

**Comprehensive
Annual Financial Report
of the**

CITY OF DENHAM SPRINGS

Denham Springs, Louisiana

**For the Fiscal Year Ended
June 30, 2004**

**Prepared by the
City of Denham Springs
Accounting Department**

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

Release Date 1-19-05

**CITY OF DENHAM SPRINGS
DENHAM SPRINGS, LOUISIANA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2004

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DENHAM SPRINGS, LOUISIANA**
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DENHAM SPRINGS, LOUISIANA
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City of Denham Springs

MAYOR
JAMES E. DURBIN

CITY CLERK
JOAN LEBLANC

CITY TREASURER
CLARENCE E. SPEED, JR.

October 1, 2004

To the Honorable Mayor, Members of the City Council,
And Citizens of the City of Denham Springs

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Denham Springs for the fiscal year ended June 30, 2004.

This report consists of management's representations concerning the finances of the City of Denham Springs. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Denham Springs has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Denham Springs's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Denham Springs's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Hannis T. Bourgeois, LLP, a firm of licensed certified public accountants has audited the City of Denham Springs's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Denham Springs for the fiscal year ended June 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Denham Springs's financial statements for the fiscal year ended June 30, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

During the current fiscal year, the City was not required to undergo a single audit in conformance with the provisions of the revised Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Government and Non-Profit Organizations. Information related to the auditor's report on Compliance and on Internal Control over Financial Reporting, is included in a separately issued report and is available upon request.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Denham Springs's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Denham Springs, incorporated in 1903, is located on the western side of Livingston Parish and is adjacent to East Baton Rouge Parish, which contains the capital city of Baton Rouge and is a major industrial area. The City of Denham Springs currently occupies a land area of 6.12 square miles and serves a population of 9,913. The City of Denham Springs is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City of Denham Springs has operated under the mayor-board of aldermen (city council) form of government since 1903. Policy-making and legislative authority are vested in a governing council consisting of five council members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, and appointing committees. The mayor is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing, with the approval of the city council, the heads of the various departments. The mayor and the city council are elected at large. The mayor and the five council members serve four-year terms.

The City of Denham Springs provides a full range of services, including police and fire protection, maintenance of streets and drainage, maintaining landscape beautification, animal control, litter control, cemetery, general administrative services, planning and zoning, building inspection, main street program, health services, gas services, water services, sewer services, and recycling and solid waste disposal.

The annual budget serves as the foundation for the City of Denham Springs's financial planning and control. All agencies of the City of Denham Springs are required to submit requests for appropriation to the government's city treasurer. The city treasurer uses these requests as the starting point for developing a proposed budget. The city treasurer then presents this proposed budget to the city council for review. The city council is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than June 30, the close of the City of Denham Springs's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the governing council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on pages 71 - 81 as part of the financial statements of the required supplemental information. The only other governmental fund with an annual appropriated budget is the Capital Projects Fund. This fund is considered a nonmajor fund. The budget comparison is presented on page 82 also as part of the financial statements of the required supplemental information.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Denham Springs operates.

Local economy. The City of Denham Springs currently enjoys a favorable economic environment and local indicators point to continued stability. The region has a varied industrial base that adds to the relative stability of the unemployment rate. Major industrial areas located within close proximity include the petrochemical manufacturing plants and the companies supported by these plants such as suppliers, contractors, professionals and financial institutions. Add to this the state governmental job availability in the surrounding areas of Baton Rouge, the state capital for the State of Louisiana, and the businesses supported directly and indirectly.

The population in areas near Denham Springs continues to grow as residents relocate to Livingston Parish to enjoy lower crime rates and a respected school system. Retailers are following the population growth and are locating or expanding operations within the City of Denham Springs. Availability of commercial properties with city services including police and fire protection are major factors with retailers deciding to locate here.

Anticipated is the development of a new Bass Pro Shop. Conservatively, construction cost for this new retail center is between \$40-\$50 million dollars. Anticipated additional construction is a hotel and a "power strip mall".

The development of the 160,000 square foot Bass Pro Shop within the new city limits was made possible through annexation. The City and the United States Justice Department both gave final approval for the annexation of a tract of land on the north side and three tracts of land on the south side of the City. Accomplished was the City's goal of expanding commercial growth within the city, and in return providing commercial business fire and police protection plus the additional benefit of saving on their property insurance.

The region (which includes the City of Denham Springs and the surrounding unincorporated area within Livingston Parish) has an employed labor force of approximately 43,600. The City of Denham Springs' central business district is expected to maintain its current 97 percent occupancy rate with a variety of stores, specialty shops, and commercial businesses.

Long-term financial planning. The City will continue to improve services and upgrade infrastructure. Projects planned for the future include:

- Construction of the projected \$7 million Range Avenue pairing project. This project is to be funded by the State of Louisiana.
- Interchange loops to be constructed at Juban Road and Pete's Highway. These interchange projects are to be funded by Federal and State appropriations.
- Construction of sidewalks along Hatchell Lane and Rodeo Drive at a projected cost of approximately \$364,000. This is a 95% State funded grant with a 5% City match.

- Explore the possibility of annexing additional areas where construction of federally funded new interstate interchanges are planned for Juban Road and Pete's Highway. This area will add additional commercial growth within the City.
- Planning and funding sources continue to be studied for the upgrade of Tate Road from Range Avenue and an extension of Tate Road to Juban Road. This planned curb and gutter street will provide access for the planned construction of a new high school. This will provide a link to the new interstate interchange and provide new commercial areas. This is within the area under consideration for annexation. This is a project expected to require a minimum of five years to complete.
- A larger sewer pump station is being planned for the area bordered by Highpoint Boulevard, Range Avenue, Rushing Road, and Florida Avenue. The projected cost is \$300,000.
- Four sewer pump stations are being planned for Hatchell Lane/Vulcan Foundry/Eastover/Cathryn Street. The projected cost is \$617,000. This project is to be funded by a 75% (\$463,000) U.S. Army Corps of Engineers grant. The City's match is \$154,000.
- Seeking grant funding to replace an existing 18" sewer trunk line between Pete's Hwy and Range Avenue. The projected cost is \$400,000.
- Plan and study the upgrade of the water and sewer systems within the City of Denham Springs, and the improvement of water lines on Hwy 16 (Pete's Highway) toward Port Vincent.

Cash management policies and practices. The City of Denham Springs conservatively invested its idle funds in certificates of deposit through its current fiscal agent, Hibernia National Bank. Investments are collateralized with securities pledged by the financial institution and held in our name by an approved third-party custodial bank. Procedures followed and securities pledged are in accordance with the Statutes of the State of Louisiana. The maturities of the certificates of deposit range from 180 days to 365 days, with an average maturity of 180 days. The average yield on the certificates of deposit was 1.27% for the fiscal year ended June 30, 2004.

Risk management. During the fiscal year ended June 30, 2004 management believes the City is fully insured for all major risks, such as General Liability, Workmen's Compensation, Employee and Public Official Fidelity Bonds, and Fire Extended Coverage and Flood Insurance. The City maintains no self-insurance program at June 30, 2004.

Additional information on the City of Denham Springs's risk management activity can be found in Note 15 of the notes to the financial statements.

Pension and other post employment benefits. Substantially all employees of the City of Denham Springs are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana (MERS), Municipal Police Employees Retirement System of Louisiana (MPERS), or Firefighters Retirement System of Louisiana. These systems are multiple employer (cost-sharing), public employee retirement systems (PERS), controlled and administered by separate State appointed board of trustees. The City of Denham Springs has no obligation in connection with employee benefits offered through these plans beyond its annual contractual payment to these State Pension Boards.

Additional information on the City of Denham Springs's pension arrangements and post employment benefits can be found in Notes 11 and 12 in the notes to the financial statements.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Denham Springs for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2003. This was the eighth consecutive year that the City of Denham Springs has received this prestigious award. In order to be awarded a Certificate of Achievement by GFOA, a governmental unit must publish an easily readable and efficiently organized CAFR. This report satisfied both accounting principles generally accepted (GAAP) in the United States of America, and applicable legal requirements.

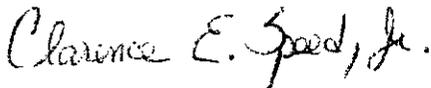
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the Administrative Office Staff whose daily efforts result in the proper handling of the City's financial affairs and the successful completion of this report.

Appreciation is also expressed to the Mayor and City Council for their support in planning and conducting the financial affairs of the City in a responsible and progressive manner.

Respectfully submitted,

City of Denham Springs



Clarence E. Speed, Jr.
City Treasurer

CITY OF DENHAM SPRINGS
PRINCIPAL ELECTED OFFICIALS

JUNE 30, 2004

Mayor:

James E. Durbin

City Council Members:
Current Terms Expire December 31, 2006:

Lori Lamm-Williams

Arthur Perkins

George Meadors

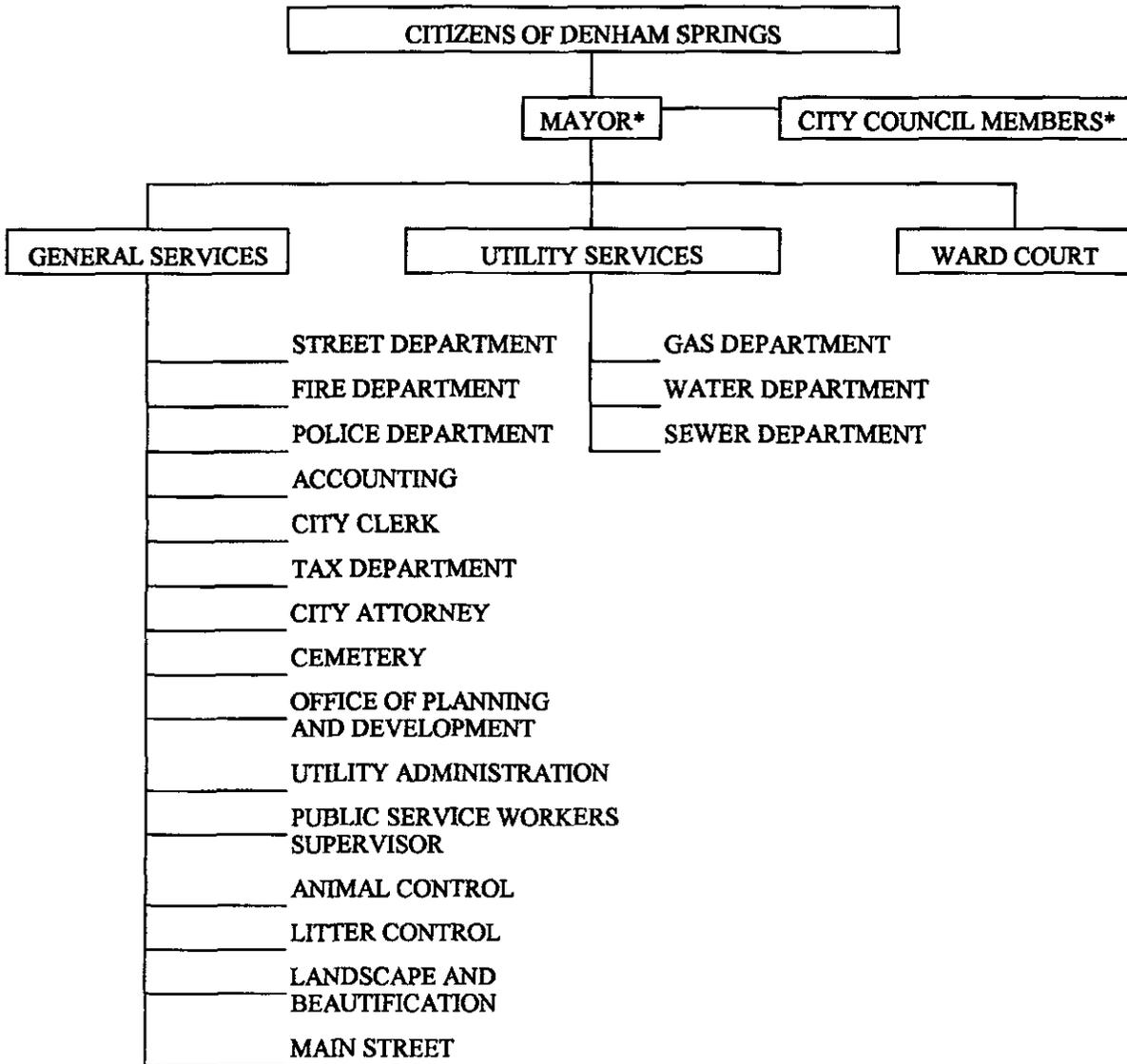
Robert Poole

John Wascom

CITY OF DENHAM SPRINGS

ORGANIZATIONAL CHART

JUNE 30, 2004



* ELECTED OFFICIALS

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Denham Springs,
Louisiana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Zjelka

President

Jeffrey R. Enos

Executive Director



Randy J. Bonnecaze, CPA*
Joseph D. Richard, Jr., CPA*
Ronnie E. Stamper, CPA*
Fernand P. Genre, CPA*
Stephen M. Huggins, CPA*
Monica L. Zumo, CPA*
Ronald L. Gagnet, CPA*
Douglas J. Nelson, CPA*
Celeste D. Viator, CPA*
Russell J. Resweber, CPA*
Laura E. Monroc, CPA*
R. David Wascom, CPA
**A Professional Accounting Corporation*

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Certified Public Accountants*

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www.htbcpa.com

October 1, 2004

INDEPENDENT AUDITOR'S REPORT

The Honorable James E. Durbin, Mayor
and Members of the City Council
Denham Springs, Louisiana

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Denham Springs, 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 City's management. 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.

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

The Honorable James E. Durbin
and Members of the City Council
City of Denham Springs, Louisiana

In accordance with Government Auditing Standards, we have also issued a report dated October 1, 2004, on our consideration of the City of Denham Springs' 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.

The Management's Discussion and Analysis on pages 4 through 17 is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City of Denham Springs, Louisiana's basic financial statements. The accompanying financial information listed in the Table of Contents as Supplementary Schedule (Schedule 1) is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Denham Springs, Louisiana. Such 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.

The accompanying financial information listed in the Statistical Section is presented for purposes of additional analysis and is not a required part of the financial statements of the City of Denham Springs, Louisiana. The information has not been audited by us, and accordingly we express no opinion on the information.

Respectfully submitted,

Harris J. Bourgeois, CPA

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

As management of the City of Denham Springs, Louisiana, we offer readers of the City of Denham Springs, Louisiana's financial statements this narrative overview and analysis of the financial activities of the City of Denham Springs, Louisiana, for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iv-viii of this report.

Financial Highlights

- The assets of the City of Denham Springs exceeded liabilities at the close of the most recent fiscal year by \$25,480,320 (*net assets*). Of this amount, \$2,987,798 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets compared to prior year total net assets of \$26,460,333 decreased by \$980,013.
- As of the close of the current fiscal year, the City of Denham Springs's governmental funds reported combined ending fund balances of \$3,257,404, a decrease of \$64,829 in comparison with the prior year combined ending fund balances of \$3,322,233. Approximately eighty-four percent of this total amount, \$2,748,578, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,976,136, or 27 percent of total general fund expenditures.
- The City of Denham Springs's total debt decreased by \$409,751 (29 percent) during the current fiscal year. The key factors in this decrease was the decrease in normal debt service requirements of \$218,106, the decrease of Environmental Assessment Liabilities of \$382,756 and the net addition of \$147,567 for a street sweeping machine purchased through a capital lease and the net addition of \$43,544 to the compensated absences balances.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Denham Springs's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *Statement of Net Assets* (Exhibit A-1) presents information on all of the City of Denham Springs's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Denham Springs is improving or deteriorating.

The *Statement of Activities* (Exhibit A-2) presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Denham Springs that are principally supported by taxes, licenses, permits, fines and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Denham Springs include general government, public safety, highways and streets, health, and culture and recreation. The business-type activities of the City of Denham Springs include a gas and water distribution operation, a sewer disposal operation, and a contracted solid waste disposal operation. All business type activities are included in a single Utility Enterprise Fund.

The government-wide financial statements include not only the City of Denham Springs itself (known as the *primary government*), but also a legally separate City Court of Denham Springs Ward II and a legally separate Marshall of City of Denham Springs - Ward II for which the City of Denham Springs is financially accountable. In addition to the state constitutionally defined agencies included above, the City has created a Louisiana nonprofit corporation, the Denham Springs Economic Development Corporation, to assist the City in the creation of economic development, to improve employment and to otherwise improve the economic condition of the City of Denham Springs and surrounding areas. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 19-21 of this report.

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

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

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

The City of Denham Springs maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Denham Springs adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 22-25 of this report.

Proprietary funds. The City of Denham Springs maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Denham Springs uses enterprise funds to account for its gas and water distribution operation, sewer disposal operation, and contracted solid waste disposal operation. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Denham Springs' various functions. The City of Denham Springs uses an internal service fund to account for fuel and maintenance cost for its fleet of vehicles and equipment. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the enterprise fund consisting of the gas and water distribution operation, sewer disposal operation, and contracted solid waste disposal operation, which is considered to be a major fund of the City of Denham Springs. Conversely, the internal service fund is a single, aggregated presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 26-30 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-67 of this report.

Other information. In addition to the basic financial statements and accompanying notes, the combining statement referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 69-70 of this report. Budgetary comparison information for the general fund and the capital projects fund can be found on pages 71-82.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Denham Springs, assets exceeded liabilities by \$25,480,320 at the close of the most recent fiscal year.

By far the largest portion of the City of Denham Springs's net assets (86 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Denham Springs uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Denham Springs's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

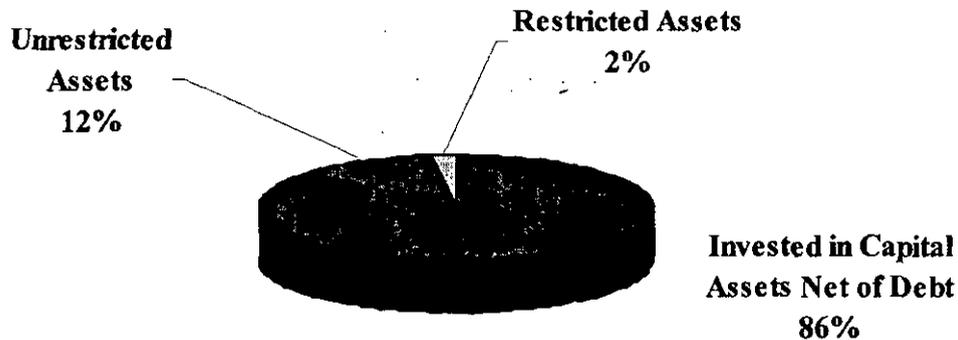
The following table reflects the Condensed Statement of Net Assets for June 30, 2004 with comparative figures from 2003.

City of Denham Springs
Condensed Statement of Net Assets
June 30, 2004 and 2003

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets:						
Current and Other						
Assets	\$ 3,763,535	\$ 3,825,880	\$ 966,586	\$ 2,481,023	\$ 4,730,121	\$ 6,306,903
Restricted Assets	-	-	535,000	535,000	535,000	535,000
Capital Assets	6,927,157	6,941,960	15,589,729	15,444,380	22,516,886	22,386,340
Total Assets	<u>10,690,692</u>	<u>10,767,840</u>	<u>17,091,315</u>	<u>18,460,403</u>	<u>27,782,007</u>	<u>29,228,243</u>
Liabilities:						
Current Liabilities	549,942	526,049	1,154,178	1,559,674	1,704,120	2,085,723
Long-Term Liabilities	366,731	228,148	230,836	454,039	597,567	682,187
Total Liabilities	<u>916,673</u>	<u>754,197</u>	<u>1,385,014</u>	<u>2,013,713</u>	<u>2,301,687</u>	<u>2,767,910</u>
Net Assets:						
Invested in Capital						
Assets Net of Debt	6,779,590	6,941,960	15,204,106	14,829,447	21,983,696	21,771,407
Restricted	508,826	496,392	-	-	508,826	496,392
Unrestricted	2,485,603	2,575,291	502,195	1,617,243	2,987,798	4,192,534
Total Net Assets	<u>\$ 9,774,019</u>	<u>\$ 10,013,643</u>	<u>\$ 15,706,301</u>	<u>\$ 16,446,690</u>	<u>\$ 25,480,320</u>	<u>\$ 26,460,333</u>

For more detailed information see Exhibit A-1, the Statement of Net Assets.

June 30, 2004 Net Assets



Approximately 86% (\$21,983,696) of the City's net assets at June 30, 2004, reflects the government's investment in capital assets (land, buildings, infrastructure, machinery and equipment) less any related debt to acquire those assets. The City uses these capital assets to provide services to the citizens of Denham Springs and, therefore, these assets are not available for future spending. An additional portion of the City of Denham Springs' net assets (2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$2,987,798) may be used to meet government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Denham Springs is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Restricted net assets reported in connection with the City of Denham Springs' business-type activities remained the same as the prior year. The \$535,000 represents funds set aside to repay customers deposits required prior to receiving services.

The City's net assets decreased by \$980,013 during the current fiscal year as compared to 2003's decrease of \$1,342,805. This represents decreased cash and investments paying for the LDEQ settlement cost plus sewer maintenance and renovation cost, expansion of water and gas lines, increased labor and benefit cost, equipment cost, meter reading cost, and general building and grounds maintenance cost.

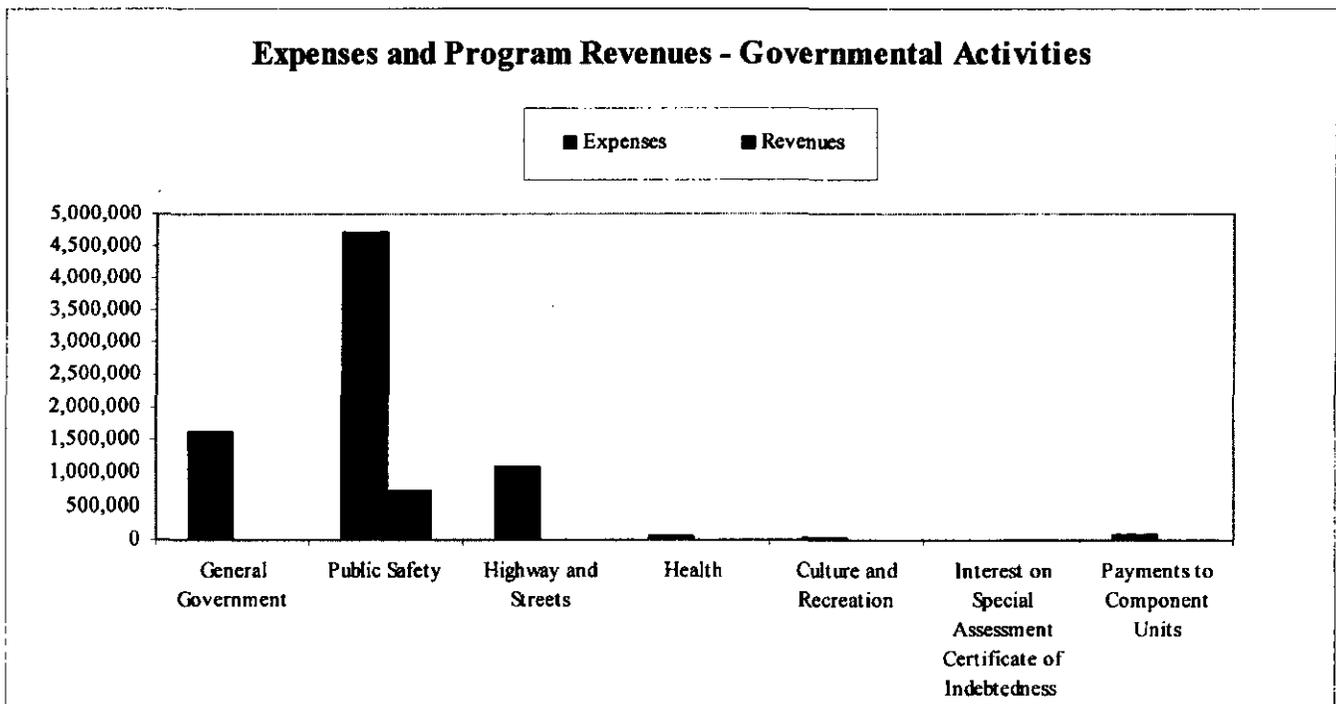
The condensed statement below provides a summary of the changes in net assets for the year ended June 30, 2004, with comparative figures from 2003.

	Activities		Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program Revenues:						
Charges for Services	\$ 450,457	\$ 598,881	\$ 5,116,239	\$ 4,711,441	\$ 5,566,696	\$ 5,310,322
Operating Grants and Contributions	303,567	327,247	-	-	303,567	327,247
Capital Grants and Contributions	389	155,665	179,507	45,666	179,896	201,331
General Revenues:						
Sales Taxes	4,837,302	4,316,289	-	-	4,837,302	4,316,289
Other Taxes	1,550,988	1,445,699	-	-	1,550,988	1,445,699
Other Grants and Contributions not Restricted to Specific Programs	169,313	122,602	17,399	-	186,712	122,602
Other	39,585	55,595	15,741	88,518	55,326	144,113
Total Revenues	7,351,601	7,021,978	5,328,886	4,845,625	12,680,487	11,867,603
Expenses:						
General Government	1,627,466	1,608,505	-	-	1,627,466	1,608,505
Public Safety	4,697,707	4,025,923	-	-	4,697,707	4,025,923
Highways and Streets	1,087,286	1,415,359	-	-	1,087,286	1,415,359
Health	47,841	27,768	-	-	47,841	27,768
Culture and Recreation	28,786	32,891	-	-	28,786	32,891
Interest on Long-Term Debt	4,941	773	-	-	4,941	773
Payments to Component Units	97,198	94,915	-	-	97,198	94,915
Gas	-	-	2,900,226	2,574,406	2,900,226	2,574,406
Water	-	-	1,111,721	979,032	1,111,721	979,032
Sewer	-	-	1,453,480	1,919,226	1,453,480	1,919,226
Sanitation	-	-	603,848	599,626	603,848	599,626
Total Expenses	7,591,225	7,206,134	6,069,275	6,072,290	13,660,500	13,278,424
Increase in Infrastructure Due to Annexation	-	68,016	-	-	-	68,016
Increase (Decrease) in Net Assets	(239,624)	(116,140)	(740,389)	(1,226,665)	(980,013)	(1,342,805)
Net Assets - Beginning of Year	10,013,643	10,129,783	16,446,690	17,673,355	26,460,333	27,803,138
Net Assets - End of Year	\$ 9,774,019	\$ 10,013,643	\$ 15,706,301	\$ 16,446,690	\$ 25,480,320	\$ 26,460,333

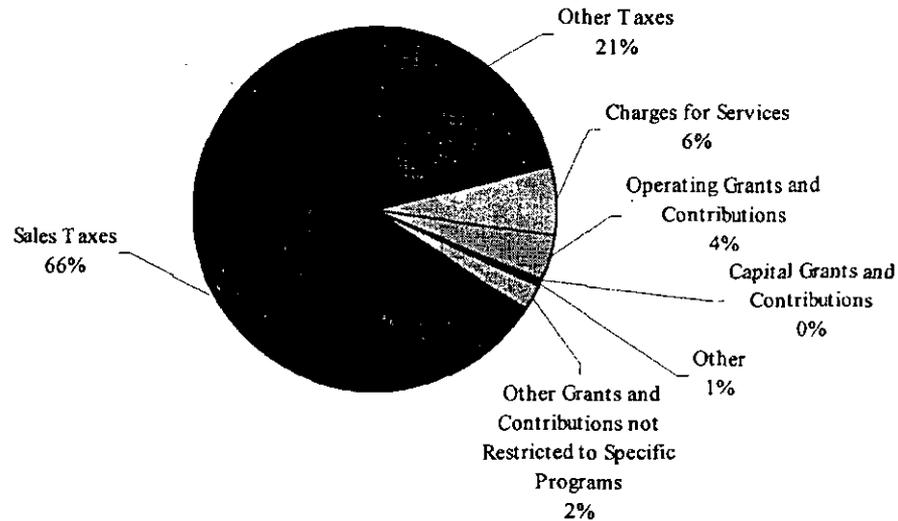
Governmental activities. Governmental activities decreased the City of Denham Springs's net assets by \$239,624, thereby accounting for 24.5 percent of the total reduction in the net assets of the City of Denham Springs. Key elements of this decrease are documented below.

Total revenues from Governmental Activities increased by \$329,623 over the prior year.

- Sales taxes increased by \$521,013 (12 percent) during the year. Most of this increase is attributable to the opening of a new Home Depot Hardware Store and various new restaurants and discount retail sales stores.
- Charges for services decreased by \$148,424 during the year. This decrease is attributed to the transfer of the operation of the Livingston Parish 911 System equipment to the Livingston Parish Sheriff. Reimbursement monies paying for six communication employees ceased as of June 2003. The City chose to retain these six employees until the opening of the new 911 operation center.
- Operating grants and contributions decreased \$23,680 during the year. This decrease was attributed to the lack of General Government needing disaster relief and the completion of a Culture and Recreation renovation project.
- Capital Grants and Contributions decreased by \$155,276. This decrease was because of the delay of the start-up of the Range Road Corridor Project.
- Interest income declined during the current fiscal year by \$12,373. This decline was caused entirely by the reduction in interest rates on invested funds.
- Occupational license and permits increased by \$36,427. This increase is attributable to continued commercial growth and strong economic community support.
- Franchise fees increased by \$63,033. This increase is attributable to commercial growth and change in cable television products offered.
- Other small revenue increases and decreases amounted to a total of \$2,192 in increased revenues.
- Other Grants and Contributions not Restricted by Specific Programs increased by \$46,711. This increase was caused by a one-time insurance premium rebate of \$33,387 paid over the past years and received in the current year.



Revenues by Source - Governmental Activities



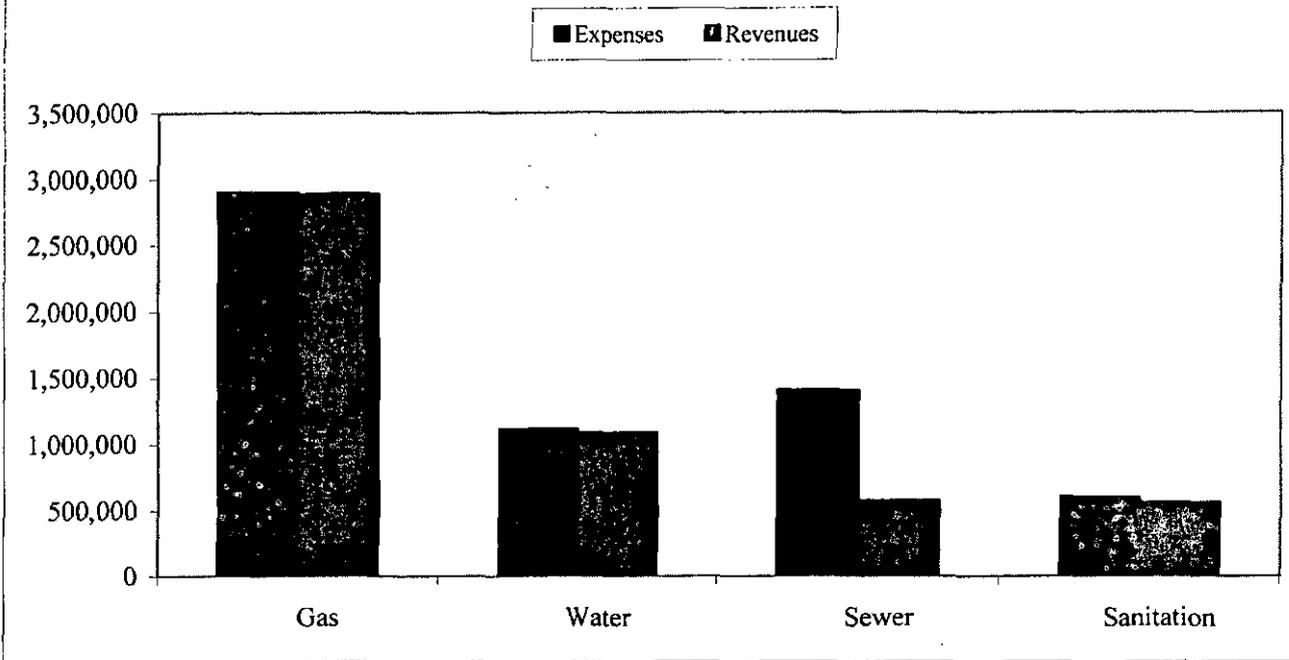
Total expenses from Governmental Activities increased by \$385,091.

- Total salaries charged to governmental activities increased from \$3,589,554 to \$3,787,629 or an increase of \$198,075. The majority of the increase was caused by pay increases, and one-time pay adjustments for prior period corrections.
- Related payroll taxes and employee benefits charged to government activities increased by \$263,209. In addition to increased salaries, there were significant increases in the police, firefighters and municipal employee retirement systems employer contribution rates.
- For the most part, the remainder of the governmental activities expenses remained at prior year levels.

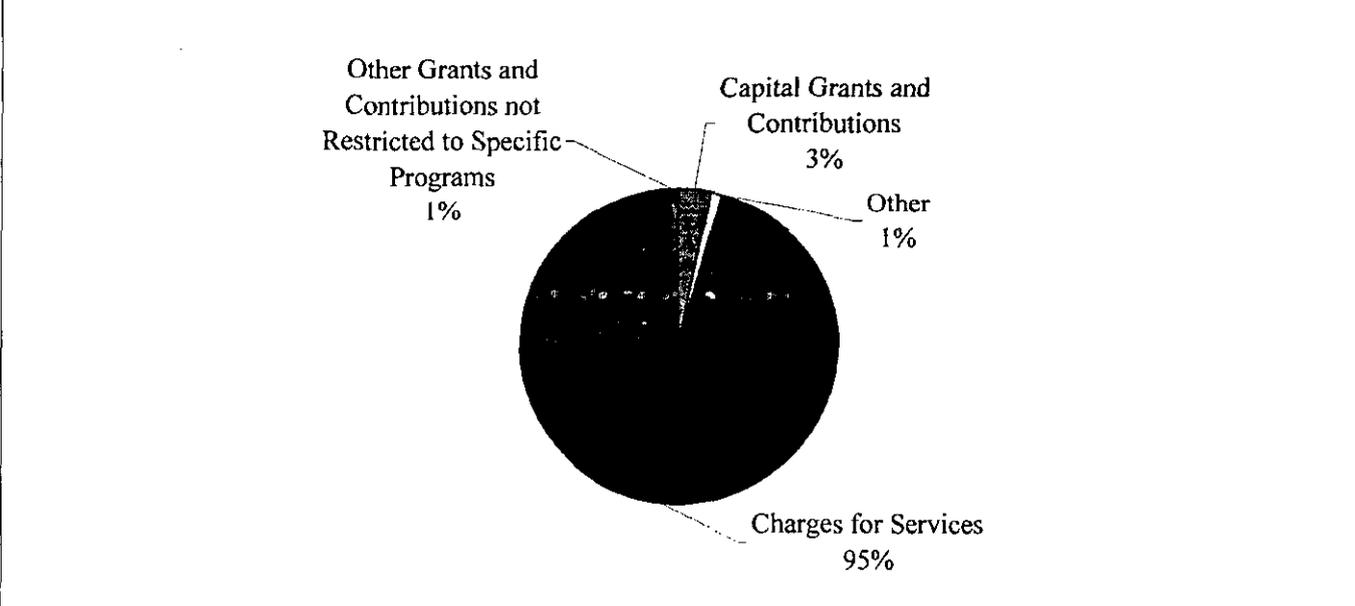
Business-type activities. Business-type activities decreased the City of Denham Springs's net assets by \$740,389 accounting for 75.5 percent of the total reduction in the government's net assets. Key elements of this decrease are as follows.

- Operating loss from business-type activities decreased by \$372,604 from the prior year. The main reason for the decrease was due to the settlement of an environmental assessment of \$525,000 imposed by the Louisiana Department of Environmental Quality in the prior fiscal year.
- Non-operating revenue decreased by \$55,378. Continued use of invested funds reduced the amounts available for investment thereby reducing interest earnings by \$34,219.
- Capital contributions to business-type activities increased by \$133,841 from the prior year. This increase was caused by one-time project cost sharing monies received of \$63,954 to run water lines to a new school and one-time project cost sharing monies received of \$10,500 to install a lift station for a new business center. The balance of the increase, \$59,387, was created from increased impact fees received in the current fiscal year.

Expenses and Program Revenues - Business Type Activities



Revenues by Source - Business Type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Denham Springs's governmental funds reported combined ending fund balances of \$3,257,404, a decrease of \$64,829 in comparison with the prior year. Approximately 84% of this total amount (\$2,748,578) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to generate income to pay for the perpetual care of the municipal cemetery (\$508,826).

The general fund is the chief operating fund of the City of Denham Springs. At the end of the current fiscal year, total fund balance of the general fund of \$1,976,136 was unreserved. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Total fund balance and unreserved fund balance represents 27 percent of total general fund expenditures.

During the current fiscal year, the fund balance of the City of Denham Springs' general fund decreased by \$168,514. Key factors in this decline are as follows:

- Although sales tax revenues increased by \$521,013, electrical and cable franchise taxes by \$63,508, licenses and permits by \$36,427, fines and forfeitures by \$39,833, and other taxes by \$8,872, wrecker franchise taxes declined by \$475 and 911 service fees declined by \$201,332. The decline in the 911 service fees is attributed to the transfer of the 911 dispatch operations to the Livingston Parish Sheriff's Office.
- The majority of the expenditures increase came about because of the increase in salaries in the general fund of \$198,075, due to pay increases and fire employee promotions. In addition, related payroll taxes and employee benefits increased by \$263,209. There were significant increases in each of the City's State administered retirement systems.

	<u>Prior Employer Rate</u>	<u>Current Employer Rate</u>	<u>Rate Increase</u>
Municipal Employees Retirement System of Louisiana	6.25%	7.75%	1.50%
Municipal Police Employees Retirement System of Louisiana	9.00%	15.25%	6.25%
Firefighters Retirement System of Louisiana	9.00%	21.00%	12.00%

- Equipment purchases in the general fund increased by \$161,420. Significant to this increase was the lease/purchase of a street sweeper for \$174,485, while proceeds from the issuance of a capital lease increased by \$174,485. Transfers to the Capital Projects Fund decreased by \$231,755.
- Other Financing Uses declined by \$402,603 in the current year.

The debt service fund has a total unreserved fund balance of \$3,112, compared to a prior year unreserved fund balance of \$2,664.

Proprietary funds. The City of Denham Springs' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise fund at the end of the year amounted to \$502,195. The total decline in net assets for the enterprise fund is \$753,131. Other factors concerning the enterprise fund have already been addressed in the discussion of the City of Denham Springs' business-type activities.

General Fund Budgetary Highlights

Major differences between the original budget and the final amended budget of the General Fund are briefly summarized as follows:

Revenues:

Total budgeted revenues were increased by \$324,554 over the original budget.

- Sales tax revenues were increased by \$300,000 due to original conservative projections.
- Utilities franchise tax revenue was increased by \$110,500 due to annexation and increased residential and commercial growth.
- Cable franchise tax revenue was increased by \$6,864 due to actual amounts collected.
- Fines and forfeits revenues were increased by \$22,450 due to the original conservative projections.
- 911 reimbursement fees decreased by \$200,000. The Livingston Parish Sheriff now provides this service. The City continues to pay the salaries and benefits of six communication employees until the new 911 Center is constructed and ready for operation.
- Background check fees is a new source of revenue the City has been receiving for approximately two years. Revenues were increased by \$27,000 due to the original conservative projections.
- Police grant revenue increased by \$30,801. This increase was mostly \$23,036 in grant monies for video cameras for police cars and \$4,841 for DWI equipment and community education.
- Other revenue increases are a one-time insurance premium rebate of \$16,079 and a \$10,900 increase in estimated royalty payments.

Expenditures:

Total budgeted appropriations were decreased by \$19,837. Recognized unspent budget dollars were moved to areas of budgeted need resulting in only a slight decrease over the original budget.

Capital Asset and Debt Administration

Capital assets. The City of Denham Springs' investment in capital assets for its governmental and business type activities as of June 30, 2004, amounts to \$22,516,886 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, roads, highways, and drainage. The total increase in the City of Denham Springs' investment in capital assets for the current fiscal year was less than 1% (a less than .2 percent decrease for governmental activities and a less than .9 percent increase for business-type activities).

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

- Range Road corridor project is currently in the reappraisal and acquisition of right-of-way phase; project cost as of fiscal year ended June 30, 2004 had reached \$408,521, while \$283,034 has been reimbursed by grants.
- Rodeo Drive overlay project was commenced as of fiscal year ended June 30, 2004. Estimated cost of this project is \$240,000.
- Construction of a new Fire Station/Water Department Building was completed as of fiscal year ended June 30, 2004, at a project cost of \$629,182.
- Construction of a new water line (Hwy. 16 to Hwy. 1033) to service a new elementary school was commenced during the fiscal year ended June 30, 2004. Estimated cost of this project is \$210,000. Of this amount the School Board will contribute \$63,954.
- Renovation of the Eastover Water Well was commenced and completed as of fiscal year ended June 30, 2004, at a project cost of \$104,852.
- Aerator system costs and installations at the City's Forest Delatte Sewerage Treatment Facility was completed at a total cost of \$304,873 as part of the prior years' environmental assessment settlement.

City of Denham Springs
Capital Assets
(Net of Accumulated Depreciation)
June 30, 2004 and 2003

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 628,671	\$ 628,671	\$ 159,575	\$ 159,575	\$ 788,246	\$ 788,246
Buildings and Improvements	2,338,952	2,125,855	336,602	20,566	2,675,554	2,146,421
Gas System	-	-	1,067,693	1,048,691	1,067,693	1,048,691
Water System	-	-	2,923,146	2,981,756	2,923,146	2,981,756
Sewer System	-	-	10,447,860	10,720,438	10,447,860	10,720,438
Machinery and Equipment	1,487,583	1,476,842	453,988	481,992	1,941,571	1,958,834
Infrastructure	2,269,558	2,405,574	-	-	2,269,558	2,405,574
Construction in Progress	202,393	305,018	200,865	31,362	403,258	336,380
Total	\$ 6,927,157	\$ 6,941,960	\$ 15,589,729	\$ 15,444,380	\$ 22,516,886	\$ 22,386,340

Additional information on the City of Denham Springs' capital assets can be found in note 8 on pages 52-55 of this report.

Long-term debt. At the end of the current fiscal year, the City of Denham Springs had total debt outstanding of \$533,190. Of this amount, \$147,567 comprises debt backed by the full faith and credit of the City. The remainder of the debt (\$385,623) is secured solely by utility service charges. There are no general obligation bonds outstanding by the City of Denham Springs at June 30, 2004.

City of Denham Springs
General Obligation and Revenue Bonds
June 30, 2004 and 2003

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Obligation Under						
Capital Lease	\$ 147,567	\$ -	\$ -	\$ -	\$ 147,567	\$ -
Revenue Bond	-	-	385,623	614,933	385,623	614,933
Total	\$ 147,567	\$ -	\$ 385,623	\$ 614,933	\$ 533,190	\$ 614,933

During the current fiscal year, the City of Denham Springs' total debt decreased by \$81,743 (13 percent). This resulted because regular debt payments in the amount of \$256,228 were timely paid and the City only issued one obligation under a capital lease in the amount of \$174,485 during the year.

Additional information on the City's long-term debt can be found in note 9 on pages 55-58.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Denham Springs is currently 7.4 percent, which is an increase from a rate of 6.7 percent a year ago. This compares unfavorably to the state's average unemployment rate of 5.9 percent and the national average rate of 5.6 percent.
- The occupancy rate of the City's central business district has remained from 97-100 percent for the past several years.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City of Denham Springs' budget for the 2005 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund decreased to \$1,976,136. The City adopted a 2005 fiscal year budget, anticipating revenues exceeding appropriated expenditures by \$93,537. The City is conservatively funding public services within the confines of its revenue growth.

The City of Denham Springs' general fund receives approximately 66% of its revenues from the 1-½% general sales and use tax levied by the City of Denham Springs. Because of new commercial business construction and the actual revenues being generated, the City has conservatively budgeted a 1.0% increase over actual revenues received for the current fiscal year.

Appropriated expenditures decreased \$222,476 or 3.1% over actual expenditures for the current fiscal year. Because of the settlement of several lawsuits along with the culmination of the Bass Pro Development and the Range Corridor Project the City's legal and professional cost anticipate a decrease of \$106,988 or 44.6% over actual expenditures for the current fiscal year. Anticipated salaries and wage expenditures excluding Councilmen and Ward II Court decreased \$88,739 or 2.3% over actual expenditures for the current fiscal year. The difference is the departure of employees in the Police Department, Street Department, Main Street, and Landscape and Beautification Department. Increased anticipated benefit cost offset by various other expenditure decreases results in a net anticipated decrease of \$26,749 over actual expenditures for the current fiscal year.

This financial report is designed to provide a general overview of the City of Denham Springs' finances for all those with an interest in the government's finances. Questions concerning any of this information provided in this report or requests for additional information should be addressed to the City Treasurer, c/o City of Denham Springs, P.O. Box 1629, Denham Springs, Louisiana 70727-1629.

BASIC FINANCIAL STATEMENTS

CITY OF DENHAM SPRINGS

STATEMENT OF NET ASSETS

JUNE 30, 2004

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	City Court of Denham Springs Ward II	Marshal of City Court of Denham Springs Ward II	Denham Springs Economic Development Corporation
ASSETS						
Cash and Cash Equivalents	\$ 555,509	\$ -	\$ 555,509	\$ 278,317	\$ 75,060	\$ -
Investments	1,571,611	929,310	2,500,921	155,000	60,979	-
Receivables, Net	187,048	582,681	769,729	1,604	4,183	-
Due from Other Governments	750,147	-	750,147	-	13,531	-
Due from Component Unit	4,437	-	4,437	-	-	-
Internal Balances	675,332	(675,332)	-	-	-	-
Inventories	19,451	126,499	145,950	-	-	-
Prepaid Items	-	3,428	3,428	-	-	-
Restricted Assets:						
Investments	-	535,000	535,000	-	-	-
Capital Assets:						
Land and Construction in Progress	831,064	360,440	1,191,504	-	-	-
Other Capital Assets, Net of Depreciation	6,096,093	15,229,289	21,325,382	37,804	55,914	-
Total Assets	<u>\$ 10,690,692</u>	<u>\$ 17,091,315</u>	<u>\$ 27,782,007</u>	<u>\$ 472,725</u>	<u>\$ 209,667</u>	<u>\$ -</u>
LIABILITIES						
Accounts Payable and Accrued Expenses	\$ 436,128	\$ 848,049	\$ 1,284,177	\$ 1,328	\$ 12,122	\$ 284,167
Due to Primary Government	-	-	-	-	4,437	-
Non-Current Liabilities:						
Due Within One Year	113,814	306,129	419,943	-	-	-
Due in More Than One Year	366,731	230,836	597,567	-	-	-
Total Liabilities	916,673	1,385,014	2,301,687	1,328	16,559	284,167
NET ASSETS						
Investment in Capital Assets, Net of Related Debt	6,779,590	15,204,106	21,983,696	37,804	55,914	-
Restricted for:						
Cemetery Care	508,826	-	508,826	-	-	-
Unrestricted	2,485,603	502,195	2,987,798	433,593	137,194	(284,167)
Total Net Assets	9,774,019	15,706,301	25,480,320	471,397	193,108	(284,167)
Total Liabilities and Net Assets	<u>\$ 10,690,692</u>	<u>\$ 17,091,315</u>	<u>\$ 27,782,007</u>	<u>\$ 472,725</u>	<u>\$ 209,667</u>	<u>\$ -</u>

The accompanying notes constitute an integral part of this statement.

CITY OF DENHAM SPRINGS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General Government	\$ 1,627,466	\$ -	\$ -	\$ -
Public Safety	4,697,707	437,093	303,567	-
Highways and Streets	1,087,286	13,364	-	389
Health	47,841	-	-	-
Culture and Recreation	28,786	-	-	-
Interest on Long-Term Debt	4,941	-	-	-
Payments to Component Units	97,198	-	-	-
Total Governmental Activities	7,591,225	450,457	303,567	389
Business-Type Activities:				
Gas	2,900,226	2,892,008	-	-
Water	1,111,721	1,089,420	-	63,954
Sewer	1,453,480	573,976	-	115,553
Sanitation	603,848	560,835	-	-
Total Business-Type Activities	6,069,275	5,116,239	-	179,507
Total Primary Government	\$ 13,660,500	\$ 5,566,696	\$ 303,567	\$ 179,896
Component Units:				
City Court of Denham Springs - Ward II	\$ 289,097	\$ 262,982	\$ 28,013	\$ -
Marshal of City Court of Denham Springs - Ward II	354,246	212,780	112,649	-
Denham Springs Economic Development Corporation	284,167	-	-	-
Total Component Units	\$ 927,510	\$ 475,762	\$ 140,662	\$ -
General Revenues:				
Taxes:				
Property				
Sales				
Occupational and Permits				
Franchise				
Other Grants and Contributions not Restricted to Specific Programs				
Interest Income				
Gain on Sale of Asset				
Payments from the City of Denham Springs				
Total General Revenues				
Change in Net Assets				
Net Assets - Beginning of Year				
Net Assets - End of Year				

The accompanying notes constitute an integral part of this statement.

Net (Expense) Revenue and

Changes in Net Assets

Primary Government			Component Units		
Governmental Activities	Business-Type Activities	Total	City Court of Denham Springs Ward II	Marshal of City Court of Denham Springs - Ward II	Denham Springs Economic Development Corporation
\$ (1,627,466)	\$ -	\$ (1,627,466)	\$ -	\$ -	\$ -
(3,957,047)	-	(3,957,047)	-	-	-
(1,073,533)	-	(1,073,533)	-	-	-
(47,841)	-	(47,841)	-	-	-
(28,786)	-	(28,786)	-	-	-
(4,941)	-	(4,941)	-	-	-
(97,198)	-	(97,198)	-	-	-
(6,836,812)	-	(6,836,812)	-	-	-
-	(8,218)	(8,218)	-	-	-
-	41,653	41,653	-	-	-
-	(763,951)	(763,951)	-	-	-
-	(43,013)	(43,013)	-	-	-
-	(773,529)	(773,529)	-	-	-
(6,836,812)	(773,529)	(7,610,341)	-	-	-
-	-	-	1,898	-	-
-	-	-	-	(28,817)	-
-	-	-	-	-	(284,167)
-	-	-	1,898	(28,817)	(284,167)
169,727	-	169,727	-	-	-
4,837,302	-	4,837,302	-	-	-
718,200	-	718,200	-	-	-
663,061	-	663,061	-	-	-
169,313	17,399	186,712	3,981	780	-
37,059	15,741	52,800	8,781	1,242	-
2,526	-	2,526	-	-	-
-	-	-	46,860	50,338	-
6,597,188	33,140	6,630,328	59,622	52,360	-
(239,624)	(740,389)	(980,013)	61,520	23,543	(284,167)
10,013,643	16,446,690	26,460,333	409,877	169,565	-
\$ 9,774,019	\$ 15,706,301	\$ 25,480,320	\$ 471,397	\$ 193,108	\$ (284,167)

CITY OF DENHAM SPRINGS

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2004

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 189,190	\$ 279,599	\$ 468,789
Investments, at Cost	961,611	610,000	1,571,611
Receivables:			
Ad Valorem Taxes, Net	1,765	-	1,765
Other	180,922	4,172	185,094
Due from Other Funds	248,659	426,673	675,332
Due from Other Governments	719,213	30,934	750,147
Due from Component Units	4,437	-	4,437
Total Assets	<u>\$ 2,305,797</u>	<u>\$ 1,351,378</u>	<u>\$ 3,657,175</u>
LIABILITIES			
Accounts Payable	\$ 91,948	\$ 63,298	\$ 155,246
Retainages Payable	-	6,812	6,812
Retirement and Group Insurance Payable	159,072	-	159,072
Accrued Salaries and Wages	35,531	-	35,531
Other Liabilities	43,110	-	43,110
Total Liabilities	329,661	70,110	399,771
FUND BALANCES			
Fund Balance:			
Reserved for Cemetery Expenditures	-	508,826	508,826
Unreserved, Reported In			
General Fund	1,976,136	-	1,976,136
Capital Projects Fund	-	769,330	769,330
Debt Service Fund	-	3,112	3,112
Total Fund Balances	<u>1,976,136</u>	<u>1,281,268</u>	<u>3,257,404</u>
Total Liabilities and Fund Balances	<u>\$ 2,305,797</u>	<u>\$ 1,351,378</u>	<u>\$ 3,657,175</u>

The accompanying notes constitute an integral part of this statement.

CITY OF DENHAM SPRINGS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2004

Fund Balances-Total Governmental Funds		\$ 3,257,404
<p>Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:</p>		
<p>Capital Assets Used in Governmental Activities are not Financial Resources and are not Reported in the Governmental Funds</p>		
Governmental Capital Assets	\$ 11,704,394	
Less Accumulated Depreciation	<u>(4,796,401)</u>	6,907,993
<p>Long-Term Liabilities are not Due and Payable in the Current Period and Therefore are not Reported in the Governmental Funds:</p>		
Compensated Absences Payable		(331,265)
Capital Lease Payable		(147,567)
<p>The Motor Pool Internal Service Fund is Used by Management to Charge the Cost of Vehicle Repairs to Individual Funds. The Assets and Liabilities of the Internal Service Fund are Included in Governmental Activities in the Statement of Net Assets</p>		
Motor Pool Internal Service Fund Net Assets	87,454	
Prior Years Net Losses Allocated to Business-Type Activities	12,742	
Current Year Net Income Allocated to Business-Type Activities	<u>(12,742)</u>	<u>87,454</u>
Net Assets of Governmental Activities		<u>\$ 9,774,019</u>

The accompanying notes constitute an integral part of this statement.

CITY OF DENHAM SPRINGS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Special Assessments	\$ -	\$ 389	\$ 389
Taxes	5,711,381	-	5,711,381
Licenses and Permits	718,200	-	718,200
Fines and Forfeits	308,716	-	308,716
Interest	20,969	15,336	36,305
Miscellaneous	568,243	4,875	573,118
Total Revenues	7,327,509	20,600	7,348,109
Expenditures:			
Current:			
General Government	1,580,835	30	1,580,865
Public Safety	4,449,788	-	4,449,788
Highways and Streets	1,116,727	-	1,116,727
Health	47,841	-	47,841
Culture and Recreation	28,786	-	28,786
Payments to Component Units	97,198	-	97,198
Capital Outlay:			
Public Safety	-	113,258	113,258
Highways and Streets	-	123,627	123,627
Debt Service:			
Principal Retirement	26,918	-	26,918
Interest	4,941	-	4,941
Total Expenditures	7,353,034	236,915	7,589,949
Excess (Deficiency) of Revenues over Expenditures	(25,525)	(216,315)	(241,840)
Other Financing Sources (Uses):			
Transfers In	-	320,000	320,000
Transfers Out	(320,000)	-	(320,000)
Proceeds from Issuance of Debt	174,485	-	174,485
Sale of Assets	2,526	-	2,526
Total Other Financing Sources (Uses)	(142,989)	320,000	177,011
Net Change in Fund Balances	(168,514)	103,685	(64,829)
Fund Balances at Beginning of Year	2,144,650	1,177,583	3,322,233
Fund Balances at End of Year	\$ 1,976,136	\$ 1,281,268	\$ 3,257,404

The accompanying notes constitute an integral part of this statement.

CITY OF DENHAM SPRINGS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2004

Net Change in Fund Balances - Total Governmental Funds \$ (64,829)

Amounts Reported for Governmental Activities in the Statement of Activities
are Different Because:

Governmental Funds Report Capital Outlays as Expenditures. However, in
the Statement of Activities, the Cost of Those Assets is Allocated Over
Their Estimated Useful Lives and Reported as Depreciation Expense.

Capital Outlay	559,889	
Depreciation Expense	<u>(577,900)</u>	(18,011)

In the Statement of Activities, Only the Gain on the Sale of Capital Assets
is Reported. However, in the Governmental Funds, the Proceeds from
the Sale Increase Financial Resources. Thus, the Change in Net Assets Differs
from the Change in Fund Balance by the Cost of the Capital Assets Sold. (2,070)

The Issuance of Long-Term Debt (e.g., bonds, leases) Provides Current Financial
Resources to Governmental Funds, While the Repayment of the Principal of
Long-Term Debt Consumes the Current Financial Resources of the Governmental
Funds. Neither Transaction, However, has any Effect on Net Assets.

Repayment of Principal on Long-Term Debt		26,918
Proceeds from the Issuance of Capital Lease		(174,485)

Some Expenses Reported in the Statement of Activities do not Require the
use of Current Financial Resources and are not Reported as Expenditures
in Governmental Funds.

Increase in Compensated Absences Payable		(29,871)
--	--	----------

Internal Service Funds are Used by Management to Charge the Costs of
Certain Activities to Individual Funds. The Net Revenue (Expense) of
the Internal Service Funds is Reported with Governmental Activities.

		<u>22,724</u>
Change in Net Assets of Governmental Activities		<u><u>\$ (239,624)</u></u>

The accompanying notes constitute an integral part of this statement.

**CITY OF DENHAM SPRINGS
PROPRIETARY FUNDS**

STATEMENT OF NET ASSETS

JUNE 30, 2004

	<u>Business-Type Activities - Utility Enterprise Fund</u>	<u>Governmental Activities - Motor Pool Internal Service Fund</u>
Current Assets:		
Cash and Cash Equivalents	\$ -	\$ 86,720
Investments:		
Certificates of Deposit - (Maturities Greater than 90 Days)	929,310	-
Receivables:		
Accounts (Net of Allowance for Uncollectible Accounts of \$111,000)	212,095	-
Other	94,374	189
Unbilled Utility Sales	276,212	-
	582,681	189
Inventory, at Cost	126,499	19,451
Prepaid Expenses	3,428	-
Total Current Assets	1,641,918	106,360
Noncurrent Assets:		
Restricted Assets:		
Certificate of Deposit - Customer Deposit Account (Maturity Greater Than 90 Days)	535,000	-
Total Restricted Assets	535,000	-
Capital Assets, at Cost (Net of Accumulated Depreciation)	15,589,729	19,164
Total Assets	\$ 17,766,647	\$ 125,524

The accompanying notes constitute an integral part of this statement.

	Business-Type Activities - Utility Enterprise Fund	Governmental Activities - Motor Pool Internal Service Fund
Current Liabilities (Payable from Current Assets):		
Accounts Payable	\$ 232,422	\$ 34,740
Retainage Payable	9,620	-
Accrued Salaries and Wages	16,297	-
Accumulated Unpaid Vacation	14,472	-
Environmental Assessment Liabilities - Current Portion	77,294	-
Other Current Liabilities	16,907	1,617
Bonds Payable - 1998 Series - Current Portion	214,363	-
Due To Other Funds	675,332	-
Accrued Bond Interest	6,941	-
Total Current Liabilities (Payable from Current Assets)	1,263,648	36,357
Current Liabilities (Payable from Restricted Assets):		
Customers' Deposits	565,862	-
Total Current Liabilities (Payable from Restricted Assets)	565,862	-
Noncurrent Liabilities:		
Environmental Assessment Liabilities	35,000	-
Accumulated Unpaid Vacation	43,417	1,713
Bonds Payable (Net of Deferred Amount on Refunding)	152,419	-
Total Noncurrent Liabilities	230,836	1,713
Total Liabilities	2,060,346	38,070
Net Assets:		
Invested in Capital Assets, Net of Related Debt Unrestricted	15,204,106	19,164
Total Net Assets	502,195	68,290
Total Liabilities and Net Assets	15,706,301	87,454
Total Liabilities and Net Assets	\$ 17,766,647	\$ 125,524
Adjustment to reflect the consolidation of the Motor Pool Internal Service Fund Activities as they relate to the Utility Enterprise Fund:		
Balance of Prior Years Allocations	(12,742)	
Current Year Allocation	12,742	
Total Adjustment	-	
Net Assets of Business-Type Activities	\$ 15,706,301	

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

	Business-Type Activities - Utility Enterprise Fund	Governmental Activities - Motor Pool Internal Service Fund
Operating Revenues:		
Charges for Services	\$ 5,116,239	\$ 428,474
Total Operating Revenues	5,116,239	428,474
Operating Expenses:		
Personal Services and Benefits	1,610,936	66,358
Contractual Services	815,943	-
Cost of Materials	1,664,323	311,962
Utilities	330,826	560
Repair and Maintenance	626,930	2,072
Supplies	198,014	3,531
Insurance	109,154	5,726
Depreciation	658,358	3,765
Bad Debts	16,000	-
Total Operating Expenses	6,030,484	393,974
Operating Income (Loss)	(914,245)	34,500
Nonoperating Revenues:		
Interest	15,741	754
Miscellaneous	17,399	212
Total Nonoperating Revenues	33,140	966
Nonoperating Expenses:		
Interest	40,329	-
Amortization of Bond Costs	11,204	-
Total Nonoperating Expenses	51,533	-
Income (Loss) Before Contributions	(932,638)	35,466
Capital Contributions	179,507	-
Change in Net Assets	(753,131)	35,466
Total Net Assets at Beginning of Year		51,988
Total Net Assets at End of Year		<u>\$ 87,454</u>

Some amounts reported for business-type activities in the Statement of Activities (Exhibit A-2) are different because a portion (36%) of the operating income of the Motor Pool Internal Service Fund is reported with business-type activities to offset prior year losses.

	12,742
Change in Net Assets of Business-Type Activities	<u>\$ (740,389)</u>

The accompanying notes constitute an integral part of this statement.

**CITY OF DENHAM SPRINGS
PROPRIETARY FUNDS**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2004

	<u>Business-Type Activities - Utility Enterprise Fund</u>	<u>Governmental Activities - Motor Pool Internal Service Fund</u>
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 5,000,464	\$ 428,348
Cash Payments to Suppliers for Goods and Services	(4,187,229)	(321,396)
Cash Payments to Employees for Services and Benefits	(1,628,697)	(67,449)
Other Receipts (Payments)	822,533	212
	<hr/>	<hr/>
Net Cash Provided by Operating Activities	7,071	39,715
Cash Flows From Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(803,707)	(9,043)
Net Receipts from Customer Deposits	28,030	-
Principal Paid on Revenue Bonds	(229,310)	-
Capital Contributions	179,507	-
Interest Paid on Revenue Bonds	(40,329)	-
	<hr/>	<hr/>
Net Cash Used in Capital and Related Financing Activities	(865,809)	(9,043)
Cash Flows From Investing Activities:		
Proceeds from Sales and Maturities of Investments	512,683	-
Interest Income	15,741	754
	<hr/>	<hr/>
Net Cash Provided by Investing Activities	528,424	754
Net Increase (Decrease) in Cash and Cash Equivalents	(330,314)	31,426
Cash and Cash Equivalents - Beginning of Year	330,314	55,294
	<hr/>	<hr/>
Cash and Cash Equivalents - End of Year	\$ -	\$ 86,720
	<hr/> <hr/>	<hr/> <hr/>
Schedule of Noncash Investing, Capital and Financing Activities:		
Amortization of Deferred Bond Expense	\$ 11,204	\$ -
	<hr/> <hr/>	<hr/> <hr/>

(CONTINUED)

**CITY OF DENHAM SPRINGS
PROPRIETARY FUNDS**

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2004

	<u>Business-Type Activities - Utility Enterprise Fund</u>	<u>Governmental Activities - Motor Pool Internal Service Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating Income (Loss)	\$ (914,245)	\$ 34,500
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	658,358	3,765
Provision for Bad Debts	16,000	-
Miscellaneous Revenues	17,399	212
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(10,359)	-
(Increase) Decrease in Other Receivables	(78,770)	(126)
(Increase) Decrease in Unbilled Utility Sales	(21,844)	-
(Increase) Decrease in Due from Other Funds	125,000	-
(Increase) Decrease in Inventory	(24,800)	(8,721)
(Increase) Decrease in Prepaid Expenses	3,623	-
Increase (Decrease) in Accounts Payable	(50,368)	12,138
Increase (Decrease) in Retainage Payable	9,620	-
Increase (Decrease) in Accrued Salaries and Wages	(32,525)	-
Increase (Decrease) in Other Current Liabilities	6,588	(962)
Increase (Decrease) in Due To Other Funds	675,332	-
Increase (Decrease) in Accrued Bond Interest	(3,946)	-
Increase (Decrease) in Environmental Assessment Liabilities	(382,756)	-
Increase (Decrease) in Accumulated Unpaid Vacation	14,764	(1,091)
Net Cash Provided by Operating Activities	<u>\$ 7,071</u>	<u>\$ 39,715</u>

The accompanying notes constitute an integral part of this statement.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

(1) Summary of Significant Accounting Policies -

A. Financial Reporting Entity

The City of Denham Springs "the City" was incorporated May 8, 1903, under the provisions of R.S. 33:321-48. The City operates under a Mayor - City Council form of government and provides the following services as authorized by its charter: public safety (police, animal control, and fire), highways and streets, health and social services, culture-recreation, education, public improvements, planning and zoning, and general administrative services.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Denham Springs, Louisiana, and its component units, entities for which the City of Denham Springs is considered to be financially accountable. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City. Each discretely presented component unit has a June 30, 2004 year end.

The financial reporting entity consists of (1) the primary government (all funds under the auspices of the Mayor and the City Council), (2) organizations for which the primary government is financially accountable, and (3) 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.

Governmental Accounting Standards Board (GASB) Statement No. 14, the Financial Reporting Entity, established criteria for determining which component units should be considered part of the City of Denham Springs for financial reporting purposes. The basic criteria 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:

- I. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the City to impose its will on that organization and/or

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

- b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City.
2. Organizations for which the City does not appoint a voting majority but are fiscally dependent on the City.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Denham Springs (the primary government) and its component units. The component units included in the accompanying financial statements are discretely presented.

BLENDING COMPONENT UNITS

There are no component units that have been determined by management to be reported as part of the primary government (blended) in the government-wide financial statements of the City of Denham Springs.

DISCRETELY PRESENTED COMPONENT UNITS

Component units that are legally separate from the City but are financially accountable to the City, or whose relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete are discretely presented. The component units column of the government-wide financial statements include the financial data of these discretely presented component units. They are reported in a separate column to emphasize that they are legally separate from the City.

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

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

City Court of Denham Springs - Ward II - The Judge of the Court is an elected official provided by the Louisiana State Constitution. Fiscal interdependency exists between the City and the City Court in that the City is required to provide the City Court office facilities and the City pays a portion of the Judge's compensation, and reimburses the Court for certain other salaries and benefits. The City's government-wide financial statements discretely presents the City Court of Denham Springs - Ward II's financial statements for the year ended June 30, 2004.

Marshal of City Court of Denham Springs - Ward II - The Marshal is an elected official provided by the Louisiana State Constitution. Fiscal interdependency exists between the City and the Marshal in that the City is required to provide the Marshal's office facilities, and reimburses the Marshal's office for certain other salaries and benefits. The City's government-wide financial statements discretely presents the Marshal's financial statements for the year ended June 30, 2004.

In addition to the state constitutionally defined agencies included above, the City has created a Louisiana nonprofit corporation, the Denham Springs Economic Development Corporation, to assist the City in the creation of economic development, to improve employment and to otherwise improve the economic condition of the City of Denham Springs and surrounding areas.

Denham Springs Economic Development Corporation - The nonprofit corporation is managed by up to a nine member board appointed by the City Council. The corporation expects to issue bonds in the future which will be repaid from sales tax revenues generated by developments. Collateral for the bonds is expected to be limited to the prospective development and the City of Denham Springs would have no liability for these bonds. The City would be liable for operating deficits, if any. The City's government-wide financial statements discretely presents the corporation's financial statements for the year ended June 30, 2004.

RELATED ORGANIZATIONS

City officials are also responsible for appointing members of the board of another organization. The City's accountability does not extend beyond making the appointments.

Denham Springs Housing Authority - The Denham Springs Housing Authority is a legally separate government entity formed to administer housing programs funded by the U.S. Department of Housing and Urban Development (HUD). The City governing authority appoints a majority of the Authority's members; however, there is no financial relationship between the Authority and the primary government.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

The Denham Springs Parks and Recreation District #3 of Livingston Parish is a related organization of the City, however the City officials have no responsibility for the District. The District does however include the geographic area of the City.

Denham Springs Parks and Recreation District (PARD) - PARD is a legally separate parish agency that provides parks and recreational services to the residents of Livingston Parish District #3. District #3 includes the geographic area within the City of Denham Springs.

PARD sets its own ad valorem tax, can incur debt and owns property. The City has no budget approval, management designation or commission member removal powers. PARD finances capital and operating budgets directly from the parish constituents within District #3, and has no financial benefit/burden relationship with the City of Denham Springs.

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

Denham Springs/Livingston Housing and Mortgage Finance Authority

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

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

The City reports the following major governmental fund:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary fund:

The utility enterprise fund accounts for the provision of gas, water, sewer and sanitation services to the residents of the City of Denham Springs and some residents of the parishes of Livingston and East Baton Rouge. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collections.

Additionally, the City reports the following fund types:

The capital projects fund accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

The internal service fund accounts for services provided to other departments or agencies of the City, or to other governments, on a cost reimbursement basis.

The debt service fund accounts for the accumulation of funds for the periodic payment of principal and interest on general long-term debt. There are no debt service major funds.

The permanent fund accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the City's program.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the City's utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's utility fund and of the City's internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund and internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

C. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments -

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments, with original maturities of three months or less from the date of acquisition.

State statutes authorizes the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments (certificates of deposit with original maturities greater than 90 days) are stated at cost.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

Deposit and Investment policies of the component units are similar to those of the primary government.

2. Receivables and Payables -

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. At June 30, 2004, there were no advances between funds.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable based on agings and estimated charge-off percentages comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to three percent of the current year property tax levy plus one hundred percent of any unpaid prior year tax at June 30, 2004.

Property taxes are levied in September or October each year on property values assessed as of the same date. Billed taxes become delinquent on January 1 of the following year, at which time the applicable property is subject to lien, and penalties and interest are assessed.

3. Inventories and Prepaid Items -

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

4. Restricted Assets -

Certain proceeds and resources of the City's Utility Enterprise Fund are set aside to reimburse customers their utility deposits upon discontinuance of service.

Restricted assets at June 30, 2004 are comprised of certificates of deposits with maturities greater than 90 days when purchased.

5. Capital Assets -

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15 - 20
Building Improvements	10 - 20
Public Domain Infrastructure	50
System Infrastructure	20 - 50
Equipment	3 - 10

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

6. **Compensated Absences -**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. **Long-Term Obligations -**

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

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

8. **Fund Equity -**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

9. Post-Employment Health Care Benefits -

Retiree Benefits -

In addition to the pension benefits described in Note 11, the City provides postretirement healthcare benefits to all employees who retire from the City, as per the requirements of a local ordinance. The group insurance is paid by the City and reimbursed by the retired employee. There is no associated cost to the City under this program, and there are only ten (10) participants in the program as of June 30, 2004.

COBRA Benefits -

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City provides healthcare benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premiums are paid by the City and reimbursed by the insured. This program is offered for a duration of eighteen (18) months after the termination date. There is no associated cost to the City under this program, and at June 30, 2004, there are no participants in the program.

10. Use of Estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

(2) **Stewardship, Compliance and Accountability -**

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds, except the Debt Service Fund and the Cemetery Care Permanent Fund which are not budgeted. All annual appropriations lapse at fiscal year end.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

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

1. The City Treasurer prepares a proposed budget and submits same to the Mayor and Council no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program, or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the City Council.

Activities of the General Fund and the Capital Project Fund are included in the annual appropriated budget. The City is not required to prepare and does not prepare an annual appropriated budget for its Debt Service Fund, Enterprise Fund, Internal Service Fund or Cemetery Care Permanent Fund.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. Any increase in departmental budgets must be approved by the City Council.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

Budgeted amounts are as originally adopted, or as amended from time to time by the City Council. For the fiscal year ended June 30, 2004, the City Council approved the decrease in the original expenditures and Transfers Out of the General Fund from \$7,764,235 to \$7,744,398.

The total General Fund decrease amounted to \$19,837. The General Fund budget was increased by \$28,054 for additional equipment purchases, by \$73,985 for additional legal and professional services, by \$33,800 for increased street maintenance materials and by \$22,859 for various other miscellaneous expenditures of the general fund while there was a decrease in the budget of \$4,682 for a net reduction in repairs and maintenance, \$41,428 for a net reduction in expected purchases of small tools and supplies, by \$115,265 for a net reduction in salaries and benefits in the various departments, and finally a reduction of \$17,160 for contingencies originally budgeted.

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

(3) Deposits and Investments -

The City has established a consolidated bank account with a local bank into which monies are deposited and from which all disbursements are now being made. The purpose of the consolidation account is to reduce administrative charges and provide a single cash balance available for the maximization of investment earnings. Each fund shares in the investment earnings of the consolidated account according to its average cash balance. Cash is transferred from those funds with available cash resources to cover any negative cash balances, if any, in other funds at year-end.

The City also invests all excess funds in certificates of deposits, which have maturity dates greater than 90 days when purchased, and are therefore classified as investments for financial reporting.

The discretely presented component units maintain deposit accounts and investments in certificates of deposits similar to the Primary Government.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

A. Deposits - Primary Government

City deposits (including demand deposit accounts and all certificates of deposits) at June 30, 2004, for the primary government of the City of Denham Springs are summarized as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Category 1	\$3,590,230	\$3,667,469
Category 2	-	-
Category 3	<u>1,200</u>	<u>-</u>
Total	<u>\$3,591,430</u>	<u>\$3,667,469</u>
 Balance Sheet Classification:		
Cash and Cash Equivalents	\$ 555,509	\$ 631,548
Investments (Certificates of Deposit with Maturities of Greater than 90 Days)	2,500,921	2,500,921
 Restricted Assets:		
Investments (Certificates of Deposit with Maturities of Greater than 90 Days)	<u>535,000</u>	<u>535,000</u>
	<u>\$3,591,430</u>	<u>\$3,667,469</u>

The City's bank balances at June 30, 2004, are categorized into three levels of credit risk. Category 1 includes bank balances which are insured or collateralized with securities held by the City or its agent in the City's name. Category 2 includes bank balances which are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. Category 3 includes bank balances which are uncollateralized, including any balances which are collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the City's name.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

B. Investments - Primary Government

The City is authorized by LRS 39:1211-1245 and 33:2955 to invest monies in the following:

1. United States Treasury Bonds
2. United States Treasury Notes
3. United States Treasury Bills
4. Obligations of U.S. Government Agencies, including such instruments as Federal Home Loan Bank bonds, Government National Mortgage Association bonds, or a variety of "Federal Farm Credit" bonds.
5. Fully collateralized certificates of deposit issued by qualified commercial banks and savings and loan associations located within the State of Louisiana.
6. Fully collateralized repurchase agreements.
7. Fully collateralized interest-bearing checking accounts.
8. Mutual or Trust Fund institutions which are registered with the Securities and Exchange Commission under the Security Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States Government or its agencies.

At June 30, 2004, the City has only invested its excess funds in certificates of deposit with maturities of greater than 90 days. Therefore, these investments are included in Note 3A, above.

C. Deposits - Discretely Presented Component Units

The discretely presented component units are required to invest funds within the same state statutes as the primary government. Component unit deposits (including demand deposit accounts and all certificates of deposits) at June 30, 2004, are categorized below in three levels of credit risk as explained in section (a) of this note above:

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
City Court of Denham Springs - Ward II - Demand Deposits	\$536,232	\$ -	\$ -	\$536,232	\$494,784
Certificates of Deposits with Maturities Greater than 90 Days	<u>155,000</u>	<u>-</u>	<u>-</u>	<u>155,000</u>	<u>155,000</u>
Total City Court of Denham Springs - Ward II	691,232	-	-	691,232	649,784
Marshall of City Court of Denham Springs - Ward II - Demand Deposits	97,586	-	-	97,586	75,060
Certificates of Deposits with Maturities Greater than 90 Days	<u>60,979</u>	<u>-</u>	<u>-</u>	<u>60,979</u>	<u>60,979</u>
Total Marshall of City Court of Denham Springs - Ward II	<u>158,565</u>	<u>-</u>	<u>-</u>	<u>158,565</u>	<u>136,039</u>
Total Component Units	<u><u>\$849,797</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$849,797</u></u>	<u><u>\$785,823</u></u>

Certificates of deposits with maturities greater than 90 days are classified on the Combined Balance Sheet as investments.

D. Deposits and Investments Summary

The following is a reconciliation of the carrying amount of deposits and investments to "Cash and Cash Equivalents", "Investments", and "Restricted Assets Investments" on the Government-Wide Statement of Net Assets:

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total</u>
Cash and Cash Equivalents:			
Deposits	\$ 554,309	\$353,377	\$ 907,686
Cash on Hand	<u>1,200</u>	<u>-</u>	<u>1,200</u>
Total Cash and Cash Equivalents	555,509	353,377	908,886
Investments:			
Certificates of Deposits with Maturities Greater than 90 Days	<u>2,500,921</u>	<u>215,979</u>	<u>2,716,900</u>
Total Investments	2,500,921	215,979	2,716,900
Restricted Assets - Investments:			
Certificates of Deposit with Maturities Greater than 90 Days	<u>535,000</u>	<u>-</u>	<u>535,000</u>
Total Restricted Assets-Investments	535,000	-	535,000
Fiduciary Amounts Not Included in Statement of Net Assets	<u>-</u>	<u>216,467</u>	<u>216,467</u>
Total Cash, Cash Equivalents and Investments at June 30, 2004	<u>\$3,591,430</u>	<u>\$785,823</u>	<u>\$4,377,253</u>

(4) Ad Valorem Taxes -

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the City in September or October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

CITY OF DENHAM SPRINGS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

The City's property taxes are now billed and collected by the Livingston Parish Tax Collector from information on assessed values received from the Livingston Parish Assessor's Office. The Tax Collector remits collections monthly to the City.

For the year ended June 30, 2004, taxes of 3.13 mills were levied on property with assessed valuations totaling \$53,467,960 and were dedicated to general purposes.

Total taxes levied were \$167,353. Taxes receivable at June 30, 2004, consisted of the following:

Taxes Receivable - Current Roll	\$ 3,439
Taxes Receivable - Prior Years	<u>7,239</u>
	10,678
Allowance for Uncollectible Taxes	<u>(8,912)</u>
	<u>\$ 1,766</u>

(5) Receivables -

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

	<u>Interest</u>	<u>Ad Valorem Taxes</u>	<u>Royalties</u>	<u>Franchise Taxes</u>	<u>Accounts</u>	<u>Unbilled Sales</u>	<u>Less: Allowance for Uncollectibles</u>	<u>Total - Net Receivable</u>
<u>Governmental Activities:</u>								
General Fund	\$ 5,034	\$ 10,678	\$ 8,775	\$111,762	\$ 55,350	\$ -	\$ (8,912)	\$182,687
Nonmajor Governmental Funds	4,172	-	-	-	-	-	-	4,172
Internal Service Fund	<u>189</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>189</u>
Total Governmental Activities	9,395	10,678	8,775	111,762	55,350	-	(8,912)	187,048
<u>Business Type-Activities:</u>								
Utility Fund	3,849	-	-	-	413,620	276,212	(111,000)	582,681
<u>Component Units:</u>								
City Court of Denham Springs - Ward II	1,098	-	-	-	506	-	-	1,604
Marshall of City Court of Denham Springs - Ward II	<u>145</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,038</u>	<u>-</u>	<u>-</u>	<u>4,183</u>
Total Component Units	<u>1,243</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,544</u>	<u>-</u>	<u>-</u>	<u>5,787</u>
	<u>\$14,487</u>	<u>\$10,678</u>	<u>\$ 8,775</u>	<u>\$111,762</u>	<u>\$473,514</u>	<u>\$276,212</u>	<u>\$(119,912)</u>	<u>\$775,516</u>

CITY OF DENHAM SPRINGS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

(6) Due From Other Governments -

Due from Other Governments as of June 30, 2004, consists of the following:

	Livingston Parish School Board	State of Louisiana	Livingston Parish	Federal	Other	Total
<u>Governmental Activities:</u>						
General Fund	\$675,587	\$ 15,080	\$ 28,238	\$ 308	\$ -	\$719,213
Nonmajor Governmental Funds	-	30,934	-	-	-	30,934
Total Governmental Activities	675,587	46,014	28,238	308	-	750,147
<u>Business Type-Activities:</u>						
Utility Fund	-	-	-	-	-	-
<u>Component Units:</u>						
City Court of Denham Springs - Ward II	-	-	-	-	-	-
Marshall of City Court of Denham Springs - Ward II	-	-	-	-	13,531	13,531
Total Component Units	-	-	-	-	13,531	13,531
	<u>\$675,587</u>	<u>\$ 46,014</u>	<u>\$ 28,238</u>	<u>\$ 308</u>	<u>\$ 13,531</u>	<u>\$763,678</u>

(7) Interfund Receivables, Payables - Due (To) From Primary Government/Component Units - Transfers In, Transfers Out -

a. Balances due to/from other funds at June 30, 2004 consist of the following:

Due to Capital Projects Fund from the Utility Fund for a portion of the construction of a water maintenance building to be shared with the Fire Department. Upon completion the water maintenance portion was closed into the Enterprise Fund	\$ 187,765
Due to General Fund from the Utility Fund representing net cash in excess of outstanding checks	248,659
Due to Capital Projects Fund from the Utility Fund representing net cash in excess of outstanding checks	238,908
Allocation of Motor Pool Internal Service Current Year Net Income to Business-Type Activities	(12,742)
Allocation of Motor Pool Internal Service Prior Year Net Losses to Business-Type Activities	<u>12,742</u>
	<u>\$ 675,332</u>

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

Summary of balances due from (to) other funds reported in fund financial statements and net internal balances as reported in the Statement of Net Assets:

	<u>Due From Other Funds</u>	<u>Due (To) Other Funds</u>	<u>Allocation of Motor Pool Net Income (Loss)</u>	<u>Net Internal Balances</u>
Balance Sheet - Governmental Funds	\$ 675,332	\$ -	\$ -	\$ 675,332
Statement of Net Assets - Governmental				
Activities Motor Pool Internal				
Service Fund:				
Prior Year	-	-	12,742	12,742
Current Year	<u>-</u>	<u>-</u>	<u>(12,742)</u>	<u>(12,742)</u>
	675,332	-	-	675,332
Statement of Net Assets -				
Proprietary Fund	<u>-</u>	<u>(675,332)</u>	<u>-</u>	<u>(675,332)</u>
	<u>\$ 675,332</u>	<u>\$(675,332)</u>	<u>\$ -</u>	<u>\$ -</u>

b. Receivable and payable balances at year-end between the Primary Government and Component Units were as follows:

	<u>Due (To)/From Primary Government</u>	<u>Due (To)/From Component Units</u>
<u>Primary Government:</u>		
General Fund	\$ -	\$ 4,437
<u>Component Units:</u>		
City Court of Denham Springs - Ward II	-	-
Marshall of City Court of Denham Springs - Ward II	<u>(4,437)</u>	<u>-</u>
Total	<u>\$ (4,437)</u>	<u>\$ 4,437</u>

(CONTINUED)

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

c. **Interfund Transfers at June 30, 2004 consist of the following:**

*From the General Fund to the Capital Projects Fund
to Fund Current and Future Capital Projects* **\$320,000**

Summary of transfers in and (out) reported in fund financial statements and net transfers in the Statement of Activities:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$320,000	\$(320,000)	\$ -

CITY OF DENHAM SPRINGS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004

(8) Changes in Capital Assets -

Primary government capital asset activity for the year ended June 30, 2004 was as follows:

	<u>Balance</u> <u>June 30, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2004</u>
<u>Governmental Activities:</u>				
Capital Assets not being Depreciated:				
Land	\$ 628,671	\$ -	\$ -	\$ 628,671
Construction in Progress	<u>305,018</u>	<u>213,861</u>	<u>(316,486)</u>	<u>202,393</u>
Total Capital Assets not being Depreciated	933,689	213,861	(316,486)	831,064
Capital Assets being Depreciated:				
Buildings and Improvements	3,883,441	320,221	-	4,203,662
Infrastructure	3,324,498	-	-	3,324,498
Equipment	<u>3,175,816</u>	<u>351,336</u>	<u>(33,952)</u>	<u>3,493,200</u>
Total Capital Assets being Depreciated	10,383,755	671,557	(33,952)	11,021,360
Less: Accumulated Depreciation for:				
Buildings and Improvements	1,757,586	107,124	-	1,864,710
Infrastructure	918,924	136,016	-	1,054,940
Equipment	<u>1,698,974</u>	<u>338,525</u>	<u>(31,882)</u>	<u>2,005,617</u>
Total Accumulated Depreciation	4,375,484	581,665	(31,882)	4,925,267
Total Capital Assets being Depreciated, Net	<u>6,008,271</u>	<u>89,892</u>	<u>(2,070)</u>	<u>6,096,093</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 6,941,960</u>	<u>\$ 303,753</u>	<u>\$ (318,556)</u>	<u>\$ 6,927,157</u>
<u>Business-Type Activities:</u>				
Capital Assets not being Depreciated:				
Land	\$ 159,575	\$ -	\$ -	\$ 159,575
Construction in Progress	<u>31,362</u>	<u>302,424</u>	<u>(132,921)</u>	<u>200,865</u>
Total Capital Assets not being Depreciated	190,937	302,424	(132,921)	360,440

(CONTINUED)

CITY OF DENHAM SPRINGS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

	<u>Balance</u> <u>June 30, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2004</u>
<u>Business-Type Activities (Continued):</u>				
Capital Assets being Depreciated:				
Buildings and Improvements	148,238	326,009	-	474,247
Gas System	3,329,077	80,918	-	3,409,995
Water System	6,722,406	108,706	-	6,831,112
Sewer System	14,135,761	10,137	-	14,145,898
Equipment	<u>1,378,583</u>	<u>108,434</u>	<u>(21,126)</u>	<u>1,465,891</u>
Total Capital Assets being Depreciated	25,714,065	634,204	(21,126)	26,327,143
Less: Accumulated Depreciation for:				
Building and Improvements	127,672	9,973	-	137,645
Gas System	2,280,386	61,916	-	2,342,302
Water System	3,740,650	167,316	-	3,907,966
Sewer System	3,415,323	282,715	-	3,698,038
Equipment	<u>896,591</u>	<u>136,438</u>	<u>(21,126)</u>	<u>1,011,903</u>
Total Accumulated Depreciation	<u>10,460,622</u>	<u>658,358</u>	<u>(21,126)</u>	<u>11,097,854</u>
Total Capital Assets being Depreciated, Net	<u>15,253,443</u>	<u>(24,154)</u>	<u>-</u>	<u>15,229,289</u>
Total Business-Type Activities Capital Assets, Net	<u>\$15,444,380</u>	<u>\$ 278,270</u>	<u>\$ (132,921)</u>	<u>\$15,589,729</u>

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 75,742
Public Safety	261,584
Highway and Streets	<u>240,574</u>
	577,900

Capital Assets Held by Internal Service Funds are Charged to the Various Functions Based on their Usage of the Assets

3,765

Total Depreciation Expense - Governmental Activities

\$ 581,665

Business-Type Activities:

Water	\$ 214,783
Gas	96,249
Sewer	322,612
Sanitation	<u>24,714</u>

Total Depreciation Expense - Business-Type Activities

\$ 658,358

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

Construction Commitments

The City has active construction projects as of June 30, 2004. The projects include the renovation of the "Old City Hall" building in downtown Denham Springs, the resurfacing of Rodeo Drive, and the construction of sidewalks down Hatchell Lane. Each of these projects are being funded entirely by the City of Denham Springs, except that the sidewalks project will receive a State grant for \$323,000.

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Renovation of Old City Hall	\$ 84,675	\$365,325
Residential Street Construction - Rodeo Drive	105,002	130,634
Sidewalk Construction - Phase II - Hatchell Lane	<u>12,716</u>	<u>352,716</u>
	<u>\$202,393</u>	<u>\$848,675</u>

In addition, the City is working with the State of Louisiana in an effort to ease traffic flow on State Highways through the City of Denham Springs. The project is referred to as the Range Road Corridor Project. The total cost of the project is estimated to be \$7,200,000 with the majority of the cost being reimbursed to the City from the State. These costs will not be capitalized as infrastructure costs, as the City of Denham Springs will not own these improvements. Costs incurred to date as Highways and Street expenditures amount to \$408,521.

A summary of changes in capital assets for component units is as follows:

City Court of Denham Springs - Ward II:

<u>Governmental Activities</u>	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>
Equipment:				
Copier	\$ 4,880	\$ -	\$ -	\$ 4,880
Telephone System	11,171	-	-	11,171
Furniture and Fixtures	19,118	-	-	19,953
Computer Equipment	93,720	835	-	95,205
Police Equipment	4,273	1,485	-	4,273
Leasehold Improvements	15,696	-	-	15,696
Other Equipment	<u>12,018</u>	<u>10,095</u>	<u>-</u>	<u>22,113</u>
Totals	160,876	12,415	-	173,291

(CONTINUED)

CITY OF DENHAM SPRINGS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

City Court of Denham Springs - Ward II (Continued):

<u>Governmental Activities</u>	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>
Less: Accumulated Depreciation	(129,104)	(6,383)	-	(135,487)
Capital Assets, Net	<u>\$ 31,772</u>	<u>\$ 6,032</u>	<u>\$ -</u>	<u>\$ 37,804</u>

Marshall of City Court of Denham Springs - Ward Two:

Office Equipment	\$ 23,266	\$ 572	\$ -	\$ 23,838
Furniture and Fixtures	9,377	-	-	9,377
Machinery and Equipment	33,570	2,514	-	36,084
Vehicles	54,520	17,404	-	71,924
Leasehold Improvements	<u>4,411</u>	<u>-</u>	<u>-</u>	<u>4,411</u>
Totals	125,144	20,490	-	145,634
Less: Accumulated Depreciation	<u>(75,661)</u>	<u>(14,059)</u>	<u>-</u>	<u>(89,720)</u>
Capital Assets, Net	<u>\$ 49,483</u>	<u>\$ 6,431</u>	<u>\$ -</u>	<u>\$ 55,914</u>

(9) Long-Term Liabilities -

Revenue Bonds The City issues bonds where it pledges income derived from the acquired or constructed assets to pay debt services. Revenue bonds outstanding at June 30, 2004, are as follows:

<u>Description/Purpose</u>	<u>Original Issue Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Balance June 30, 2004</u>
Business-Type Activities: 1998 Utility Revenue Refunding Bonds - Proceeds Used to Advance Refund Prior Revenue Bonds	<u>\$1,712,505</u>	<u>7.20%</u>	<u>04-01-2006</u>	<u>\$385,623</u>

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

Revenue bond debt service requirements to maturity, including interest requirements, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$225,479	\$ 27,764	\$253,243
2006	<u>160,144</u>	<u>11,530</u>	<u>171,674</u>
Total Revenue Bonds	<u>\$385,623</u>	<u>\$ 39,294</u>	<u>\$424,917</u>

The City of Denham Springs issued \$1,712,505 of 1998 Utility Revenue Refunding Bonds dated July 17, 1998. These bonds along with monies from the 1989 Sinking, Reserve, and Contingency accounts were used to advance refund the 1989 Utility Revenue Refunding Bonds. The bonds are payable solely from revenues derived from the Enterprise Fund.

The Sinking Fund, Reserve Fund, and Contingency Fund requirements of the 1989 bond were eliminated with the issuance of the 1998 bonds.

Prior Year Bond Defeasance There are no outstanding balances on any prior-year bond defeasance as of June 30, 2004.

Capital Lease Payable The City entered into a capital lease agreement on September 5, 2003, for financing the purchase of a street sweeper for the Street Department. The lease requires monthly payments of principal and interest of \$3,186 for 60 months with a final payment due September 5, 2008. The lease agreement contains a non-appropriation exculpatory clause that allows cancellation if the City Council does not make an annual appropriation for the lease payments. The capital lease payable at June 30, 2004, is as follows:

<u>Description/Purpose</u>	<u>Original Lease Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Balance June 30, 2004</u>
Governmental Activities: Capital lease to finance the purchase of a street sweeper	<u>\$174,485</u>	<u>3.65%</u>	<u>09/05/08</u>	<u>\$147,567</u>

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

Capital lease payments to maturity including interest requirements are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 30,570	\$ 4,475	\$ 35,045
2006	34,535	3,692	38,227
2007	35,816	2,415	38,231
2008	37,146	1,085	38,231
2009	<u>9,500</u>	<u>58</u>	<u>9,558</u>
Total	<u>\$147,567</u>	<u>\$11,725</u>	<u>\$159,292</u>

Changes in Long-Term Debt Long-term liability activity for the year ended June 30, 2004 is as follows:

	<u>Balance</u> <u>June 30, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2004</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Governmental Activities:					
Capital Lease	\$ -	\$174,485	\$ 26,918	\$147,567	\$ 30,570
Compensated Absences Governmental Activity	<u>304,198</u>	<u>363,609</u>	<u>334,829</u>	<u>332,978</u>	<u>83,244</u>
Long-Term Liabilities	<u>\$ 304,198</u>	<u>\$538,094</u>	<u>\$361,747</u>	<u>\$480,545</u>	<u>\$113,814</u>
Business-Type Activities:					
1998 Utility Revenue Refunding Bond	\$ 614,933	\$ -	\$229,310	\$385,623	\$225,479
Less: Deferred Amount on Refunding	<u>(30,045)</u>	<u>-</u>	<u>(11,204)</u>	<u>(18,841)</u>	<u>(11,116)</u>
Total Bonds Payable	584,888	-	218,106	366,782	214,363
Environmental Assessment Liabilities	495,050	-	382,756	112,294	77,294
Compensated Absences	<u>43,125</u>	<u>83,097</u>	<u>68,333</u>	<u>57,889</u>	<u>14,472</u>
Business-Type Activities Long-Term Liabilities	<u>\$1,123,063</u>	<u>\$ 83,097</u>	<u>\$669,195</u>	<u>\$536,965</u>	<u>\$306,129</u>

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

The internal service fund serves predominantly the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end \$1,713 of compensated absences for the internal service fund is included in the above amounts. Also, for the governmental activities, capital leases and compensated absences are generally liquidated by the General Fund.

(10) Customers' Deposits -

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

The City has a certificate of deposit which is designated specifically for Customers' Deposits. At June 30, 2004, customers' deposits amounted to \$565,862 and the balance of the certificate of deposit amounted to \$535,000 and is included as a Restricted Asset on the Statement of Net Assets.

(11) Retirement Commitments -

A. Plan Descriptions, Contribution Information, and Funding Policies

Substantially all employees of the City of Denham Springs are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana, Municipal Police Employees Retirement System of Louisiana, or Firefighters Retirement System of Louisiana. These systems are multiple employer (cost-sharing), public employee retirement systems (PERS), controlled and administered by separate boards of trustees. Pertinent information relative to each plan follows:

The following is a summary of eligibility factors, contribution methods, and benefit provisions.

	<u>Municipal Employees Retirement System of Louisiana</u>	<u>Municipal Police Employees Retirement System of Louisiana</u>	<u>Firefighters Retirement System of Louisiana</u>
Eligibility to Participate	All permanent employees working at least 35 hours per week, not covered by another pension plan, and under age 60 at date of employment and are paid	All full-time police department employees engaged in law enforcement are required to participate in the System.	Mandatory for all full-time firefighters employed by a municipality, parish, or fire protection district that did not enact an

(CONTINUED)

CITY OF DENHAM SPRINGS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

	<u>Municipal Employees Retirement System of Louisiana</u>	<u>Municipal Police Employees Retirement System of Louisiana</u>	<u>Firefighters Retirement System of Louisiana</u>
	wholly or in part from City funds; all elected municipal officials are also eligible to participate; all employees of the City are members of Plan B.		ordinance before January 1, 1980, exempting itself from participation in the System.
Authority Establishing Contribution Obligations and Benefits	State Statute	State Statute	State Statute
Plan Members' Contribution Rate (Percent of Covered Payroll)	5.00%	7.50%	8.00%
City's Contribution Rate (Percent of Covered Payroll)	7.75%	15.25%	21.0%
Period Required to Vest	10 years	12 years	12 years
Benefits and Eligibility for Distribution (Full-Time)	At or after age 60 with at least 10 years of creditable service or at or after 55 with at least 30 years of creditable service, 2% of final	25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years of creditable	20 years or more of creditable service and attained age 50 or 12 years of service and age 55 or 25 years of service at any age,

(CONTINUED)

CITY OF DENHAM SPRINGS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

	<u>Municipal Employees Retirement System of Louisiana</u>	<u>Municipal Police Employees Retirement System of Louisiana</u>	<u>Firefighters Retirement System of Louisiana</u>
	average salary multiplied by the years of creditable service; at least 10 years but less than 30 years of creditable service, may take early retirement benefits reduced 3% for each year retirement precedes age 60; in any case monthly retirement benefits can not exceed 100% of final average salary	service and is age 55, 3 1/3% of average salary multiplied by the years of creditable service not to exceed 100% of final salary; early retirement, 20 years of service regardless of age, 3 1/3% of average salary multiplied by creditable service actuarially reduced for retirement prior to age 50.	3 1/3% of average salary multiplied by the years of creditable service not to exceed 100% of final salary
Deferred Retirement Option	Yes, 30 years creditable service	Yes, 25 years of creditable service regardless of age or 20 years of creditable service and attaining the age of 50	Yes, after completing 20 years of creditable service
Provisions for: Cost of Living Adjustments (Normal Retirement)	Yes	Yes	Yes
Death (Duty, Non-Duty, Post Retirement)	Yes	Yes	Yes
Disability (Duty, Non-Duty)	Yes	Yes	Yes
Cost of Living Allowances	Yes	Yes	Yes

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

B. Trend Information -

Contributions required by State statute:

Fiscal Year	Municipal Employees Retirement System of Louisiana		Municipal Police Employees Retirement System of Louisiana		Firefighters Retirement System of Louisiana	
	Required Contribution	Percentage Contributed	Required Contribution	Percentage Contributed	Required Contribution	Percentage Contributed
1997	\$122,975	95%	\$121,390	100%	\$ 92,223	100%
1998	\$121,610	94%	\$130,803	100%	\$ 95,453	100%
1999	\$147,921	100%	\$143,895	100%	\$ 98,786	100%
2000	\$166,991	100%	\$163,093	100%	\$100,037	100%
2001	\$177,412	100%	\$176,186	100%	\$101,219	100%
2002	\$184,844	100%	\$177,673	100%	\$122,030	100%
2003	\$235,415	100%	\$182,630	100%	\$128,281	100%
2004	\$299,519	100%	\$275,777	100%	\$235,124	59%

During the current fiscal year, the Firefighters Retirement System of Louisiana increased the employer required contribution rate from 9% to 21%. A lawsuit was filed by the Louisiana Municipal Association seeking protection for the Louisiana municipalities from the increase. The Louisiana Municipal Association won its lawsuit in Louisiana District Court but the Firefighters Retirement System of Louisiana has appealed to the Louisiana Supreme Court. Because of the lawsuit, the City has chosen not to pay the substantial increase in the employer contribution rate but has continued paying the previous employer contribution rate of 9%. In addition, since the City cannot determine the outcome of the lawsuit, management has accrued the additional 11% employer contribution rate for the fiscal year ended June 30, 2004 in these financial statements.

Trend information showing the progress of the Systems in accumulating sufficient assets to pay benefits when due is presented in their annual financial reports. Copies of these reports may be obtained from the respective State retirement systems.

(12) Deferred Compensation Plan -

The City offers its employees a deferred compensation plan created in accordance with Louisiana Revised Statutes 42:1301 through 42:1308 and Section 457 of the Internal Revenue Code of 1954. The Louisiana Public Employees' Deferred Compensation Plan is available to all employees and permits them to defer a portion of their salary until future years. The deferred compensation is not

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

available to employees until termination, retirement, death or unforeseeable emergency. In accordance with the amended provisions of Internal Revenue Code Section 457 which were enacted into law in August 1996, all amounts deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights, are solely the property and rights of the participants and their beneficiaries. As required by the amendment to the code, the City established a custodial account with a third party administrator who will hold the assets and income of the plan.

Under GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans", governments who have no responsibility for the plan and are not formally considered the plan's trustee are not required to report the plan in its financial statements. Since the City's plan is held in a custodial account with a third party administrator, the assets and liabilities are not presented in the City's financial statements as of June 30, 2004.

Assets totaling \$243,280 are held by Great West Life & Annuity Insurance Company, a deferred compensation center.

Compensation deferred under this plan for the fiscal year ended June 30, 2004, amounted to \$53,960.

(13) Litigation -

The City is a defendant in several lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City of Denham Springs.

(14) Intergovernmental Revenue -

GASB No. 24 requires government employers to disclose the amount recognized in the financial statements for on-behalf payments of salaries and fringe benefits.

Supplementary salary payments are made by the State of Louisiana directly to certain groups of the City's employees. The City is not legally responsible for these salaries. Therefore, the basis for recognizing the revenue and expenditure payments is the actual contribution made by the State. For the fiscal year ended June 30, 2004, the State paid supplemental salaries to the City's fire and law enforcement employees in the amount of \$187,780.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

(15) Risk Management -

The City is exposed to various risks of loss related to torts theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City maintains commercial insurance for all risks of loss, including (1) Worker's Compensation, (2) Public Official Bonds and Employees Liability, (3) Business Auto Liability, (4) Umbrella coverage, (5) Law Enforcement Professional Liability, (6) Fire and Extended coverage and (7) Flood Insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(16) Mayor and Council Members' Compensation -

The following list includes the compensation paid to the Mayor and Council Members for the year ended June 30, 2004. The current terms of the Mayor and Council Members expire on December 31, 2006.

James E. Durbin, Mayor 417 Centerville Street Denham Springs, Louisiana 70726 Telephone: 665-8121 Term Began: January 1, 2003	\$ 55,199
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Lori Lamm-Williams, Council Member 717 Poplar Street Denham Springs, Louisiana 70726 Telephone: 665-4462 Term Began: January 1, 2003	\$ 9,600
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George Meadors, Council Member 135 N. College Denham Springs, Louisiana 70726 Telephone: 665-4889 Term Began: January 1, 2003	\$ 9,800
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Arthur Perkins, Council Member 906 Hatchell Lane Denham Springs, Louisiana 70726 Telephone: 664-6730 Term Began: January 1, 2003	\$ 9,800
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CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

Robert Poole, Council Member	\$ 9,800
1403 Weeping Willows Drive	
Denham Springs, Louisiana 70726	
Telephone: 665-4464	
Term Began: January 1, 2003	
John Wascom, Council Member	\$ 9,200
522 Centerville Street	
Denham Springs, Louisiana 70726	
Telephone: 665-7037	
Term Began: January 1, 2003	

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

**(17) Schedule of Utility Enterprise Fund Net Income (Loss) from Operations
by Department for the Fiscal Year Ended June 30, 2004 -**

	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Total</u>
	<u>Department</u>	<u>Department</u>	<u>Department</u>	<u>Department</u>	<u>Utility</u>
					<u>Enterprise</u>
					<u>Fund</u>
Operating Revenues:					
Charges for Services	\$2,851,869	\$1,035,592	\$ 565,891	\$ 553,051	\$ 5,006,403
Delinquent Charges	40,139	14,575	7,965	7,784	70,463
Miscellaneous	-	39,253	120	-	39,373
Total Operating Revenues	2,892,008	1,089,420	573,976	560,835	5,116,239
Operating Expenses:					
Direct	2,564,636	796,948	1,109,681	541,514	5,012,779
General and Administrative	339,192	319,753	296,426	62,334	1,017,705
Total Operating Expenses	2,903,828	1,116,701	1,406,107	603,848	6,030,484
Operating Income (Loss) by					
Department	(11,820)	(27,281)	(832,131)	(43,013)	(914,245)
Nonoperating Revenues	-	-	-	-	33,140
Nonoperating Expenses	-	-	(51,533)	-	(51,533)
Capital Contributions	-	63,954	115,553	-	179,507
Change in Net Assets					(753,131)
Allocation of Motor Pool Internal Service Net Income	3,602	4,980	4,160	-	12,742
Business-Type Activities					
Departmental Net Income (Loss)	\$ (8,218)	\$ 41,653	\$ (763,951)	\$ (43,013)	
Change in Net Assets					
Business-Type Activities					\$ (740,389)

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

**(18) Schedule of Utility Fund Operating Expenses by Department
for the Fiscal Year Ended June 30, 2004 -**

	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Total</u>
	<u>Department</u>	<u>Department</u>	<u>Department</u>	<u>Department</u>	<u>Utility</u>
					<u>Enterprise</u>
					<u>Fund</u>
Direct Expenses:					
Natural Gas Purchases	\$ 1,664,323	\$ -	\$ -	\$ -	\$ 1,664,323
Direct Labor	463,569	294,488	304,019	-	1,062,076
Chlorinator Expense	-	15,245	-	-	15,245
Depreciation	103,202	221,736	329,565	3,855	658,358
Electricity	13,998	105,516	152,637	-	272,151
Equipment Expenses	106,981	66,892	56,725	-	230,598
Equipment Rental	15,070	3,285	7,939	-	26,294
Lab Fees	-	-	17,739	-	17,739
Maintenance	98,204	20,284	233,458	-	351,946
Meter Reading	45,058	62,223	-	-	107,281
Meter Repairs	39,261	-	-	-	39,261
Small Tools and Supplies	14,970	7,279	7,599	15	29,863
Subcontract Disposal Service	-	-	-	537,644	537,644
	<u>2,564,636</u>	<u>796,948</u>	<u>1,109,681</u>	<u>541,514</u>	<u>5,012,779</u>
General and Administrative Expenses:					
Office Salaries	52,020	71,918	60,449	37,445	221,832
Payroll Taxes, Retirement and Group Insurance	127,381	98,813	91,639	9,195	327,028
Electricity	3,090	4,271	3,590	2,224	13,175
Ground Maintenance	588	4,122	415	-	5,125
Insurance	40,780	32,317	35,256	801	109,154
Miscellaneous	39,650	24,629	23,402	2,649	90,330
Office Expense	28,816	21,598	23,636	3,771	77,821
Professional Fees	22,463	45,371	40,991	2,915	111,740
Telephone	20,652	11,527	12,688	633	45,500
Bad Debts	3,752	5,187	4,360	2,701	16,000
	<u>339,192</u>	<u>319,753</u>	<u>296,426</u>	<u>62,334</u>	<u>1,017,705</u>
Total Operating Expenses	<u><u>\$ 2,903,828</u></u>	<u><u>\$ 1,116,701</u></u>	<u><u>\$ 1,406,107</u></u>	<u><u>\$ 603,848</u></u>	<u><u>\$ 6,030,484</u></u>

CITY OF DENHAM SPRINGS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2004

**(19) Schedule of Utility Enterprise Fund Operating Expenses by
Function for the Fiscal Year Ended June 30, 2004 -**

Personal Services and Benefits:	
Direct Labor	\$ 1,062,076
Office Salaries	221,832
Payroll Taxes, Retirement and Group Insurance	<u>327,028</u>
	1,610,936
Contractual Services:	
Chlorinator Expense	15,245
Equipment Rental	26,294
Lab Fees	17,739
Meter Reading	107,281
Subcontract Disposal Service	537,644
Professional Fees	<u>111,740</u>
	815,943
Cost of Materials:	
Natural Gas Purchases	1,664,323
Utilities:	
Electricity (Direct)	272,151
Electricity (General)	13,175
Telephone	<u>45,500</u>
	330,826
Repair and Maintenance:	
Equipment Expenses	230,598
Maintenance	351,946
Meter Repairs	39,261
Ground Maintenance	<u>5,125</u>
	626,930
Supplies:	
Small Tools and Supplies	29,863
Office Expense	77,821
Miscellaneous	<u>90,330</u>
	198,014
Insurance	109,154
Depreciation	658,358
Bad Debts	<u>16,000</u>
Total Operating Expenses	<u><u>\$ 6,030,484</u></u>

NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUND

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Capital Projects Fund - This fund is used to account for the costs of major repairs and construction of City streets, for the costs of improving major drainage arteries throughout the City, and for the construction costs and/or major renovation costs to various City buildings.

DEBT SERVICE FUND

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

1994 Paving Certificates Debt Service Fund - This fund is used to account for the collection of a special assessment on the property owners of the Lakeland Acres Subdivision. The proceeds of such collections to be used to make annual payments on the 1994 Paving Certificates of Indebtedness incurred for the benefit of the property owners of the Lakeland Acres Subdivision.

PERMANENT FUND

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the City's programs.

Cemetery Care Permanent Fund - This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the City's cemetery.

CITY OF DENHAM SPRINGS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2004

	Capital Projects Fund	1994 Paving Certificates Debt Service Fund	Cemetery Care Permanent Fund	Nonmajor Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 179,710	\$ 3,097	\$ 96,792	\$ 279,599
Investments, at Cost	200,000	-	410,000	610,000
Receivables (Net of Allowance for Uncollectibles):				
Other	2,123	15	2,034	4,172
Due from Other Funds	426,673	-	-	426,673
Due from Other Governments	30,934	-	-	30,934
Total Assets	\$ 839,440	\$ 3,112	\$ 508,826	\$ 1,351,378
LIABILITIES AND FUND BALANCES				
Accounts Payable	\$ 63,298	\$ -	\$ -	\$ 63,298
Retainages Payable	6,812	-	-	6,812
Total Liabilities	70,110	-	-	70,110
Fund Balance:				
Reserved for Cemetery Expenditures	-	-	508,826	508,826
Unreserved:				
Undesignated	769,330	3,112	-	772,442
Total Fund Balances	769,330	3,112	508,826	1,281,268
Total Liabilities and Fund Balances	\$ 839,440	\$ 3,112	\$ 508,826	\$ 1,351,378

The accompanying notes constitute an integral part of this statement.

CITY OF DENHAM SPRINGS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2004

	Capital Projects Fund	1994 Paving Certificates Debt Service Fund	Cemetery Care Permanent Fund	Nonmajor Governmental Funds
Revenues:				
Special Assessments	\$ -	\$ 389	\$ -	\$ 389
Interest	7,688	89	7,559	15,336
Miscellaneous	-	-	4,875	4,875
Total Revenues	<u>7,688</u>	<u>478</u>	<u>12,434</u>	<u>20,600</u>
Expenditures:				
Current:				
General Government	-	30	-	30
Capital Outlay:				
Public Safety	113,258	-	-	113,258
Highways and Streets	123,627	-	-	123,627
Total Expenditures	<u>236,885</u>	<u>30</u>	<u>-</u>	<u>236,915</u>
Excess (Deficiency) of Revenues over Expenditures	(229,197)	448	12,434	(216,315)
Other Financing Sources:				
Transfers In	<u>320,000</u>	-	-	<u>320,000</u>
Net Change in Fund Balances	90,803	448	12,434	103,685
Fund Balances at Beginning of Year	<u>678,527</u>	<u>2,664</u>	<u>496,392</u>	<u>1,177,583</u>
Fund Balance	<u>\$ 769,330</u>	<u>\$ 3,112</u>	<u>\$ 508,826</u>	<u>\$ 1,281,268</u>

The accompanying notes constitute an integral part of this statement.

**CITY OF DENHAM SPRINGS
GENERAL FUND**

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

FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes:				
Ad Valorem Taxes	\$ 160,000	\$ 164,000	\$ 169,727	\$ 5,727
Alcoholic Beverage Tax	25,000	23,000	23,558	558
Chain Store Tax	16,800	17,700	17,733	33
Electrical Franchise Taxes	445,000	555,500	534,142	(21,358)
Sales Taxes	4,500,000	4,800,000	4,837,302	37,302
Cable TV Franchise Tax	120,000	126,864	126,864	-
Wrecker Franchise Tax	1,750	2,055	2,055	-
	<u>5,268,550</u>	<u>5,689,119</u>	<u>5,711,381</u>	<u>22,262</u>
Licenses and Permits:				
Occupational Licenses	550,000	550,000	636,708	86,708
Other Permits and Licenses	84,300	81,130	81,492	362
	<u>634,300</u>	<u>631,130</u>	<u>718,200</u>	<u>87,070</u>
Fines and Forfeits:				
Ward II Court	256,000	278,450	308,716	30,266
911 Service Fees	200,000	-	-	-

(CONTINUED)

**CITY OF DENHAM SPRINGS
GENERAL FUND**

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

FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Miscellaneous:				
Dog Licenses and Fees	11,000	17,500	16,873	(627)
Fire Insurance Commissions	22,720	22,720	27,238	4,518
Insurance Premium Rebate	-	16,079	50,497	34,418
Interest Income	28,000	18,000	20,969	2,969
Royalties	30,000	40,900	44,875	3,975
Miscellaneous	59,800	104,535	111,504	6,969
Law Enforcement Grants	84,201	115,002	115,055	53
Fire Department Grants	-	1,000	732	(268)
Other Grant Revenue	10,000	-	-	-
Road Maintenance Fees	13,360	13,360	13,364	4
Intergovernmental Revenue	194,400	189,090	187,780	(1,310)
Rent Income	310	310	325	15
	<u>453,791</u>	<u>538,496</u>	<u>589,212</u>	<u>50,716</u>
Total Revenues	<u>6,812,641</u>	<u>7,137,195</u>	<u>7,327,509</u>	<u>190,314</u>

(CONTINUED)

**CITY OF DENHAM SPRINGS
GENERAL FUND**

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

FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
General Government:				
General Provisions:				
Salaries	314,015	314,015	333,101	(19,086)
Aldermen's Per Diem	40,000	49,800	48,200	1,600
Payroll Taxes, Retirement, and Group Insurance	93,743	91,353	103,489	(12,136)
Chamber of Commerce	10,000	10,000	10,000	-
Contingency	125,000	107,840	15,000	92,840
Electricity	20,000	18,000	16,471	1,529
Equipment Purchased	8,440	27,757	30,660	(2,903)
Insurance	20,622	48,324	34,379	13,945
Legal and Professional	112,500	112,360	123,166	(10,806)
Membership Fees and Educational Training	20,000	25,000	27,838	(2,838)
Miscellaneous	38,499	46,259	48,000	(1,741)
Printing, Postage and Office Supplies	48,500	46,500	49,347	(2,847)
Rental Equipment	8,000	8,000	7,397	603
Repairs and Maintenance	77,125	72,973	50,903	22,070
Small Tools and Supplies	8,000	17,000	9,668	7,332
Telephone	34,500	36,500	37,417	(917)
Travel	7,500	18,100	18,107	(7)
Total General Provisions	<u>986,444</u>	<u>1,049,781</u>	<u>963,143</u>	<u>86,638</u>
Cemetery:				
Salaries	54,891	63,855	67,489	(3,634)
Payroll Taxes, Retirement, and Group Insurance	17,724	16,341	16,514	(173)
Legal and Professional	1,000	500	516	(16)
Repairs and Maintenance	10,600	4,600	3,563	1,037
Insurance	6,096	5,500	5,956	(456)

(CONTINUED)

**CITY OF DENHAM SPRINGS
GENERAL FUND**

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

FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
General Government (Continued):				
Cemetery (Continued):				
Miscellaneous	3,210	2,060	2,871	(811)
Small Tools	1,500	1,000	454	546
Total Cemetery	95,021	93,856	97,363	(3,507)
Tax:				
Salaries	47,558	47,558	44,208	3,350
Payroll Taxes, Retirement, and Group Insurance	12,089	9,182	7,683	1,499
Collection Fee	70,000	78,000	77,790	210
Equipment Expense	1,500	1,500	750	750
Insurance	1,240	3,250	1,461	1,789
Legal and Professional	1,350	1,000	2,251	(1,251)
Miscellaneous	2,400	1,400	403	997
Printing, Postage and and Office Supplies	6,500	5,000	3,738	1,262
Small Tools and Supplies	1,000	1,000	-	1,000
Tax Roll	5,000	5,000	4,915	85
Total Tax	148,637	152,890	143,199	9,691
Ward Court:				
Salaries	51,000	51,750	51,550	200
Payroll Taxes, Retirement, and Group Insurance	15,539	14,126	16,782	(2,656)
Building Maintenance	7,000	4,000	2,451	1,549
Additional Court Costs	9,000	14,800	234	14,566
Insurance	2,637	6,000	51	5,949
Total Ward Court	85,176	90,676	71,068	19,608

(CONTINUED)

CITY OF DENHAM SPRINGS
GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual	Variance With Final Budget - Favorable (Unfavorable)
	Original	Final		
General Government (Continued):				
Planning and Zoning:				
Salaries	98,468	102,246	102,763	(517)
Payroll Taxes, Retirement, and Group Insurance	24,921	26,427	26,925	(498)
Equipment Purchased	-	-	4,100	(4,100)
Insurance	11,173	11,173	5,624	5,549
Legal and Professional	10,500	25,600	29,282	(3,682)
Miscellaneous	8,550	5,750	5,346	404
Demolition Expense	10,000	10,000	14,474	(4,474)
Printing, Postage and Office Supplies	7,500	6,000	4,747	1,253
Small Tools and Supplies	1,500	500	264	236
Vehicle Expense	5,000	1,700	1,582	118
Total Planning and Zoning	177,612	189,396	195,107	(5,711)
Landscaping:				
Salaries	66,247	66,247	55,870	10,377
Payroll Taxes, Retirement, and Group Insurance	23,885	19,918	18,910	1,008
Vehicle Expense	3,000	1,800	2,543	(743)
Repairs and Maintenance	12,000	19,500	18,480	1,020
Small Tools and Supplies	5,500	1,072	1,009	63
Equipment Purchased	2,500	2,895	2,895	-
Telephone	750	800	800	-
Rental Equipment	2,000	2,600	2,170	430

(CONTINUED)

CITY OF DENHAM SPRINGS
GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual	Variance With Final Budget - Favorable (Unfavorable)
	Original	Final		
General Government (Continued):				
Landscaping (Continued):				
Miscellaneous	2,000	1,800	1,316	484
Legal and Professional	500	750	810	(60)
Insurance	6,000	7,000	6,152	848
Total Landscaping	124,382	124,382	110,955	13,427
Total General Government	1,617,272	1,700,981	1,580,835	120,146
Public Safety:				
Animal Control:				
Salaries	55,477	67,710	67,668	42
Payroll Taxes, Retirement, and Group Insurance	8,347	17,370	16,678	692
Electricity	4,000	4,800	5,080	(280)
Animal Care Expense	5,400	14,500	10,780	3,720
Building Improvements	-	-	2,530	(2,530)
Equipment Purchase	-	8,342	12,574	(4,232)
Equipment Expense	3,100	2,110	3,714	(1,604)
Insurance	3,559	3,400	3,458	(58)
Miscellaneous	9,800	12,950	12,042	908
Small Tools and Supplies	5,400	2,500	2,323	177
Total Animal Control	95,083	133,682	136,847	(3,165)
Fire:				
Salaries	935,137	971,142	963,905	7,237
Payroll Taxes, Retirement, and Group Insurance	419,918	352,083	352,478	(395)
Electricity	7,500	8,500	9,573	(1,073)
Legal and Professional	6,000	46,000	50,336	(4,336)
Equipment Purchased	-	-	11,087	(11,087)
Equipment Expense	23,000	27,000	32,810	(5,810)

(CONTINUED)

**CITY OF DENHAM SPRINGS
GENERAL FUND**

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

FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Public Safety (Continued):				
Fire (Continued):				
Insurance	81,500	123,500	106,624	16,876
Membership Fees and Educational Training	12,500	11,500	7,548	3,952
Miscellaneous	5,220	3,895	3,129	766
Printing, Postage and Office Supplies	1,600	1,600	1,970	(370)
Repairs and Maintenance	13,100	8,100	7,690	410
Small Tools and Supplies	43,900	18,200	12,568	5,632
Telephone	6,000	8,200	8,207	(7)
Uniforms	7,500	7,500	4,972	2,528
Total Fire	1,562,875	1,587,220	1,572,897	14,323
Police:				
Salaries	1,666,139	1,628,905	1,638,204	(9,299)
Payroll Taxes, Retirement, and Group Insurance	576,813	524,185	505,173	19,012
Electricity	25,000	25,000	26,664	(1,664)
Equipment Purchased	73,400	73,400	107,767	(34,367)
Equipment Expense	119,000	125,750	116,126	9,624
Equipment Rental	4,500	4,700	4,635	65
Insurance	141,512	103,000	115,933	(12,933)
Jail Expense	1,000	200	58	142
Membership Fees and Educational Training	23,000	18,000	15,092	2,908
Miscellaneous	24,150	21,900	17,120	4,780
Printing, Postage and Office Supplies	16,800	14,800	12,764	2,036
Professional Fees	7,500	15,000	22,816	(7,816)

(CONTINUED)

**CITY OF DENHAM SPRINGS
GENERAL FUND**

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Public Safety (Continued):				
Police (Continued):				
Repairs and Maintenance	31,500	37,470	35,175	2,295
Small Tools and Supplies	67,000	69,000	23,569	45,431
Telephone	28,328	32,600	34,451	(1,851)
Uniforms	24,000	24,000	18,274	5,726
Total Police	<u>2,829,642</u>	<u>2,717,910</u>	<u>2,693,821</u>	<u>24,089</u>
Litter Control:				
Salaries	27,520	28,581	28,319	262
Payroll Taxes, Retirement, and Group Insurance	9,041	8,470	8,768	(298)
Insurance	2,000	2,619	2,755	(136)
Legal and Professional	1,000	1,075	1,348	(273)
Miscellaneous	300	300	340	(40)
Equipment Expense	5,000	4,350	4,120	230
Small Tools and Supplies	1,000	100	12	88
Telephone	750	750	561	189
Total Litter Control	<u>46,611</u>	<u>46,245</u>	<u>46,223</u>	<u>22</u>
Total Public Safety	<u>4,534,211</u>	<u>4,485,057</u>	<u>4,449,788</u>	<u>35,269</u>
Highway and Streets:				
Streets:				
Salaries	441,354	435,354	418,699	16,655
Payroll Taxes, Retirement, and Group Insurance	136,548	126,898	127,091	(193)
Electricity	3,000	4,500	4,432	68
Equipment Purchased	-	-	174,485 *	(174,485)

*Caused by issuance of capital lease.

(CONTINUED)

**CITY OF DENHAM SPRINGS
GENERAL FUND**

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

FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual	Variance With Final Budget - Favorable (Unfavorable)
	Original	Final		
Highway and Streets (Continued):				
Streets (Continued):				
Equipment Expense	99,875	90,300	95,695	(5,395)
Equipment Rental	10,000	10,000	10,351	(351)
Insurance	69,108	56,000	67,585	(11,585)
Uniforms	10,000	7,000	5,640	1,360
Legal and Professional	2,200	15,000	9,463	5,537
Streets Maintenance and Materials	116,500	150,300	84,048	66,252
Membership Fees and Educational Training	500	500	-	500
Miscellaneous	14,750	14,750	10,098	4,652
Small Tools and Supplies	22,000	5,000	2,830	2,170
Telephone	4,600	4,800	4,907	(107)
Total Streets	930,435	920,402	1,015,324	(94,922)
Lighting:				
Electricity	107,000	107,000	101,403	5,597
Total Lighting	107,000	107,000	101,403	5,597
Total Highways and Streets	1,037,435	1,027,402	1,116,727	(89,325)
Health:				
Council on Aging	18,500	18,450	20,925	(2,475)
Denham Spring Housing Authority	5,101	2,402	2,402	-
Pest Control	23,800	23,200	11,125	12,075
Other	2,500	2,500	-	2,500
Youth and Family Counseling	12,000	12,325	13,389	(1,064)
Total Health	61,901	58,877	47,841	11,036

(CONTINUED)

**CITY OF DENHAM SPRINGS
GENERAL FUND**

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

FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Culture and Recreation:				
Salaries	25,750	16,911	15,853	1,058
Payroll Taxes, Retirement, and Group Insurance	8,809	5,241	5,436	(195)
Committee Expenses	5,000	5,000	852	4,148
Equipment Rental	1,200	-	-	-
Insurance	1,157	600	517	83
Membership Fees and Educational Training	4,900	686	1,051	(365)
Printing, Postage and Office Supplies	3,050	1,895	1,734	161
Repairs and Maintenance	-	-	160	(160)
Telephone	1,800	1,418	1,714	(296)
Travel	1,250	1,470	1,469	1
	<u>52,916</u>	<u>33,221</u>	<u>28,786</u>	<u>4,435</u>
Debt Service				
Principal Retirement	48,000	31,860	26,918	4,942
Interest	-	-	4,941	(4,941)
	<u>48,000</u>	<u>31,860</u>	<u>31,859</u>	<u>1</u>
Payments to Component Units	<u>92,500</u>	<u>87,000</u>	<u>97,198</u>	<u>(10,198)</u>
Total Expenditures	<u>7,444,235</u>	<u>7,424,398</u>	<u>7,353,034</u>	<u>71,364</u>

(CONTINUED)

**CITY OF DENHAM SPRINGS
GENERAL FUND**

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

FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Excess (Deficiency) of Revenues Over Expenditures	(631,594)	(287,203)	(25,525)	261,678
Other Financing Sources (Uses):				
Transfers Out	(320,000)	(320,000)	(320,000)	-
Proceeds From Issuance of Debt	-	-	174,485	174,485
Sale of Assets	10,000	2,525	2,526	1
Net Change in Fund Balances	(941,594)	(604,678)	(168,514)	436,164
Fund Balance at Beginning of Year	2,144,650	2,144,650	2,144,650	-
Fund Balance at End of Year	<u>\$ 1,203,056</u>	<u>\$ 1,539,972</u>	<u>\$ 1,976,136</u>	<u>\$ 436,164</u>

The accompanying notes constitute an integral part of this statement.

**CITY OF DENHAM SPRINGS
CAPITAL PROJECTS FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest	\$ 8,000	\$ 6,400	\$ 7,688	\$ 1,288
State Grants	1,513,558	250,000	-	(250,000)
Total Revenues	1,521,558	256,400	7,688	(248,712)
Expenditures:				
Construction Costs and Related Expenditures	2,538,102	977,289	236,885	740,404
Total Expenditures	2,538,102	977,289	236,885	740,404
Excess (Deficiency) of Revenues Over Expenditures	(1,016,544)	(720,889)	(229,197)	491,692
Other Financing Sources:				
Transfers In	495,000	320,000	320,000	-
Net Change in Fund Balances	(521,544)	(400,889)	90,803	491,692
Fund Balance at Beginning of Year	678,527	678,527	678,527	-
Fund Balance at End of Year	\$ 156,983	\$ 277,638	\$ 769,330	\$ 491,692

The accompanying notes constitute an integral part of this statement.

CITY OF DENHAM SPRINGS

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS'
SCHEDULE BY SOURCE

JUNE 30, 2004

Governmental Funds Capital Assets:

Land	\$ 628,671
Land Improvements	38,565
Buildings	4,083,944
Equipment	3,426,323
Infrastructure	3,324,498
Construction in Progress	202,393
	<hr/>
Total General Fixed Assets	\$ 11,704,394
	<hr/> <hr/>

Investments in Governmental Funds Capital Assets by Source:

General Fund Revenues	\$ 3,966,942
Federal Revenues and Federal Grants	350,147
Donated Infrastructure	620,558
Capital Improvement Funds:	
City's Share of Cost:	
General Fund	4,138,589
Federal Revenue Sharing	201,482
Federal Grants	614,577
State Grants	1,812,099
	<hr/>
Total Investment in General Fixed Assets	\$ 11,704,394
	<hr/> <hr/>

'This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund is excluded from the above amounts. The capital assets of the internal service fund is included as governmental activities in the statement of net assets.

The accompanying notes constitute an integral part of this statement.

CITY OF DENHAM SPRINGS

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY¹

JUNE 30, 2004

Function and Activity:	<u>Land</u>	<u>Improvements Other Than Buildings</u>	<u>Buildings</u>
General Government:			
General Government Buildings	\$ 415,439	\$ 13,950	\$ 1,578,500
Administration	-	-	-
Cemetery	2,000	11,002	10,313
Tax	-	-	-
Planning and Development	-	-	-
Public Service Workers	-	-	10,647
Landscape	-	-	-
Total General Government	417,439	24,952	1,599,460
Public Safety:			
Animal Control	1,500	4,660	84,133
Fire	8,250	-	548,842
Police	201,482	8,953	1,475,445
Litter Control	-	-	-
Total Public Safety	211,232	13,613	2,108,420
Highways and Streets:			
Streets	-	-	5,174
Health:			
Council on Aging	-	-	370,890
Total Governmental Funds Capital Assets Allocated to Functions	<u>\$ 628,671</u>	<u>\$ 38,565</u>	<u>\$ 4,083,944</u>

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund is excluded from the above amounts. The capital assets of the internal service fund is included as governmental activities in the statement of net assets.

The accompanying notes constitute an integral part of this statement.

<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Total</u>
\$ -	\$ -	\$ 2,007,889
193,751	-	193,751
29,322	-	52,637
2,199	-	2,199
24,409	-	24,409
-	-	10,647
21,114	-	21,114
270,795	-	2,312,646
35,935	-	126,228
814,745	-	1,371,837
1,163,127	-	2,849,007
24,330	-	24,330
2,038,137	-	4,371,402
1,117,391	3,324,498	4,447,063
-	-	370,890
<u>\$ 3,426,323</u>	<u>\$ 3,324,498</u>	11,502,001
Construction in Progress		202,393
		<u>\$ 11,704,394</u>

CITY OF DENHAM SPRINGS

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY¹

FOR THE YEAR ENDED JUNE 30, 2004

Function and Activity:	Governmental	Transfers	Additions	Deductions	Governmental
	Funds Capital Assets 7/1/03				Funds Capital Assets 6/30/04
General Government:					
General Government Buildings	\$ 2,007,889	\$ -	\$ -	\$ -	\$ 2,007,889
Administration	163,092	-	30,659	-	193,751
Cemetery	52,637	-	-	-	52,637
Tax	2,199	-	-	-	2,199
Planning and Development	20,308	-	4,101	-	24,409
Public Service Workers	23,900	-	-	13,253	10,647
Landscape	18,219	-	2,895	-	21,114
Total General Government	2,288,244	-	37,655	13,253	2,312,646
Public Safety:					
Animal Control	111,124	-	15,104	-	126,228
Fire	1,044,334	-	327,503	-	1,371,837
Police	2,761,939	-	107,767	20,699	2,849,007
Litter Control	24,330	-	-	-	24,330
Total Public Safety	3,941,727	-	450,374	20,699	4,371,402
Highways and Streets:					
Streets	4,272,578	-	174,485	-	4,447,063
Health:					
Council on Aging	370,890	-	-	-	370,890
Construction in Progress	305,018	-	213,861	316,486	202,393
Total Governmental Funds Capital Assets	\$ 11,178,457	\$ -	\$ 876,375	\$ 350,438	\$ 11,704,394

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund is excluded from the above amounts. The capital assets of the internal service fund is included as governmental activities in the statement of net assets.

The accompanying notes constitute an integral part of this statement.

SUPPLEMENTARY SCHEDULE

CITY OF DENHAM SPRINGS
SCHEDULE OF INSURANCE COVERAGE IN FORCE

JUNE 30, 2004

<u>Insurance</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration Date</u>
CNA Surety	Public Official Bonds		
	Mayor; James Durbin	\$ 50,000	1/01/05
	Council Members:		
	Arthur Perkins	\$ 10,000	1/12/05
	George Meadors	\$ 10,000	1/01/05
	Robert Poole	\$ 10,000	1/01/05
	John B. Wascom	\$ 10,000	1/01/05
	Lori Lamm-Williams	\$ 10,000	1/01/05
	Public Employees Blanket Bond:		
	City Treasurer:		
Clarence Speed	\$ 50,000	12/11/04	
City Clerk:			
Joan LeBlanc	\$ 50,000	2/06/05	
Travelers Insurance Company	Property and Casualty		
	<u>Coverage -</u>		
	90% Co-Insurance:		
	Municipal Building	\$ 1,672,000	
	Contents	\$ 474,000	7/01/04
	<u>941 Government Street</u>		
	Steel Water Tank and Tower	\$ 258,000	7/01/04
	<u>110 Brignac Street</u>		
	Council on Aging Buildings	\$ 453,000	7/01/04
	<u>949 Government Street</u>		
Fire Station Building	\$ 219,000		
Contents	\$ 11,000	7/01/04	
<u>1100 Hatchell Lane</u>			
Fire Station/Water Dept	\$ 630,000		
Office Building	\$ 15,000	7/01/04	
Contents			
<u>27135 La. Hwy. 16</u>			

(CONTINUED)

CITY OF DENHAM SPRINGS

SCHEDULE OF INSURANCE COVERAGE IN FORCE (CONTINUED)

JUNE 30, 2004

<u>Insurance</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration Date</u>
	Police Station and Jail Facility	\$1,390,000	
	Contents	\$ 155,000	7/01/04
	<u>447 Lamm Street</u>		
	Fire Station Building	\$ 279,000	
	Contents	\$ 13,000	7/01/04
	<u>930 Government Street</u>		
	Office Trailer Building	\$ 6,000	
	Contents	\$ 1,000	7/01/04
	<u>9150 Forest Delatte Road</u>		
	Street Dept. Maintenance Building	\$ 50,000	
	Contents	\$ 2,000	7/01/04
	<u>600-A Bowman St.</u>		
	Street Dept. Office Building	\$ 50,000	
	Contents	\$ 2,000	7/01/04
	<u>600-B Bowman St.</u>		
Travelers Insurance Company	Youth Services Office Building	\$ 225,000	7/01/04
	<u>940 Government Street</u>		
	Utility Warehouse Building	\$ 93,000	
	Contents	\$ 31,000	7/01/04
	<u>112 Brignac Street</u>		
	Motor Pool and Warehouse Building	\$ 234,000	
	Contents	\$ 77,000	7/01/04
	<u>401 N. Railroad Ave.</u>		

(CONTINUED)

CITY OF DENHAM SPRINGS

SCHEDULE OF INSURANCE COVERAGE IN FORCE (CONTINUED)

JUNE 30, 2004

<u>Insurance</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration Date</u>
	Pine Street Pump Station Building <u>2635 Pine St.</u>	\$ 13,000	7/01/04
	Steel Water Tank and Tower <u>Pete's Highway</u>	\$ 566,000	7/01/04
Louisiana Workers' Compensation Corporation	Workmen's Compensation Statutory		7/01/04
Risk Management	General Liability Law Enforcement	\$ 500,000	7/01/04
	Professional Liability	\$ 500,000	7/01/04
Risk Management	Public Officials and Employees Liability Errors and Omissions	\$ 500,000	7/01/04
Risk Management	Business Auto Liability	\$ 500,000	7/01/04
Lexington Insurance an AIG Company	Vehicle Physical Damage	Actual Cash Value	7/01/04
National Flood Services	Flood Insurance:		
	Fire Station Building	\$ 28,000	
	Contents <u>930 Government Street</u>	\$ 20,000	7/01/04
	Youth Services Office Building	\$ 55,000	
	Contents <u>940 Government Street</u>	\$ 20,000	7/01/04

(CONTINUED)

CITY OF DENHAM SPRINGS

SCHEDULE OF INSURANCE COVERAGE IN FORCE (CONTINUED)

JUNE 30, 2004

<u>Insurance</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration Date</u>
	Municipal Building	\$ 215,000	
	Contents	\$ 40,000	7/01/04
	<u>941 Government Street</u>		
	Council on Aging Building	\$ 30,000	
	Contents	\$ 20,000	7/01/04
	<u>949 Government Street</u>		
	Fire Station Building	\$ 28,000	
	Contents	\$ 20,000	7/01/04
	<u>1100 Hatchell Lane</u>		
	Police Station and Jail Facility	\$ 250,000	
	Contents	\$ 20,000	7/01/04
	<u>447 Lamm Street</u>		
	Animal Control Center Building	\$ 16,000	7/01/04
	<u>600-C Bowman Street</u>		

See auditor's report.

**THIS SECTION WHICH IS COMPOSED OF ACCOUNTING
AND NONACCOUNTING DATA IS PRESENTED IN ORDER TO
PROVIDE THE READER WITH ADDITIONAL INFORMATION
AS AN AID TO UNDERSTANDING THE FINANCIAL ACTIVITIES
OF THE GOVERNMENTAL UNIT**

CITY OF DENHAM SPRINGS

**GENERAL FUND EXPENDITURES AND
OTHER USES BY FUNCTION
PRIMARY GOVERNMENT**

LAST TEN YEARS

<u>Year</u>	<u>Total</u>	<u>General Government</u>	<u>Cemetery</u>	<u>Tax</u>	<u>Ward Court</u>	<u>Planning and Development</u>	<u>Public Service Worker</u>
1995	\$4,542,641	\$460,524	\$51,963	\$ 99,898	\$93,185	\$136,559	\$32,047
1996	4,715,110	566,415	54,714	113,187	52,214	118,126	49,474
1997	5,084,763	567,761	65,158	105,258	52,923 ¹	118,433	36,735
1998	6,079,148	589,791	65,107	127,940	53,815	149,361	57,547
1999	5,977,575	609,259	63,710	115,097	47,611	129,454	73,085
2000	6,042,546	797,211	84,230	127,521	48,649	164,428	86,852
2001	6,186,246	786,534	78,248	119,634	50,588	186,565	77,301
2002	6,886,264	768,763	76,544	134,822	52,931	201,467	92,283
2003	7,248,180	965,962	90,779	135,400	69,715	201,923	70,201
2004	7,673,034	963,143	97,363	143,199	71,068	195,107	-

*In compliance with GASB-14 beginning in 1994 certain general fund expenditures made to reimburse the Court for operating expenditures of the Court are now shown as Other Uses - Transfers to Component Units.

¹Beginning in fiscal year 1997, salaries for the public service supervisor was allocated to Public Service Workers instead of Ward Court.

SOURCE: Annual Audited Basic Financial Statements.

<u>Summer Food Program</u>	<u>Landscaping</u>	<u>Animal Control</u>	<u>Fire</u>	<u>Police</u>	<u>Litter Control</u>	<u>Streets and Lighting</u>	<u>Health</u>	<u>Culture and Recreation</u>	<u>Other Uses</u>
\$ 12,030	\$ -	\$27,306	\$ 741,461	\$1,255,312	\$ -	\$ 844,274	\$ 18,977	\$ -	\$ 769,105
16,683	-	30,963	763,037	1,450,946	-	752,513	19,606	-	727,232
11,692	-	32,541	917,192	1,553,477	-	881,121	18,723	17,083	706,666
12,908	-	54,346	930,801	1,677,296	-	782,805	24,695	48,462	1,504,274
7,997	-	50,962	909,489	1,840,913	-	820,329	36,144	56,570	1,216,955
-	-	47,983	962,111	2,141,501	-	1,057,353	33,450	115,873	375,384
-	-	65,256	1,168,583	2,294,625	-	1,174,442	25,954	62,994	95,522
-	-	72,174	1,213,688	2,398,571	-	1,184,453	29,098	77,645	583,825
-	55,691	94,225	1,311,799	2,425,238	32,491	1,087,427	27,768	32,891	646,670
-	110,955	136,847	1,572,897	2,693,821	46,223	1,116,727	47,841	28,786	449,057

CITY OF DENHAM SPRINGS

GENERAL FUND REVENUES AND OTHER FINANCING SOURCES
PRIMARY GOVERNMENT

LAST TEN YEARS

<u>Year</u>	<u>Total</u>	<u>Licenses and Taxes</u>	<u>Permits</u>	<u>Fines and Forfeits</u>	<u>911 Service Fees</u>
1995	\$4,777,392	\$3,490,035	\$521,309	\$243,707	\$112,984
1996	5,224,269	3,871,998	520,631	189,498	131,040
1997	5,356,854	4,001,014	549,065	173,708	153,783
1998	5,622,484	4,166,264	543,224	191,915	165,314
1999	6,131,685	4,521,898	625,763	174,827	185,202
2000	6,559,820	4,908,105	658,740	205,178	188,662
2001	6,592,244	4,811,962	603,394	260,226	187,131
2002	6,617,970	4,935,933	627,006	244,035	197,785
2003	6,836,613	5,118,463	681,773	268,883	201,332
2004	7,504,520	5,711,381	718,200	308,716	-

CITY OF DENHAM SPRINGS

GENERAL FUND TAX REVENUES BY SOURCE
PRIMARY GOVERNMENT

LAST TEN YEARS

<u>Year</u>	<u>Total</u>	<u>General Property Taxes</u>	<u>Alcoholic Beverage & Cable T.V.</u>	<u>Chain Store Tax</u>	<u>Electrical Franchise Tax</u>	<u>Sales Tax</u>
1995	\$3,490,035	\$123,055	\$ 68,918	\$12,595	\$354,770	\$2,749,728
1996	3,871,998	128,952	79,655	11,085	410,645	3,035,569
1997	4,001,014	131,255	79,430	12,270	377,544	3,182,993
1998	4,166,264	126,772	79,889	11,984	398,317	3,334,669
1999	4,521,898	138,954	93,593	15,535	397,231	3,655,439
2000	4,908,105	135,970	128,082	17,690	432,712	4,149,183
2001	4,811,962	163,471	77,396	18,606	488,797	4,061,946
2002	4,935,933	159,204	125,973	18,538	437,017	4,193,182
2003	5,118,463	163,898	139,567	16,165	480,014	4,316,289
2004	5,711,381	169,727	150,422	17,733	534,142	4,837,302

SOURCE: Annual Audited Basic Financial Statements.

Schedule 3

<u>Interest</u>	<u>Miscellaneous</u>	<u>Other Financing Sources</u>
\$ 38,374	\$351,457	\$19,526
79,822	418,027	13,253
85,202	379,707	14,375
107,266	430,469	18,032
76,973	533,021	14,001
89,229	490,085	19,821
115,938	581,983	31,610
59,518	535,577	18,116
30,868	529,132	6,162
20,969	568,243	177,011

Schedule 3A

<u>Tobacco Taxes</u>	<u>Wrecker Franchise Tax</u>	<u>Video Poker Fees</u>
\$42,282	\$ 2,260	\$136,427
42,578	1,820	161,694
42,564	1,870	173,088
42,571	2,160	169,902
42,571	2,105	176,470
42,571	1,897	-
-	1,746	-
-	2,019	-
-	2,530	-
-	2,055	-

CITY OF DENHAM SPRINGS
PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN YEARS

<u>Year</u>	<u>Total Tax Levy¹</u>	<u>Collections</u>	<u>Percent of Levy Collected</u>	<u>Prior Year Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Collections to Tax Levy</u>
1995	\$126,271	\$124,184	98.35%	\$ 1,762	\$125,946	99.74%
1996	129,745	128,135	98.76%	1,379	129,514	99.82%
1997	130,850	129,826	99.22%	1,493	131,319	100.36%
1998	128,904	124,877	96.88%	452	125,329	97.23%
1999	140,063	134,660	96.14%	4,545	139,205	99.38%
2000	148,065	130,600	88.20%	1,310	131,910	89.09% ²
2001	158,130	150,197	94.98%	15,184	165,381	104.59%
2002	163,406	158,389	96.93%	3,889	162,278	99.31%
2003	166,238	161,052	96.88%	2,762	163,814	98.54%
2004	167,353	163,914	97.95%	4,247	168,161	100.48%

¹"Total Tax Levy" represents the taxpayer portion of the original levy of the Assessor and is the amount to be paid by the taxpayer. The amounts to be paid by the taxpayer are ultimately collected in full except for adjustments due to assessment errors or delayed homestead exemptions.

SOURCE: City of Denham Springs Tax Office.

²During fiscal year ended June 30, 2000, numerous Louisiana Tax Commission Change Orders occurred reducing the percent of levy collected.

CITY OF DENHAM SPRINGS
ASSESSED AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY

LAST TEN YEARS

<u>Year</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Ratio of Total Assessed Value to Total Estimated Actual Value*</u>
1995	\$26,809,190	\$243,719,909	11%
1996	27,546,730	250,424,818	11
1997	31,914,520	290,132,000	11
1998	31,439,890	285,817,200	11
1999	34,161,710	310,561,000	11
2000	36,113,430	328,303,900	11
2001	45,968,510	417,895,550	11
2002	47,502,340	431,839,450	11
2003	48,325,460	439,322,364	11
2004	53,467,960	486,072,364	11

***Actual Valuation (Market Value) as Compared to Assessed Valuation**

Residential properties are assessed at 10% of fair market value; commercial and industrial properties, excluding land, are assessed at 15%. The overall assessed value is estimated to be 11% of actual market value.

SOURCE: Livingston Parish Assessor's Grand Recapitulation of the Assessment Roll for the Parish of Livingston.

CITY OF DENHAM SPRINGS
PROPERTY TAX RATES AND TAX LEVIES -
DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN YEARS

<u>Year</u>	<u>City</u>	<u>Parishwide¹</u>	<u>School District #1</u>	<u>Parish</u>	
				<u>Drainage District #1</u>	<u>Recreation District #3</u>
Tax Rates (Mills Per Dollar)					
1995	4.71	59.24	18.74	7.50	30.89
1996	4.71	68.70	61.72	7.50	15.00
1997	4.10	67.45	53.29	7.03	30.00
1998	4.10	67.45	41.87	5.03	20.00
1999	4.10	64.56	33.64	4.53	18.00
2000	4.10	64.56	28.22	4.53	18.00
2001	3.44	62.84	24.16	3.66	20.00
2002	3.44	62.11	19.25	5.00	18.00
2003	3.44	63.11	15.54	5.00	20.00
2004	3.13	64.56	14.85	5.00	20.00

TAX LEVIES

1995	\$126,271	\$1,006,853	\$318,508	\$127,471	\$525,011
1996	129,745	1,193,129	1,071,905	130,254	260,508
1997	130,850	1,414,565	1,117,601	147,432	629,162
1998	128,904	1,359,568	843,960	101,388	403,134
1999	140,063	1,477,355	769,799	103,662	411,902
2000	148,065	1,542,418	674,211	108,227	430,042
2001	158,132	1,936,323	744,455	112,778	616,271
2002	163,406	1,991,400	617,203	160,312	577,125
2003	166,238	2,057,560	506,647	163,014	652,055
2004	167,353	3,451,891	793,999	267,340	1,069,359

The tax levies represent the original levy of the assessor less the homestead exemption amounts.

¹Parishwide - includes all or some of the following:

Parish/Local, Dixon Sinking, Courthouse Sinking, Road Equipment/Maintenance, Drainage Tax, Courthouse Maintenance, Health Unit, Library, Assessor, Law Enforcement, School Parishwide Constitutional Tax, School Parishwide Additional Support, School Parishwide District #5, School Parishwide Special Maintenance.

SOURCE: Livingston Parish Assessor's Grand Recapitulation of the Assessment Roll for the Parish of Livingston.

Schedule 6

<u>Law Enforcement District</u>	<u>Juvenile Detention Center</u>	<u>Total</u>
12.51	-	133.59
12.51	-	170.14
12.51	3.00	177.38
12.51	3.00	153.96
12.51	3.00	140.34
12.51	3.00	134.92
12.51	3.00	129.61
12.51	3.00	123.31
12.51	3.00	122.60
12.51	3.00	123.05
\$ 212,622	\$ -	\$2,316,736
217,264	-	3,002,805
262,360	62,916	3,764,886
252,160	60,470	3,149,584
286,272	68,650	3,257,703
298,879	71,674	3,273,516
385,478	92,441	4,045,878
401,102	96,187	4,006,735
407,861	97,808	4,051,183
668,884	160,404	6,579,230

CITY OF DENHAM SPRINGS
SPECIAL ASSESSMENT COLLECTIONS

LAST TEN YEARS

<u>Year</u>	<u>Assessments Beginning of Year</u>	<u>Additions and Adjustments</u>	<u>Collections</u>	<u>Assessments End of Year</u>
1995	\$109,675 ¹	\$ -	\$20,860	\$88,815
1996	88,815	-	30,511	58,304
1997	58,304	-	14,112	44,192
1998	44,192	-	8,525	35,667
1999	35,667	-	8,057	27,610
2000	27,610	-	10,540	17,070
2001	17,070	-	6,830	10,240
2002	10,240	-	3,907	6,333
2003	6,333	-	5,944	389
2004	389	-	389	-

¹Lakeland Acres Subdivision Paving Project.

SOURCE: Annual Audited Basic Financial Statements.

CITY OF DENHAM SPRINGS
STATEMENT OF LEGAL DEBT LIMIT

General Bonded Indebtedness

POWER TO INCUR DEBT

Municipal corporations, parishes and school districts, roads, sewerage, waterworks and drainage districts, hospital service districts, fire protection districts, and gas utility districts may incur debt and issue negotiable bonds. (LRS 39:551)

LIMIT OF INDEBTEDNESS

No debt shall be incurred and bonds issued by any local government for any one of the purposes herein provided, which, including the existing bonded debt of such government, shall exceed in the aggregate ten percent of the assessed valuation of the taxable property. However, the governing authority of a municipality may incur debt and issue bonds therefore as provided in this Subsection, for the purpose set forth in Louisiana R.S. 39:553, which may exceed ten percent for any one of such purposes, provided that the aggregate for all of such purposes determined at the time of issuance of the bonds does not exceed thirty-five percent of the assessed valuation of the taxable property of the municipality. (LRS 39:562)

MUNICIPAL PURPOSES

The governing authorities of municipal corporations, including cities, towns and villages, may incur debt and issue bonds of the municipal corporations for the following purposes: opening, constructing, paving and improving streets, sidewalks, roads and alleys; constructing bridges; purchasing or constructing waterworks; sewers and sewerage disposal works; drains, drainage canals, and pumping plants; waste disposal facilities; facilities for pollution control and abatement; light and power plants; gas plants; artificial ice and refrigerating plants; halls; courthouses; jails; public markets and abattoirs; fire department stations and equipment; hospitals; auditoriums; public parks; natatoriums; libraries; school houses; teachers' homes; and other public buildings; docks, wharves, and river terminals; acquiring and/or improving lands for industrial parks, within or without the corporate limits of the municipality; and other works of public improvement as the legislature may expressly authorize. Debt may be incurred and bonds may be issued for the necessary equipment and furnishings for the works, buildings and improvements. (LRS 39:553)

MAXIMUM DURATION AND INTEREST LIMITATION

No bonds issued shall run for a period longer than forty (40) years, or bear a greater rate of interest than the rate set in the proposition approved at the election or be sold for less than par. (LRS 39:563, 39:1424)

ISSUING BONDS: VOTE BY TAXPAYERS

A majority of all qualified voters voting thereon must vote in favor of the proposition to incur debt and issue bonds. (LRS 39:561)

LEVY OF TAXES

The governing authority shall impose and collect annually in excess of all other taxes, a tax on the property subject to taxation sufficient to pay annual principal and interest on these bonds. (LRS 39:569)

Total Assessed Value of Taxable Property		\$53,467,960
		=====
	10% of <u>Assessed Valuation</u>	35% of <u>Assessed Valuation</u>
Legal Debt Limitation	\$5,346,796	\$18,713,786
	=====	=====

There are no outstanding bonds secured by ad valorem taxes of the City of Denham Springs as of June 30, 2004.

CITY OF DENHAM SPRINGS

**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE
AND NET BONDED DEBT PER CAPITA**

LAST TEN YEARS

<u>Year</u>	<u>Population¹</u>	<u>Assessed Value²</u>	<u>General Obligation Bonded Debt</u>	<u>Less Debt Service Fund³</u>
1995	8,797	26,809,190	\$ -	\$ -
1996	8,902	27,546,730	-	-
1997	9,011	31,914,520	-	-
1998	9,171	31,439,890	-	-
1999	9,248	34,161,710	-	-
2000	9,175	36,113,430	-	-
2001	8,757	45,968,510	-	-
2002	8,883	47,502,340	-	-
2003	8,977	48,325,460	-	-
2004	9,913	53,467,960	-	-

SOURCES: ¹Population of City of Denham Springs obtained from State Treasurer's Office.

²Livingston Parish Assessor's Grand Recapitulation of the Assessment Roll for the Parish of Livingston.

³Amount available in Debt Service Fund for repayment of General Obligation Bonds. Annual Audited Basic Financial Statements.

<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
\$ -	- %	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-

CITY OF DENHAM SPRINGS

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL BONDED DEBT TO TOTAL GENERAL
GOVERNMENTAL EXPENDITURES

LAST TEN YEARS

<u>Year</u>	<u>Principal</u>	<u>Interest¹</u>	<u>Total Debt Service²</u>	<u>Total General Governmental Expenditures³</u>	<u>Ratio of Debt Service to General Governmental Expenditures</u>
1995	\$ -	\$ -	\$ -	\$4,542,641	-%
1996	-	-	-	4,715,110	-
1997	-	-	-	5,084,763	-
1998	-	-	-	6,079,148	-
1999	-	-	-	5,977,575	-
2000	-	-	-	6,042,546	-
2001	-	-	-	6,186,246	-
2002	-	-	-	6,886,264	-
2003	-	-	-	7,248,180	-
2004	-	-	-	7,673,034	-

¹Excludes paying agent fees and other costs.

²Total Debt Service includes general obligation bonds only. (Does not include Special Assessment Certificates of Indebtedness or Revenue Bonds issued by the Utility Enterprise Fund.)

³Expenditures and Other Uses of the General, Special Revenue, and Debt Service Funds, excluding the expenditures of the Special Assessment Debt Service Fund and 1988 Certificates of Indebtedness Debt Service Fund.

SOURCE: Annual Audited Basic Financial Statements.

CITY OF DENHAM SPRINGS

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

JUNE 30, 2004

	<u>Gross Debt Outstanding</u>	<u>Amounts In Debt Service Fund For Principal</u>	<u>Net Debt Outstanding</u>	<u>City of Denham Springs Percent</u>	<u>Share of Debt</u>
<u>GOVERNMENTAL UNIT</u>					
City of Denham Springs	\$ -	\$ -	\$ -	100%	\$ -
<u>OTHER GOVERNMENTAL AGENCIES</u>					
School District #1	\$ 6,873,316	\$ 696,149	\$ 6,177,167	41%	\$ 2,532,638
Jail Bonds	100,000	-	100,000	17%	17,000
Recreation District No. 3	<u>1,975,000</u>	<u>413,146</u>	<u>1,561,854</u>	46%	<u>718,453</u>
Total Other Governmental Agencies	<u>\$ 8,948,316</u>	<u>\$ 1,109,295</u>	<u>\$ 7,839,021</u>		<u>\$ 3,268,091</u>
Total Direct and Over- lapping Debt	<u>\$ 8,948,316</u>	<u>\$ 1,109,295</u>	<u>\$ 7,839,021</u>		<u>\$ 3,268,091</u>
2004 City Population					9,913
Per Capita					<u>\$ 330</u>

CITY OF DENHAM SPRINGS
SUMMARY OF REVENUE BOND COVERAGE
LAST TEN YEARS

Utility Enterprise Fund

<u>Year</u>	<u>Gross Revenue¹</u>	<u>Other Financial Sources</u>	<u>Expenses²</u>	<u>Other Uses³</u>	<u>Available for Debt Service</u>
1995	\$3,561,853	\$ -	\$2,576,764	\$ -	\$ 985,089
1996	4,042,911	200,000 ⁴	2,998,298	-	1,244,613
1997	3,960,407	200,000 ⁴	3,038,828	-	1,121,579
1998	4,261,063	-	3,176,498	-	1,084,565
1999	4,006,415	-	3,061,149	-	945,266
2000	4,308,006	-	3,349,639	-	958,367
2001	5,819,138	-	5,052,724	-	766,414
2002	4,962,423	-	4,127,525	-	834,898
2003	4,799,959	-	5,401,563	-	(601,604)
2004	5,149,379	-	5,383,330	-	(233,951)

¹Total Operating Revenues plus Non-Operating Revenues.

²Total Operating Expenses plus Non-Operating Expenses less Depreciation and Debt Service Interest on Revenue Bonds.

³Transfers Out.

⁴Transfers In.

SOURCE: Annual Audited Basic Financial Statements.

<u>Debt Service Requirements</u>			
<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
\$ 125,214	\$269,759	\$ 394,973	2.49
129,207	255,874	385,081	3.23
128,374	241,685	370,059	3.03
132,735	227,441	360,176	3.01
453,582 ⁵	124,029	577,611	1.64
219,438	105,090	324,528	2.96
225,467	89,182	314,649	2.44
226,664	72,927	299,591	2.79
227,944	56,402	284,346	-
229,310	40,329	269,639	-

CITY OF DENHAM SPRINGS

DEMOGRAPHICS STATISTICS

LAST TEN YEARS

<u>Year</u>	<u>Population¹</u>	<u>Per Capita Income²</u>	<u>Public School Enrollment⁴</u>	<u>Unemployment Livingston Parish³</u>	<u>Unemployment Labor Market Area³</u>
1995	8,797	\$16,422	17,400	10.1%	7.4%
1996	8,902	17,022	18,100	8.3	6.2
1997	9,011	17,745	18,177	7.5	5.8
1998	9,171	18,463	18,522	6.1	5.3
1999	9,248	19,657	19,241	5.4	4.6
2000	9,175	19,989	19,481	5.0	4.0
2001	8,757	21,172	19,791	6.1	4.6
2002	8,883	21,161	19,987	6.1	5.4
2003	8,977	21,336	20,496	6.7	5.6
2004	9,913	N/A	20,898	7.4	6.2

¹Population of City of Denham Springs from State Treasurer's Office.

²Parishwide Per Capita Income Per Louisiana Department of Labor.

³Per Louisiana Department of Labor.

⁴Louisiana Department of Education.

CITY OF DENHAM SPRINGS

CONSTRUCTION

LAST TEN YEARS

<u>Year</u>	<u>Residential Construction</u>		<u>Commercial Construction</u>	
	<u>Number of Permits</u>	<u>Value</u>	<u>Number of Permits</u>	<u>Value</u>
1995	42	\$3,261,150	9	\$ 7,233,000
1996	104	5,417,150	34	4,987,980
1997	72	2,471,903	50	11,121,905
1998	85	2,448,471	62	8,739,416
1999	96	5,062,716	38	14,169,551
2000	94	4,040,349	34	3,649,617
2001	71	3,016,413	50	7,041,155
2002	55	1,966,656	43	8,246,207
2003	58	1,880,505	39	11,350,881
2004	50	1,348,605	36	7,920,662

SOURCE: Denham Springs Office of Planning and Development.

CITY OF DENHAM SPRINGS
PRINCIPAL SALES TAXPAYERS

JUNE 30, 2004

<u>Taxpayer</u>	<u>Type of Business</u>
Wal-Mart Store	General Merchandise
Home Depot	Retail Hardware
Winn-Dixie Store	Retail Grocery
Walgreens Store	Retail Pharmacy
James Drugstore	Retail Pharmacy
Dollar General	Retail Merchandise
Eckerd's	Retail Pharmacy
Rite-Aid (Formerly K&B Drug Store)	Retail Pharmacy
Racetrac	Retail Convenience
Smith Building Supply, Inc.	Retail Hardware

SOURCE: Livingston Parish School Board - Sales Tax Office.

CITY OF DENHAM SPRINGS
MISCELLANEOUS STATISTICS

JUNE 30, 2004

Date of Incorporation	May 8, 1903
Form of Government	Mayor - City Council Lawrason Act
Area	City 6 square miles Parish 642 square miles
Fire Protection:	
Number of Stations	3
Number of Firefighters and Officers	25
Number of Volunteer Firemen	-0-
Police Protection:	
Number of Stations	1
Number of Police Officers	26
Sewers:	
Number of Pumping Stations	36
Type of Treatment System	Rock Reed Filter
Employees:	
Number of Employees	160
Municipal Utilities:	
Number of Gas Customers	4,813
Number of Sewer Customers	4,858
Number of Water Customers	6,619
Number of Waste Disposal Customers	3,392
City Sales Tax Rate	1.5%

CITY OF DENHAM SPRINGS, LOUISIANA
INTERNAL CONTROL AND COMPLIANCE
REPORT REQUIRED BY GOVERNMENT AUDITING
STANDARDS

YEAR ENDED JUNE 30, 2004

CITY OF DENHAM SPRINGS, LOUISIANA

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



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October 1, 2004

The Mayor and Members of
the City Council
City of Denham Springs
Denham Springs, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Denham Springs, Louisiana, as of and for the year ended June 30, 2004, which collectively comprise the City of Denham Springs, Louisiana's basic financial statements and have issued our report thereon dated October 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City'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. 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 judgment, could adversely affect the City of Denham Springs' ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described as Finding 04 - 1 below.

Finding 04 - 1:

During our current audit we noted instances whereby a required purchase requisition and/or required purchase order were actually dated and signed after the vendor's invoice, thereby, overriding the controls in place to ascertain proper approvals as well as adequate funding available within the budget.

Recommendation

We recommend that the City abide by its code Sec. 2-93 governing all City purchases, payment of invoices, and other financial obligations. Requisitions should be completed, signed, and dated by the department head. The purchasing agent then determines if funds are available and provided for in the budget. Upon approval of the requisitions, a prenumbered purchase order can be completed, signed and dated by the purchasing agent. At that time and only after completion of the required purchase order should a vendor be allowed to complete his assignment and/or the City purchase his materials.

Management's Response:

Management concurs with the recommendation. The Purchasing Agent is instructed not to issue a purchase order when the City has already been obligated for the purchase received or service rendered. It is the responsibility of the department head to explain why the City did not abide by its code Sec. 2-93 and attach this explanation to the invoice for payment. The Mayor and City Council are to be presented these exceptions for concurrence or recommendation of disciplinary action.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to the management of the City of Denham Springs, in a separate letter dated October 1, 2004.

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

Respectfully submitted,

Harris J. Bourgeois, CPA

CITY OF DENHAM SPRINGS

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2004

Compliance Findings:

None.

Internal Control Findings:

Finding 02-11:

In our prior year audit during the detail testing of the personnel director's time cards above, we noted that it is City policy to allow the use of vacation time to make up for any time missed during the week, so that on days that an employee may work over and or after hours, they will be paid overtime at 1 ½ times their regular pay rate. Upon discussing this issue with the City Treasurer, he stated that this is done by most all the employees and is allowed by policy.

Recommendation:

We again recommended the City re-evaluate the personnel policies concerning employee benefits and accumulated leave.

Corrective Action Taken:

The City's policy in this matter remains the same and has not been changed. We again recommend for the City to reevaluate the policy concerning benefits and accumulated leave to stop the practice of employees from using vacation or accumulated leave hours for paid overtime at time and one half. The City has hired special legal counsel having expertise in personnel matters to review and recommend changes to the City's personnel policies and ordinances. This review is still ongoing.

Management's Response:

Management has evaluated the personnel policy regarding employee use of vacation leave to maximize overtime hours paid or compensatory leave earned. This issue has been presented to the City Council. The City Council did not introduce the ordinance to change this policy. Management will abide by the City Council's decision.

CITY OF DENHAM SPRINGS, LOUISIANA

MANAGEMENT LETTER

JUNE 30, 2004



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October 1, 2004

The Mayor and Members of
the City Council
City of Denham Springs
Denham Springs, Louisiana

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

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated October 1, 2004, on the basic financial statements of the City of Denham Springs, Louisiana.

CURRENT YEAR FINDINGS:

Finding 04 -1:

It was noted that as of June 30, 2004, the balance in the customers' deposit account recorded in the utility fund was approximately \$31,000 more than the balance in the Certificate of Deposit pledged to secure the customers' deposits.

Recommendation:

We recommend that management increase the Certificate of Deposit balance pledged to cover the balance in the customers' deposit account. Management should also periodically monitor the balance to ensure the customer deposit balances are adequately covered.

The Mayor and Members of
the City Council
City of Denham Springs
October 1, 2004
Page 2

Management's Response:

Management concurs. The transfer of monies from unreserved certificate of deposits is required to cover the unsecured differences in customer deposits. This was an oversight that will be corrected. Continued monitoring of the customer deposit balance payable will be made month-to-month.

Finding 04-2:

During our testing of accumulated leave and payroll, we noted that some timesheets are not being approved by the supervisors in a timely manner. Examples – Timesheets for the pay periods ended January 25, 2004 and February 8, 2004, were not approved by the Department Heads until April 29, 2004 and overtime approval sheets were not signed until May 19, 2004.

Recommendation:

We recommend that payroll checks not be prepared without all proper authorizations on employee's timesheets and overtime and leave approval forms.

Management's Response:

Management concurs that timely supervisory approval of timesheets, overtime and leave request is important. Management is going to instruct payroll not to process payroll without proper authorization or as the circumstance presents, as authorized by the Mayor.

Finding 04-3:

During our testing of accumulated leave, we noted numerous employees having accumulated leave in excess of the City's policy.

Recommendation:

We recommend the City review its current policy to determine its adequacy and to make changes, if necessary. If the current policy is adequate, the City should take whatever measures are deemed reasonable to comply with its leave policies.

Management's Response:

Management concurs that there are employees with accumulated leave in excess of the City's policy. Letters dated October 21, 2004 notifying all employees, as acknowledged by their signature and placed in their employee files, that effective July 1, 2005, all excess vacation leave shall be transferred to extended illness. Also, a reminder was given that all excess compensatory time shall be paid as overtime.

The Mayor and Members of
the City Council
City of Denham Springs
October 1, 2004
Page 3

Finding 04-4:

Total salaries for the year ended June 30, 2004 approximate \$5,125,000 while employee payroll taxes, group insurance costs, and retirement costs approximate \$1,525,000 for a total salary and benefits cost of approximately \$6,650,000. This represents approximately 50% of the total expenditures of the City of Denham Springs.

Recommendation:

Because the City has begun to struggle in the past several years to balance the budget in the General Fund and to substantially reduce the operating deficits currently being recorded in the Utility Fund, we recommend that the City make a complete evaluation of all employees employed as well as all benefits being paid. We also recommend the City evaluate their payroll policies as they relate to overtime and leave. We understand that no change may be warranted, but management should investigate any possibility to reduce costs.

We commend the City for beginning to investigate Utility rate increases. We understand this is never an easy decision, but the fact the City has not had a rate change in numerous years, and all costs to operate your systems continue to rise, you need to seriously consider rate changes within each utility system.

Management's Response:

Management, during its budgeting process for the fiscal year 2004-2005, has begun to address payroll. Management lay off commenced July 1, 2004 with three employees within the Utility Departments (one in the Water Department/two in Sewer Department). The retirement of a Police Communication Supervisor will not be filled. The departure of six Police Communication personnel is set for the opening of the 911 Center in Satsuma, Louisiana on January 24, 2005. These positions will not be filled. The retirement of a Police Lieutenant position is to be replaced by the hiring of another Police Officer. The Police Lieutenant position is to remain unfilled for this fiscal year. Management continues to evaluate each new vacant position as to need for refilling.

PRIOR YEAR FINDINGS:

Finding 00-1:

It was noted in the prior years and again in the current year that although the majority of the accounting cycles have been documented, there is a lack of written policies and procedures in the various cycles comprising the City's accounting/finance function. Written policies and procedures are essential to a strong internal control system and accounting department.

The Mayor and Members of
the City Council
City of Denham Springs
October 1, 2004
Page 4

Recommendation:

We again recommend the City complete the task of evaluating the various cycles and developing written policies and procedures for each cycle.

Management's Response:

All accounting cycles except for Personnel have been documented. Personnel has started documenting its accounting cycles. The next step is to combine all the documented accounting cycles into one policy and procedures manual. The completed policy and procedures manual will be reviewed and updated periodically as needed.

Corrective Action Taken:

Management is continuing the documentation of its accounting cycles with the personnel and purchasing remaining to be completed. Management informed us the personnel manual was delayed due the hiring of a new personnel director and recommendations from legal counsel for changes. Once the personnel and purchasing procedures are completed, management is planning on combining all procedures within the accounting cycle into one manual.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control elements does not reduce to a relatively low level the risk that errors or irregularities 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 structure would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the conditions described above is believed to be a material weakness.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with the Treasurer and Finance Committee, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended for the use of management, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the City of Denham Springs, Louisiana, is a matter of public record.

Respectfully submitted,

Harold J. Bourgeois, CPA