Revenue Fund	Treasury (non-revenue only) Primary Governmental	City Credit Agency of Facility	Treasury (non-revenue only) Municipal Agency Facility
Revenues (sub-category of revenues over expenditures)	\$ (142,863)	1,494,839	\$ (114,819)	\$ 11,654	\$ (287,225)
Other financing sources: Transfers from (to) other funds	39,000	-	25,000	133,000	-
Revenues (sub-category of revenues and other sources over expenditures)	(103,863)	1,494,839	100,181	244,654	(287,225)
Fund balances, beginning	2,195,145	2,389,453	3,428,797	49,821	5,323,611
Fund balances, ending	2,091,282	2,123,619	3,199,064	28,300	5,036,386

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - BUDGET COMPARED WITH ACTUAL - GENERAL
 AND SPECIAL PURPOSE FUND-TOTAL

Year Ending October 31, 2021

	General Fund			Special Revenue Fund			Total		
	Budget	Actual	Variance - Favorable (Unfavorable)	Budget	Actual	Variance - Favorable (Unfavorable)	Budget	Actual	Variance - Favorable (Unfavorable)
Revenues									
Taxes	\$ 4,283,000	\$ 4,217,000	\$ (66,000)	\$ 760,000	\$ 760,000	\$ -	\$ 4,043,000	\$ 4,977,000	\$ 934,000
License and permits	440,000	482,415	44,415	-	-	-	440,000	482,415	42,415
Intergovernmental	281,000	313,607	32,607	-	-	-	281,000	313,607	32,607
Charges for services	211,000	206,600	(4,400)	-	-	-	211,000	206,600	(4,400)
Contributions	420,000	421,485	(1,515)	-	-	-	420,000	421,485	(1,515)
Fees	74,000	74,000	0	-	-	-	74,000	74,000	0
Other	71,000	70,000	(1,000)	21,000	11,000	(10,000)	92,000	81,000	(11,000)
Total revenues	\$ 5,481,000	\$ 5,375,000	\$ (106,000)	\$ 781,000	\$ 771,000	\$ (10,000)	\$ 6,162,000	\$ 6,046,000	\$ (116,000)
Expenditures									
General government	1,965,175	1,909,540	55,635	-	-	-	1,965,175	1,909,540	55,635
Public safety									
Police	3,200,000	3,038,448	161,552	-	-	-	3,200,000	3,038,448	161,552
Fire	1,400,000	1,374,417	25,583	-	-	-	1,400,000	1,374,417	25,583
Street	487,000	444,441	42,559	1,400,000	670,391	729,609	2,176,000	1,885,239	290,761
Sanitation	377,000	404,018	(27,018)	-	-	-	377,000	404,018	(27,018)
Total expenditures	\$ 6,997,175	\$ 6,566,864	\$ 430,311	\$ 1,400,000	\$ 670,391	\$ 729,609	\$ 8,397,175	\$ 7,988,015	\$ 409,160
Revenue deficiency (excess) over expenditures	\$ 684,825	\$ (191,864)	\$ 876,689	\$ 381,000	\$ (109,391)	\$ 490,391	\$ 7,412,825	\$ (942,015)	\$ 8,354,840

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The accompanying notes are an integral part of this statement.

COMPARISON OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - BUDGET COMPARED AND ACTUAL - GENERAL
 AND SPECIAL REVENUE FUND TYPES CONTINUED

Year Ended December 31, 2003

	General Fund		Special Revenue Fund		Total	
	Budget	Actual	Budget	Actual	Budget	Actual
Other financing sources (used)						
Transfers from (to) other funds		25,000	-	-	25,000	25,000
		<u>25,000</u>		<u>25,000</u>		<u>50,000</u>
Excess (deficiency) of revenues and other non-current expenditures and other items	(184,374)	(117,000)	(99,000)	(140,074)	(1,281,378)	(248,442)
	<u>2,192,141</u>	<u>2,098,300</u>	<u>2,299,000</u>	<u>2,181,121</u>	<u>4,491,141</u>	<u>4,279,357</u>
Fund balance, beginning		42,241		202,147		244,388
Fund balance, ending	<u>1,907,967</u>	<u>2,056,300</u>	<u>2,299,000</u>	<u>1,979,147</u>	<u>4,196,967</u>	<u>4,523,746</u>

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED
EARNINGS - PROPRIETARY FUND TYPE - ENTERPRISE FUND
Years Ended October 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Operating revenues:		
Charges for service -		
Water sales	\$ 1,561,570	14,385,211
Gas sales	1,972,188	1,795,847
Sewer service charges	347,530	738,800
Installation charges	68,853	42,499
Miscellaneous revenues	31,440	44,763
Total operating revenues	<u>3,981,581</u>	<u>17,997,120</u>
Operating expenses:		
Water department expenses	871,889	764,499
Gas department expenses	1,563,582	1,344,737
Sewer department expenses	508,084	469,935
General and administrative expenses	262,499	311,246
Depreciation	408,221	406,887
Total operating expenses	<u>3,614,275</u>	<u>3,277,304</u>
Operating income	<u>367,306</u>	<u>4,719,816</u>
Nonoperating revenues:		
Sale of fixed assets	32,998	-
Interest income	4,280	4,534
Income before operating transfers	<u>37,278</u>	<u>4,534</u>
Transfers to: General Fund	-	15,882
Net income	<u>37,278</u>	<u>4,534</u>
Depreciation transferred to participants	14,746	-
Increase in retained earnings	<u>22,532</u>	<u>4,534</u>
Retained earnings:		
Beginning of year	<u>2,718,971</u>	<u>2,519,499</u>
End of year	<u>2,841,503</u>	<u>2,718,971</u>

The accompanying notes are an integral part of this statement.

STATEMENTS OF CASH FLOWS - PROPRIETARY FUND TYPE -
ENTERPRISE FUND

Years Ended October 31, 2003 and 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income	\$ 187,787	\$ 410,848
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	428,221	406,067
Changes in assets and liabilities -		
Decrease (Increase) in receivables	(949,180)	(54,579)
Increase (decrease) in accounts payable and other liabilities	486,234	(33,809)
Increase (decrease) in due to other funds	(792,823)	117,846
All other, net	14,878	23,807
Net cash provided by operating activities	<u>(942,213)</u>	<u>(94,508)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Increase (decrease) in due to other funds	-	249,596
Operating transfers	-	(13,000)
Net cash provided by noncapital financing activities	<u>-</u>	<u>236,596</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Additions to property and equipment	(1,238,716)	(1,528,721)
Proceeds from sale	480,880	618,682
Capital contributions	1,682,880	2,428,717
Net cash provided by (used for) capital and related financing activities	<u>(75,056)</u>	<u>1,518,678</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of assets	12,800	-
Interest income	4,280	4,524
Net cash provided by investing activities	<u>17,080</u>	<u>4,524</u>
Increase (decrease) in cash and cash equivalents	(909,889)	578,694
Cash and cash equivalents at beginning of year, including restricted accounts (2002 - \$314,974; 2001 - \$236,497)	<u>1,011,262</u>	<u>433,426</u>
Cash and cash equivalents at end of year, including restricted accounts (2003 - \$314,347; 2002 - \$314,974)	<u>101,373</u>	<u>1,012,120</u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Zachary, Louisiana, (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity -

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City (the primary government) and its component unit (City Court of Zachary) which is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

City Court of Zachary - In conformity with generally accepted accounting principles, the financial statements of the Court have been included in the financial reporting entity as a discretely governed component unit. This unit is reported in a separate column to emphasize that they are legally separate from the City. How it presents financial statements of the City Court of Zachary.

The following organization is excluded from the reporting entity:

Zachary Volunteer Fire Department - This potential component unit provides volunteer fire service to the City. Although the City does provide facilities and/or some financing, it does not exercise direct control over its operations.

B. Fund Accounting -

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designated to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect an expendable available financial resource.

Funds are classified into two categories: (1) governmental and (2) proprietary. Each category, in turn, is divided into separate "fund types".

Governmental funds are used to account for all or most of a government's general activities, including special revenue funds (used to account for the proceeds of specific revenue sources (other than capital projects) that are legally restricted to expenditures for specific purposes) and capital projects funds (used to account for major capital expenditures not financed by proprietary funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Services from such activities are provided to outside parties (enterprise funds).

C. Basis of Accounting -

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other uses) in net current assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

C. Basis of Accounting (continued) -

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

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when measurable to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are received within 30 days after year end. A one-year availability period is used for revenue receipts for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred.

Taxes receivable (susceptible to accrual) being held at year end on behalf of the City are sales and property taxes which are collected and held by the Parish and beer tax which is collected and held by the State.

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

D. Budgets -

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

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

E. Cash, Cash Equivalents, and Investments -

Cash and cash equivalents include amounts in demand deposits, savings accounts, and certificates of deposit with a maturity date within three months of the date purchased. Certificates of deposit with a maturity date of more than three months when purchased are considered investments.

State statute authorizes the City to invest its obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in Louisiana banks, or any other federally insured investment.

F. Short-term Interfund Receivables/Payables -

During the course of operations, numerous transactions occur between individual funds. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

G. Inventories -

Inventory of supplies in the proprietary fund is valued at cost (first-in, first-out).

Purchase of operating supplies by governmental fund types are recorded as expenditures when purchased; inventories of such supplies are not recorded and are not considered by management to be material.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. Restricted Assets -

Certain resources set aside for the repayment of customers' deposits are classified as restricted assets on the balance sheet because their use is limited by law.

L. Property, plant, and equipment -

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group. Public domain (infrastructure) general fixed assets consisting of certain improvements - other than buildings, such as roads, sidewalks, and bridges, are not capitalized. Property, plant, and equipment acquired or constructed for general governmental operations is recorded as an expenditure in the fund making the expenditure and capitalized at cost in the General Fixed Assets Account Group.

Property, plant, and equipment acquired for proprietary funds is capitalized in the fund to which it applies.

Property, plant, and equipment is stated at cost. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer.

Depreciation of depreciable fixed assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the proprietary funds' balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation.

The estimated useful lives for each major class of depreciable fixed assets are as follows:

Structures and improvements	30-50 years
Machinery and equipment	5-10 years

J. Compensated Absence -

Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources of the general fund are reported in the general long-term debt account group. No expenditure is reported for these amounts. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

K. Fund Equity -

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from individuals or other funds. Business represents those portions of fund equity not appropriate for expenditures.

L. Interfund Transactions -

Advances between funds which are not expected to be repaid are accounted for as transfers. In those cases where repayment is expected, the advances are accounted for through the various due to and due from accounts.

M. Bad Debts -

Uncollectible amounts due for customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

N. Comparative Data --

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements overly complex and difficult to understand.

1. LEGAL COMPLIANCE - BUDGETS

On or before September 1st of each year, the mayor submits to the council a proposed operating budget. At the meeting of the council at which the operating budget is submitted, the council orders a public hearing on it and causes it to be published in the official journal. The budget is adopted not later than the second to last regular meeting of the fiscal year.

The operating budget may be amended to provide for: (1) supplemental appropriations, (2) emergency appropriations, (3) reductions of appropriations, and (4) transfer of appropriations.

Each year, no later than the time of submission of the operating budget, for the coming year, the mayor prepares and submits to the council a capital improvement program covering a period of at least five years.

Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, several supplementary appropriations were necessary. The budget amounts used for comparison purposes in the accompanying financial statements include the supplementary appropriations.

2. DEPOSITS AND INVESTMENTS

Deposits:

Under State law, federal deposit insurance or the pledge of securities owned by the fiscal agent bank must secure these deposits (or the resulting bank balances). The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. The City's deposits are categorized to give an indication of the level of risk assumed by the City. The categories are described as follows:

Category 1: Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3: Collateralized with securities held by the pledging financial institution's trust department or agent but not in the entity's name.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. DEPOSITS AND INVESTMENTS (CONTINUED)

At October 31, 2000	Bank Balance	Category		
		1	2	3
Deposits	\$ 3,072,494	\$ -	\$ -	\$ 3,072,494
Savings accounts	6,299	-	-	6,299
Total	3,078,793	-	-	3,078,793

Investments

The City's investments are categorized as either (1) insured or collateralized with securities held by the entity or by its agent in the entity's name, (2) collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the entity's name.

At October 31, 2000	Bank Balance	Category		
		1	2	3
Certificates of deposit	\$ 1,564,117	\$ -	\$ -	\$ 1,564,117

4. RECEIVABLES

Receivables at October 31, 2000 consist of the following:

	General	Special Revenue	Enterprise	Total
Sales tax	\$ 90,885	\$ 26,589	\$ -	\$ 117,474
Accounts	-	-	771,261	771,261
Other	6,641	12,553	788,128	807,324
Gross receivables	97,526	39,142	1,559,429	1,696,107
Less allowance for uncollectible accounts	-	-	(25,800)	(25,800)
Net receivables	97,526	39,142	1,533,629	1,670,307

*Of the total, \$449,179 is due from the Department of Transportation and Development, and \$214,608 is due from the East Baton Rouge Sewerage Commission.

Property taxes are levied as of January 1st on property values assessed as of the same date. The tax levy is mailed during December and the taxes are due as of (or before) December 31st. If taxes are unpaid by June, the property is offered at an sale and 30-days after the tax sale, a lien is placed on the property.

5. FIXED ASSETS

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	Balance October 31, 2000	Additions	Deletions	Balance October 31, 2001
Land	\$ 2,811,489	\$ -	\$ -	\$ 2,811,489
Buildings and improvements	2,782,225	25,399	-	2,807,624
Equipment	3,881,828	464,290	208,322	4,137,796
	9,475,542	489,689	208,322	9,866,909

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. FIXED ASSETS (CONTINUED)

The following is a summary of proprietary fund type, enterprise fund fixed assets at October 31, 2003:

Land	\$ 29,746
Structures and improvements	13,313,667
Construction in process	2,341,894
Machinery and equipment	<u>1,102,878</u>
	16,888,185
Less accumulated depreciation	<u>(4,080,891)</u>
	<u>\$ 12,807,294</u>

6. NOTE PAYABLE

At the City Council meeting on July 8, 2003, an ordinance was passed which increased the City's loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority from \$1,500,000 to \$2,000,000. The loan is to be used to upgrade and expand the City's sewer system (total cost \$299,000) and to purchase a static tank for gas and water meters (disposed cost \$1,500,000).

The sewer upgrade and expansion will be paid as follows:

City Parish Impact fee	\$ 600,000
Copper Mill Residential, L.L.C.	150,000
City of Zachary	<u>124,000</u>
Total	<u>\$ 874,000</u>

For the year ended October 31, 2003, the City borrowed \$718,462 for the sewer upgrade and expansion and \$280,830 for the static tank for gas and water meters. Of the \$1,271,312 (\$718,462 plus \$552,850 borrowed), \$170,800 was repaid, leaving a balance at October 31, 2003 of \$1,100,512 (\$1,271,312 less \$170,800). The \$280,830 is to be repaid over 20 years at monthly rates ranging from \$1,000 to \$7,400. The current interest rate is 2.22%. The principal amount of the loan is subject to prepayment prior to maturity, in whole or in part.

The annual requirements to amortize debt outstanding as of October 31, 2003, including interest of \$19,000 are as follows:

Year Ending	Principal	Interest	Total
October 31,			
2004	\$ 12,500	\$ 580	\$ 13,080
2005	24,700	548	25,248
2006	36,000	517	36,517
2007	46,000	486	46,486
2008	55,800	455	56,255
Thereafter	<u>711,612</u>	<u>17,128</u>	<u>728,741</u>
	<u>\$ 866,612</u>	<u>\$ 18,697</u>	<u>\$ 885,309</u>

7. CONTINGENT LIABILITIES

Various claims and lawsuits are pending against the City. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City attorney, the resolution of these matters will not have a material adverse effect on the financial position of the City.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. RETIREMENT COMMITMENTS

Municipal Employees' Retirement System of Louisiana (MERS)

Plan description: All of the City's full-time general employees participate in the MERS, a multiple-employer, cost-sharing pension plan administered by a separate Board of Trustees. MERS provides retirement, disability, and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. MERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Employees' Retirement System of Louisiana, 7917 Office Park Boulevard, Baton Rouge, Louisiana, 70808, or by calling (225) 925-4830.

Funding policy: Plan members are required by state statute to contribute 9.25% of their salary to MERS (the City is currently paying 4% of the required contribution). The City is required by this statute to contribute the remaining amounts necessary to pay benefits when due (currently 11%). The contribution requirements of plan members and employees are established by, and may be amended by, state law. As required by state law, the employee contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior year. The contribution requirement for the year ended October 31, 2003 was \$208,817, which consisted of \$170,578 from the City and \$48,239 (3.25% of covered payroll) from employees. The City's contributions to MERS for the years ended October 31, 2002, 2001, and 2000, were \$128,644, \$117,830, and \$111,571, respectively, and were equal to the required contributions for each year.

Municipal Police Employees Retirement System (MPERS)

Plan description: All of the City's full-time police employees participate in the MPERS, a cost-sharing, multiple-employer defined benefit pension plan administered by a separate Board of Trustees. MPERS provides retirement, disability, and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. MPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Police Employees Retirement System, 842 United Plaza Boulevard, Suite 270, Baton Rouge, Louisiana, 70806, or by calling (225) 929-7411.

Funding policy: Plan members are required by state statute to contribute 7.1% of their salary to MPERS. The City is required by this statute to contribute the remaining amounts necessary to pay benefits when due (currently 11.25%). The contribution requirements of plan members and the employer are established by, and may be amended by state law. As required by state law, the employee 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 contribution requirement for the year ended October 31, 2003, was \$325,848, which consisted of \$118,178 from the City and \$207,670 (7.5% of covered payroll) from employees. The City's contributions to MPERS for the years ended October 31, 2002, 2001, and 2000, were \$118,170, \$88,866, and \$83,797, respectively, and were equal to the required contributions for each year.

Firefighters' Retirement System (FRS)

Plan description: All of the City's full-time fire employees participate in the FRS, a cost-sharing, multiple-employer defined benefit pension plan administered by a separate Board of Trustees. FRS provides retirement, disability, and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. FRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Firefighters' Retirement System, Post Office Box 94895, Baton Rouge, Louisiana, 70806, or by calling (225) 925-4860.

Funding policy: Plan members are required by state statute to contribute 5% of their salary to FRS. The City is required by this statute to contribute the remaining amounts necessary to pay benefits when due (currently 11%). The contribution requirements of plan members and the employer are established by, and may be amended by state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The contribution requirement for the year ended October 31, 2003, was \$139,829, which consisted of \$94,744 from the City and \$45,085 (5% of covered payroll) from employees. The City's contributions to FRS for the years ended October 31, 2002, 2001, and 2000, were \$49,731, \$47,734, and \$44,934, respectively, and were equal to the required contributions for each fiscal year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Louisiana State Employees' Retirement System (LASERS)

Plan description: The Judge of the City Court of Zachary participates in the LASERS, a cost-sharing, multiple employer defined benefit pension plan administered by a separate Board of Trustees. LASERS provides retirement, disability, and service benefits to participating, eligible employees. Benefits are established and awarded by state statute. LASERS issues a (publicly available financial) report that includes financial statements and required supplementary information. This report may be obtained by writing to Louisiana State Employees' Retirement System, Post Office Box 44211, Baton Rouge, Louisiana, 70804, or by calling (225) 922-0600.

Funding policy: Plan members are required by state statute to contribute 11.7% of their salary to LASERS. The City is required by this statute to contribute the remaining amounts necessary to pay benefits when due (currently 13.8%). The contribution responsibilities of plan members and the employer are mandated by and amended by state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions for the years ended October 31, 2003, 2002, and 2001, were \$2,148, \$2,801, and \$1,493, respectively, and, together with the amounts contributed by the City Court of Zachary, were equal to the required contribution for each year.

9. CAPITALIZATION OF INTEREST EXPENSE

It is the policy of the City of Zachary to capitalize interest expense resulting from borrowing in the course of the construction of capital assets in the Proprietary Fund. For the year ended October 31, 2001, \$12,865 in interest expense was capitalized.

10. CITY COURT OF ZACHARY

The financial statements of the City Court of Zachary is discretely presented component unit follows:

COMBINED BALANCE SHEET - FUND TYPE AND ACCOUNT GROUP

October 31, 2003

	Governmental Fund Type <u>General</u>	General Fund Account Group	Total (non-redeemable Only)
ASSETS			
Cash	\$ 20,505	\$ -	\$ 20,505
Equipment	-	91,405	91,405
Total assets	<u>20,505</u>	<u>91,405</u>	<u>111,910</u>
FLUID EQUITY			
Investment in general fund assets	-	91,405	91,405
Fund balance - unrestricted	20,505	-	20,505
Total fund equity	<u>20,505</u>	<u>91,405</u>	<u>111,910</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

20. CITY COURT OF ZACHARY (CONTINUED)

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - GOVERNMENTAL FUND TYPE - GENERAL**
Year ended October 31, 2005

Revenues:	
Criminal court collections	\$ 195,812
Fines/penalties collected	71,811
Court cost	<u>31,684</u>
Total revenues	<u>303,307</u>
Expenditures:	
Current -	
Intergovernmental	97,813
Maintenance of plant/equipment, utilities, etc.	89,790
General government	<u>161,880</u>
Total expenditures	<u>349,543</u>
Excess of revenues over expenditures	11,684
Other financing uses:	
Transfers to other funds	<u>(21,980)</u>
Excess of revenues over expenditures and other uses	(21,306)
Fund balance, beginning	<u>43,821</u>
Fund balance, ending	<u>26,583</u>

CHANGES IN GENERAL FIXED ASSETS

A summary of changes in General Fixed Assets follows:

Balance, October 31, 2003	\$ 89,170
Additions	<u>31,770</u>
Balance, October 31, 2005	<u>120,940</u>

RELATED PARTY TRANSACTIONS:

The City of Zachary, Louisiana incurs expenditures on behalf of the Court. These expenditures include compensation to Court personnel along with the related pension cost and employee benefits. During the City's fiscal year ended October 31, 2005, the following expenditures were paid on behalf of the Court:

Court expenses	\$48,112
Judge's salary	8,337
Prosecutor's salary	14,332
Marshal's salary	<u>11,645</u>
	<u>82,426</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

18. CITY COURT OF ZACHARY (CONTINUED)

The Court makes distributions to the City. During the year ended October 31, 2003, the following distributions were made on behalf of the City:

Fees	\$ 75,766
Marshall	11,299
Atchafalaya C & D	3,500
Overseasment fee	4,815
Marshall (payroll)	<u>2,439</u>
	97,819
Transfer to General Fund	<u>35,000</u>
	<u>132,819</u>

**FINANCIAL STATEMENTS
OF INDIVIDUAL FUNDS
AND ACCOUNT GROUPS**

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

CITY OF SACRAMENTO, LOUISIANA
 GENERAL FUND

Page 28

BALANCE SHEETS
 October 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
ASSETS		
Cash	\$ 815,807	\$ 148,048
Revolving accounts	3,839	177
Investments	134,735	127,125
State tax receivable	80,883	88,179
Other receivables	8,841	7,907
Due from other funds:		
Current	1,098,837	498,144
Long-term	-	1,515,158
Total assets	<u>2,355,152</u>	<u>2,423,898</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	114,217	152,490
Other payables	95,661	81,147
Total liabilities	<u>209,878</u>	<u>233,637</u>
Fund balances:		
Reserved for long-term advances to Utility Fund	"	1,563,158
Unreserved - undesignated	2,075,265	629,103
Total fund balance	<u>2,075,265</u>	<u>2,192,261</u>
Total liabilities and fund balance	<u>2,285,143</u>	<u>2,425,898</u>

The accompanying notes are an integral part of this statement.

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL

Year Ended October 31, 2003

(With Comparative Actual Amounts for Year Ended October 31, 2002)

	2003		Variance - Favorable / (Unfavorable)	2002 Actual
	Budget	Actual		
Revenues				
Taxes	\$4,387,000	\$4,217,866	\$ (65,134)	\$4,086,720
Licenses and permits	448,000	482,813	34,813	436,832
Intergovernmental	380,000	313,622	(66,377)	241,881
Charges for services	172,000	266,602	94,602	837,697
Contributions	628,000	823,683	195,683	317,879
Fees	76,000	78,942	2,942	90,827
Miscellaneous	73,700	78,966	5,266	72,521
Total revenues	<u>6,364,700</u>	<u>5,273,392</u>	<u>(1,091,308)</u>	<u>6,117,348</u>
Expenditures				
General government	1,963,173	1,908,340	54,833	1,762,378
Public safety -				
Police	2,322,000	2,028,646	293,354	1,821,592
Fire	1,546,000	1,371,467	174,533	1,022,889
Street	687,500	814,147	126,647	822,542
Sanitation	571,500	682,029	110,529	566,588
Debt service	-	-	-	14,416
Total expenditures	<u>6,590,173</u>	<u>6,794,582</u>	<u>203,409</u>	<u>6,210,891</u>
Excess (deficiency) of revenues over expenditures	<u>(225,473)</u>	<u>(1,521,190)</u>	<u>(295,717)</u>	<u>(103,543)</u>
Other financing sources (uses)				
Transfers from City Court	50,000	25,000	(25,000)	50,000
Transfers from Valley Road	-	-	-	10,000
Total other financing sources (uses)	<u>50,000</u>	<u>25,000</u>	<u>(25,000)</u>	<u>60,000</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(175,473)</u>	<u>(1,496,190)</u>	<u>(270,717)</u>	<u>(43,543)</u>
Fund balance, beginning	<u>2,180,345</u>	<u>2,180,345</u>	<u>-</u>	<u>1,812,655</u>
Fund balance, ending	<u>1,984,872</u>	<u>684,155</u>	<u>(1,300,717)</u>	<u>1,769,112</u>

The accompanying notes are an integral part of this statement.

STATEMENTS OF REVENUES COMPARED TO BUDGET (GAAP BASIS)

Year Ended October 31, 2003

(With Comparative Actual Amounts for Year Ended October 31, 2002)

	2003		Variance - Favorable (Unfavorable)	2002 Actual
	Budget	Actual		
Taxes:				
Ad valorem - industrial	\$ 28,000	\$ 40,970	\$ (18,120)	\$ 28,987
Ad valorem - other	124,000	142,970	18,970	133,624
Sales tax	4,100,000	4,024,016	(75,984)	3,921,131
	<u>4,252,000</u>	<u>4,207,956</u>	<u>(44,044)</u>	<u>4,083,742</u>
Licenses and permits:				
Occupational licenses	100,000	128,970	(28)	121,088
Building permits	80,000	84,323	14,323	44,328
Electrical contractor licenses	7,000	6,628	(372)	3,204
Electrical permits	20,000	21,423	943	26,023
Other contractor licenses	13,000	12,382	(618)	11,746
Other permits	20,000	27,183	7,183	23,883
	<u>440,000</u>	<u>481,805</u>	<u>74,813</u>	<u>431,471</u>
Intergovernmental:				
911 contracts	24,000	24,000	-	24,000
Road development grant	20,000	24,000	24,000	-
Alcoholic beverage tax	10,000	14,000	(900)	20,730
Beer tax	18,500	22,900	4,400	28,000
City - parish asset maintenance	50,000	49,000	(900)	49,000
Grant - Police Department	60,000	61,881	1,881	24,588
Grant - D.A.R.E.	10,000	13,483	3,483	21,964
Transportation fund	20,500	21,273	(273)	21,273
	<u>283,000</u>	<u>313,427</u>	<u>30,427</u>	<u>241,861</u>
Charges for services:				
Park revenue	40,000	26,488	(3,512)	183,082
Refuse-collection charges	520,000	542,644	18,644	527,200
Refuse-tipping fee	7,000	6,470	(530)	7,441
	<u>567,000</u>	<u>575,602</u>	<u>14,602</u>	<u>617,723</u>
Commodities:				
Cable franchise fee	80,000	81,653	(1,347)	81,480
Sale of electricity	400,000	484,040	(2,960)	419,044
Sale of insurance	10,000	20,000	(8)	27,540
	<u>490,000</u>	<u>585,693</u>	<u>(2,315)</u>	<u>528,064</u>
Flies	<u>76,000</u>	<u>76,345</u>	<u>345</u>	<u>80,527</u>

STATEMENTS OF REVENUES COMPARED TO BUDGET (GAAP BASIS) - CONTINUED

Year Ended October 31, 2000

(With Comparative Actual Amounts for Year Ended October 31, 1999)

	2000		Variance - Favorable (Unfavorable)	2000
	Budget	Actual		Actual
Miscellaneous:				
Interest income	\$ 1,000	\$ 3,147	\$ 2,147	\$ 5,479
City court	20,000	3,261	(16,739)	4,200
Marshall's fund	15,000	17,993	2,993	23,503
Sale of equipment	1,000	3,097	2,097	9,100
Fuel Penalty	-	4,304	4,304	5,978
Investigative fund	-	-	-	(599)
All other	31,700	41,804	10,104	35,441
	<u>78,700</u>	<u>78,704</u>	<u>0,004</u>	<u>72,211</u>

STATEMENTS OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)

Year Ended October 31, 2002

(With Comparative Actual Amounts for Year Ended October 31, 2001)

	2002		Variance - Favorable (Unfavorable)	2001 Actual
	Budget	Actual		
General government:				
Salaries	\$ 48,000	\$ 38,388	\$ 9,612	\$ 36,054
Office expense	20,000	28,284	1,708	21,380
Electricity	5,000	2,961	2,039	920
City Hall vehicle	1,100	1,808	(718)	2,180
Supplies and maintenance	30,000	33,182	1,818	22,242
Insurance	300,000	298,144	856	304,998
Medicine	18,500	18,000	450	12,342
P.L.C.A. fee	12,500	12,878	422	13,608
Capital outlay	38,000	33,427	4,573	78,132
Telephone	5,000	2,904	2,096	3,300
Assessment roll fee	5,000	3,428	1,572	3,147
Code book expense	2,000	-	2,000	-
Donat. donations, and subscriptions	4,500	4,263	237	3,437
Civil defense - expense	500	373	127	-
- salary	2,300	1,231	1,069	4,028
Recreation - expense	124,000	128,892	3,148	212,080
- salary	121,000	126,678	321	81,372
- Z.A.P.	8,500	8,128	374	4,728
- repairs	4,000	2,507	1,493	12,442
- utilities	34,000	17,587	16,413	41,188
- capital outlay	55,000	61,523	(6,523)	-
Cultural Day Camp	2,000	1,481	519	337
Miscellaneous	5,000	8,437	(3,437)	8,688
Retention	17,000	28,240	(11,240)	18,140
Auto	14,175	21,173	-	12,280
Health insurance	11,000	10,871	129	2,080
Attorney - retainer	4,000	4,000	600	5,000
Inspection - expense	35,000	34,127	873	28,058
- salary	111,000	118,551	440	101,940
Assistant attorney	32,000	21,998	10,002	21,078
Working machine	1,100	1,012	88	581
L.I.L.A. Convention	9,000	8,601	399	4,380
Public relations	30,000	28,681	1,319	18,278
Mayor's paper breakfast	2,700	2,400	300	1,883
Animal control fees	15,000	13,080	1,920	12,080
Official journal	12,000	11,523	477	8,628
Food pantry	8,000	8,328	(3,328)	4,880
Drug testing	500	373	127	-

STATEMENTS OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS) - CONTINUED

Year Ended October 31, 2003

(With Comparative Actual Amounts for Year Ended October 31, 2002)

	2003		Variance - Favorable (Unfavorable)	2002
	Budget	Actual		Actual
General government (continued)				
Election expense	\$ 3,000	\$ 3,267	\$ 268	-
Historical village	114,000	110,000	3,000	\$ 124,000
Legal fee	32,000	35,990	(3,990)	36,000
Court expense	40,000	40,112	(112)	39,320
Judge's salary	9,000	8,307	1,293	8,044
Clerk of court salary	88,000	87,644	356	75,320
Prosecutor office	8,000	8,024	476	7,867
Prosecutor salary	15,000	14,322	778	17,700
Marshal's salary	13,000	13,840	1,015	10,890
Rehabilitation - expense	21,000	20,417	583	22,715
Senior citizen center	12,000	12,241	(241)	13,478
Civil service - director	7,000	6,498	502	6,268
- fire and police	3,000	3,209	211	4,906
Planning and zoning	2,500	2,493	7	1,704
Unemployment tax	1,000	-	1,000	-
Insurance consultant	3,000	3,000	-	3,000
Sales tax collection fee	40,000	38,191	1,809	37,036
Contracts and services	35,000	35,320	(320)	33,348
Travel, meals, etc.	3,000	3,256	(256)	2,815
Economic development	10,000	9,752	248	6,140
Community center	16,000	16,309	691	15,490
Tutoring program - E.H.S.	3,000	3,190	1,890	1,336
- M.W.M.E.	4,000	3,757	243	6,422
- E.H.S.	3,000	3,179	121	2,944
- M.E.S.	3,000	2,916	84	1,850
I.A.Z. program	300	400	80	10,910
D.C.I. expense	25,000	24,618	382	25,027
Mayor - salary	75,000	75,413	387	68,120
- expense	3,000	1,899	3,100	416
- secretary	47,000	46,121	879	45,000
- telephone	3,000	4,456	544	5,811
- vehicle expense	1,000	1,085	477	1,041
- miscellaneous	1,000	1,070	427	85
- retirement	12,000	10,419	(1,589)	11,064
- travel	2,000	2,056	(56)	1,589
- health insurance	12,000	11,914	76	7,840
A.B.C. Board - salary	300	400	30	1,630
- secretary	2,000	1,893	467	1,362
- expense	300	-	300	-

(CONTINUED)

STATEMENTS OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS) - CONTINUED
Year Ended October 31, 2003

(With Comparative Actual Amounts for Year Ended October 31, 2002)

	2003		Variance - Favorable (Unfavorable)	2002 Actual
	Budget	Actual		
General government (continued)				
Council - salary	\$ 41,000	\$ 37,438	\$ 4,572	\$ 39,341
- council secret	3,500	691	2,809	738
- clerk's salary	11,000	14,913	43	10,893
- telephone	500	212	288	239
- travel	1,500	1,875	447	987
- retirement	4,600	4,315	85	5,876
- health insurance	20,000	18,376	1,624	17,897
Contingency	-	-	-	1,281
	<u>1,603,178</u>	<u>1,869,843</u>	<u>26,665</u>	<u>1,742,978</u>
Public safety - police				
Salaries	1,285,000	1,067,983	177,017	1,017,036
Office expense	27,000	25,900	1,100	15,660
Electricity	22,000	22,266	(266)	17,830
Vehicle expense	125,000	111,308	13,692	91,126
Supplies and maintenance	85,000	47,806	37,194	86,189
Uniforms	25,000	22,000	2,800	14,547
Telephone	17,000	15,808	1,192	19,672
Revenue deposits	10,000	4,024	5,976	4,700
Miscellaneous	21,000	23,343	(2,343)	32,378
911 dispatchers salary	225,000	220,648	4,352	177,668
Reimburse	135,000	119,811	24,989	72,840
Health insurance	163,000	158,032	1,968	134,078
Contracts and services	20,000	22,738	(2,738)	23,464
Travel, mileage, and seminars	24,000	26,219	(2,219)	23,232
Capital outlay	95,000	95,454	(454)	78,237
Vehicle usage	40,000	38,374	2,326	-
Chief's expense	-	-	-	1,408
Contingency	-	-	-	814
Drug testing	1,000	360	440	-
D.A.R.E	8,000	7,473	480	3,900
	<u>2,212,898</u>	<u>2,028,468</u>	<u>189,668</u>	<u>1,823,392</u>
Public safety - fire				
Salaries	360,000	318,678	41,322	302,170
Office expense	11,000	9,700	1,300	18,487
Electricity	14,000	14,078	(78)	18,918
Vehicle expense	27,000	28,240	(741)	23,240
Supplies and maintenance	40,000	40,180	(180)	36,382
Revenue test	3,000	1,268	1,732	8,507

(CONTINUED)

STATEMENTS OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS) - CONTINUED

Year Ended October 31, 2003

(With Comparative Actual Amounts for Year Ended October 31, 2002)

	2003		Variance - (Unfavorable)	2002 Actual
	Budget	Actual		
Public safety - fire (continued)-				
EMT incentive pay	\$ 30,000	\$ 8,602	\$ 21,398	\$ 10,232
Uniforms	5,500	8,983	3,483	6,607
Vehicle repair	20,400	21,150	750	-
Telephones	7,500	7,645	145	5,808
Miscellaneous	14,000	17,448	3,448	26,412
Retirement	500,000	55,950	444,050	60,420
Health insurance	90,000	85,400	4,600	75,133
Volunteer benefits	10,000	3,232	6,768	7,139
Contracts and services	20,000	19,251	749	18,462
Training	15,000	14,715	284	19,724
Drug testing	300	70	230	-
Fire prevention	4,000	3,442	558	2,422
Salaries	100,000	2,700	97,300	-
Capital outlay	207,000	204,158	2,841	2,781
	<u>1,246,600</u>	<u>1,275,412</u>	<u>28,812</u>	<u>1,815,222</u>
Support:				
Salaries	250,000	207,966	42,034	210,732
Office supplies	2,500	483	2,017	1,477
Electricity	145,000	126,700	18,300	122,749
Vehicle expenses	40,000	35,068	4,932	28,233
Supplies and maintenance	70,000	64,662	5,338	69,278
Telephones	4,000	2,208	1,792	2,047
Miscellaneous	20,000	19,946	554	20,281
Retirement	25,000	22,274	2,726	27,283
Health insurance	25,000	24,378	622	27,469
Sick leave	1,000	-	1,000	3,840
Contracts and services	11,000	10,819	181	12,342
Capital outlay	-	24,235	24,235	18,208
Dealing	70,000	54,652	15,348	25,422
Travel, schools, and seminars	1,500	260	1,240	280
Drug testing	300	121	179	-
Contingency	-	-	-	488
	<u>687,200</u>	<u>616,142</u>	<u>71,058</u>	<u>610,241</u>
Sanitation:				
Landfill charges	2,500	49	2,451	-
Contracts and services	772,000	602,829	169,171	766,268
	<u>774,500</u>	<u>602,878</u>	<u>171,621</u>	<u>766,268</u>

The accompanying notes are an integral part of this statement.

STREET IMPROVEMENT SPECIAL REVENUE FUND

To account for specific revenues that are legally restricted to expenditures for particular purposes.

CITY OF ZACHARY, LOUISIANA
 STREET IMPROVEMENT SPECIAL REVENUE FUND

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BALANCE SHEETS
 October 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash	\$ 1,910,854	\$1,211,268
Investments	1,106,191	1,211,699
State tax receivable	26,599	30,481
Accrued interest receivable	12,155	1,000
Total assets	<u>3,501,449</u>	<u>3,597,448</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	181,530	267,816
Fund balance - Designated for street improvement	<u>3,121,619</u>	<u>3,590,432</u>
Total liabilities and fund balance	<u>3,501,449</u>	<u>3,597,448</u>

The accompanying notes are an integral part of this statement.

CITY OF SACRAMENTO, CALIFORNIA
STREET IMPROVEMENT SPECIAL REVENUE FUND

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STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE

Years Ended October 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Revenues:		
Taxes - voter list	\$ 769,819	\$ 742,899
Other - interest	31,832	48,500
Total revenues	<u>801,651</u>	<u>791,400</u>
Expenditures:		
Streets	<u>972,327</u>	<u>561,076</u>
Excess (deficiency) of revenues over expenditures	(170,676)	230,324
Fund balance, beginning	<u>3,289,432</u>	<u>3,059,108</u>
Fund balance, ending	<u>3,118,756</u>	<u>3,289,432</u>

The accompanying notes are an integral part of this statement.

CITY OF SACRAMENTO, CALIFORNIA
 STREET IMPROVEMENT SPECIAL REVENUE FUND

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STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCE - BUDGET (GAAP BASIS) AND ACTUAL

Year Ended October 31, 2002

(With Comparative Actual Accounts for Year Ended October 31, 2001)

	2002		Variance - Favorable (Unfavorable)	2001
	Budget	Actual		Actual
Revenues				
Taxes - sales tax	\$ 760,000	\$ 769,899	\$ 9,899	\$ 742,000
Other - interest	21,000	22,812	18,812	45,433
Total revenues	<u>781,000</u>	<u>792,711</u>	<u>13,684</u>	<u>787,433</u>
Expenditures				
Bonds	1,488,000	973,571	514,429	965,036
Excess (deficiency) of revenues over expenditures	<u>(707,000)</u>	<u>(180,860)</u>	<u>526,140</u>	<u>222,400</u>
Fund balance, beginning	<u>3,789,433</u>	<u>3,789,433</u>	<u>-</u>	<u>3,861,832</u>
Fund balance, ending	<u>3,082,433</u>	<u>3,121,419</u>	<u>338,987</u>	<u>3,289,432</u>

The accompanying notes are an integral part of this statement.

**ENTERPRISE FUND
UTILITY FUND**

To account for the provision of water, gas, and sewer services to residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administrative, operations, maintenance, financing, and related debt service, and billings and collection.

CITY OF Zachary, LOUISIANA
UTILITY FUND

Page 29

BALANCE SHEETS
October 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Current assets:		
Cash	\$ 280,770	\$ 763,677
Savings account	2,640	2,600
Accounts receivable, net of allowance for uncollectible accounts (2003 - \$23,000; 2002 - \$25,000)	740,300	615,037
Other receivables	388,128	31,312
Inventory, at cost (FIFO)	315,870	334,633
Total current assets	<u>1,733,712</u>	<u>1,667,239</u>
Restricted assets:		
Customers' deposits:		
Cash	214,200	214,870
Investments	300,000	300,000
Total restricted assets	<u>514,200</u>	<u>514,870</u>
Property and equipment, at cost:		
Land	39,761	39,761
Structures and improvements	10,315,887	12,260,835
Construction in progress	2,841,891	1,408,438
Machinery and equipment	1,302,928	879,000
	<u>14,800,467</u>	<u>14,588,034</u>
Less accumulated depreciation	(8,887,891)	(7,300,804)
Total property and equipment, at cost	<u>5,912,576</u>	<u>7,287,230</u>
Total assets	<u>11,172,488</u>	<u>9,969,342</u>

The accompanying notes are an integral part of this statement.

CITY OF Zachary, Louisiana
UTILITY FUND

Page 08

BALANCE SHEETS
October 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Current liabilities (payable from current assets)		
Notes payable	\$ 23,500	\$ 410,463
Accounts payable	876,546	541,157
Compensated absences	87,440	84,698
Accrued expenses	180,873	234,882
Due to other funds	1,168,877	686,144
Total current liabilities (payable from current assets)	<u>1,707,036</u>	<u>1,957,344</u>
Current liabilities (payable from restricted assets)		
Customers' deposits	<u>290,762</u>	<u>221,967</u>
Long-term liabilities:		
Notes payable	876,812	-
Due to other funds	-	1,503,136
Total liabilities	<u>3,564,610</u>	<u>3,758,176</u>
Fund equity:		
Contributed capital	4,685,839	3,038,513
Retained earnings - unreserved	<u>2,969,782</u>	<u>2,739,971</u>
Total fund equity	<u>7,655,621</u>	<u>5,778,484</u>
Total liabilities and fund equity	<u>11,220,231</u>	<u>9,536,660</u>

The accompanying notes are an integral part of this statement.

**CITY OF ZACHARY, LOUISIANA
UTILITY FUND**

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**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
Years Ended October 31, 2005 and 2004**

Presented on page 12 of financial report.

**STATEMENTS OF CASH FLOWS
Years Ended October 31, 2005 and 2004**

Presented on page 13 of financial report.

STATEMENTS OF OPERATING EXPENSES BY DEPARTMENT
Year Ended October 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Water department expenses:		
Salaries	\$ 399,373	\$ 402,128
Office expense	6,236	6,175
Electricity	68,241	52,845
Equipment maintenance	25,299	22,851
Supplies	141,293	113,833
Telephone	36,315	15,401
Miscellaneous	11,887	10,902
Retirement	22,882	18,598
Health insurance	44,000	38,693
Schools and seminars	4,859	3,127
Contracts/services	100,818	106,676
	<u>875,603</u>	<u>794,239</u>
Gas department expenses:		
Salaries	185,683	171,093
Office expense	6,976	6,209
Electricity	3,812	1,296
Equipment maintenance	28,847	23,502
Supplies	94,344	81,554
Purchase of gas	1,323,689	896,680
Telephone	1,213	1,623
Miscellaneous	6,281	10,921
Retirement	22,482	18,190
Health insurance	14,178	30,284
Schools and seminars	3,134	1,986
Contracts/services	21,243	86,773
	<u>1,803,332</u>	<u>1,644,911</u>
 sewer department expenses:		
Salaries	188,671	188,603
Office expense	3,818	4,509
Electricity	52,980	21,394
Equipment maintenance	14,887	30,523
Supplies	166,569	64,517
Telephone	1,458	1,523
Miscellaneous	11,502	9,736
Retirement	13,083	9,687
Health insurance	18,213	19,927
Contracts/services	32,488	122,666
Schools and seminars	687	1,266
Relief	23,218	-
	<u>528,047</u>	<u>497,931</u>

STATEMENTS OF OPERATING EXPENSES BY DEPARTMENT (CONTINUED)
 Years Ended October 31, 2001 and 2002

	<u>2001</u>	<u>2002</u>
General and administrative expenses:		
Insurance	\$ 111,087	\$ 48,332
Computer expense	47,685	20,887
Audit	12,078	12,179
Medicals expenses	16,890	13,582
Bad debts	28,815	28,828
FICA, expense	11,789	13,608
Building maintenance	7,726	3,968
Consulting fees	24,211	16,177
Shipping expense	-	1,811
Collection expense	1,875	484
Drug testing	337	-
	<u>292,458</u>	<u>181,298</u>

GENERAL FIXED ASSETS ACCOUNT GROUP

To account for fixed assets not used in proprietary fund operations.

CITY OF SACHERY, LOUISIANA
GENERAL FIXED ASSETS ACCOUNT GROUP

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STATEMENTS OF GENERAL FIXED ASSETS
October 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
General fixed assets, at cost:		
Land	\$2,013,409	\$2,013,409
Buildings and improvements	2,807,639	2,762,221
Equipment	<u>4,337,966</u>	<u>3,281,828</u>
Total general fixed assets	<u>9,159,015</u>	<u>8,057,458</u>
Investment in general fixed assets:		
General Fund revenues	6,428,607	6,147,274
Federal grants	192,399	180,389
State grants	608,772	608,772
Contributions	878,460	878,460
Transfer from Utility Fund	149,614	149,614
City-Parish grants	2,000	2,000
Certificates of indebtedness	<u>808,000</u>	<u>800,000</u>
Total investment in general fixed assets	<u>9,068,852</u>	<u>8,775,812</u>

The accompanying notes are an integral part of this statement.

CITY OF ZACHARY, LOUISIANA
 GENERAL FIXED ASSETS ACCOUNT GROUP

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STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
 Year Ended October 31, 2000

	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Equipment</u>	<u>Total</u>
General fixed assets, beginning of year	<u>\$ 1,003,400</u>	<u>\$ 2,783,251</u>	<u>\$3,981,828</u>	<u>\$ 7,768,479</u>
Additions:				
General Fund revenue	<u>-</u>	<u>21,291</u>	<u>464,200</u>	<u>485,491</u>
Deletions:				
General Fund revenue	<u>-</u>	<u>-</u>	<u>208,152</u>	<u>208,152</u>
General fixed assets, end of year	<u>1,003,400</u>	<u>2,804,542</u>	<u>4,237,876</u>	<u>8,045,818</u>

The accompanying notes are an integral part of this statement.

**GENERAL LONG-TERM DEBT
ACCOUNT GROUP**

To account for amounts expected to be paid from governmental type funds. Payments are made by the General Fund.

CITY OF ZACHARY, LOUISIANA
 GENERAL LONG-TERM ACCOUNT GROUP

STATEMENTS OF GENERAL LONG-TERM DEBT
 October 31, 2003
 (With Comparative Totals for October 31, 2002)

	2003	2002
Composited Accounts	280	280
	\$ 280,000	\$ 280,000
	284,000	284,000

Amounts are provided for the retirement
 of general long-term debt
 amounts to be provided from current
 annual revenues

General long-term debt payables
 Estimated liability for composited
 amounts

SUPPLEMENTARY INFORMATION

SCHEDULE OF INSURANCE IN FORCE (UNAUDITED)
October 31, 2003

<u>Insurer</u>	<u>Expires</u>	<u>Type Coverage</u>	<u>Limits</u>
Louisiana Workers Compensation	January 1, 2004	Workers Compensation	Statutory
St. Paul Fire & Marine Insurance Company	November 1, 2003	Building and Contents General Liability	Property - \$8,100,000 Liability - \$2,000,000
St. Paul Fire & Marine Insurance Company	November 1, 2003	Public Officials Errors and Omissions	\$2,000,000
St. Paul Fire & Marine Insurance Company	November 1, 2003	Police Liability	\$2,000,000
St. Paul Fire & Marine Insurance Company	November 1, 2003	Employee Dishonesty and Dependent's Payage	\$200,000
St. Paul Fire & Marine Insurance Company	November 1, 2003	Mobile Equipment Floater	\$864,000
Harford Life Insurance Company	July 11, 2004	Accident Policy Savings Policy	\$15,000
St. Paul Fire & Marine Insurance Company	November 1, 2003	Automobile Liability and Physical Damage	\$2,000,000
St. Paul Fire & Marine Insurance Company	November 1, 2003	Employment Practices Liability	\$2,000,000

SCHEDULE OF UTILITIES STATISTICS (CONTINUED)
October 31, 2003

The number of gas customers at year end, the amounts billed, and other customer statistics are as follows:

	Year Ended October 31,	
	<u>2003</u>	<u>2002</u>
Gas sales	\$ 1,972,168	\$ 1,793,847
Gas purchased	\$ 1,123,688	\$ 898,628
MCP gas sold	187,986	178,858
Number of customers at year end	3,028	2,966
MCP gas purchased	212,681	191,757
MCP gas unaccounted for	24,613	24,993
Average monthly billing per customer	\$ 34.67	\$ 30.99
 Water customer data are as follows:		
Water sales	\$ 1,591,370	\$ 1,583,293
Thousands of gallons of water sold	608,004	607,963
Number of customers at year end	3,626	3,542
Average monthly billing per customer	\$ 30.77	\$ 31.46

REPORTS REQUIRED BY THE GOVERNMENT AUDITING STANDARDS

James R. Douglas, Ltd.
Certified Public Accountants
4464 Jameson Avenue, Suite 118
Baton Rouge, Louisiana 70802-2118
(225) 927-5944

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

To the Honorable Mayor and Members
of the City Council
City of Zachary, Louisiana

We have audited the financial statements of the City of Zachary, Louisiana, as of and for the year ended October 31, 2003, and have issued our report thereon dated March 23, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Zachary, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under Government Auditing Standards.

Requirement: Public funds cannot be used to pay vacation pay without proper support.

Findings: There was no record to support the vacation pay paid on May 1, 2003 to the then Chief of Police.

Management's response: The payment was made at the recommendation of legal counsel.

Prior year noncompliance letter: Our audit report for the year ended October 31, 2002, contained two instances of noncompliance.

1. Public funds cannot be used to pay vacation pay without proper support, and
2. Public funds cannot be used to pay administrative paid leave after leave time has been used.

The Louisiana Board of Ethics (Ethics Order No. 2004-004) requested additional information relative to the above two issues from Mayor Smith on February 18, 2004.

On February 19, 2004, Mayor Smith replied to the above referenced letter, but no date has not received an answer.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Zachary, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in accounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure over financial reporting and its operations that we consider to be material weaknesses.

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

March 22, 2004



James R. Douglas, Ltd.
Certified Public Accountant