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CITY OF ST. MARTINVILLE
FINANCIAL REPORT
JUNE 30, 2004

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Release Date 1-26-05

CITY OF ST. MARTINVILLE
ST. MARTINVILLE, LOUISIANA

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2004

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INDEPENDENT AUDITORS' REPORT

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

* A Professional Accounting Corporation

The Honorable Eric Martin, Mayor
and Members of the City Council
City of St. Martinville, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Martinville, 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 of St. Martinville, Louisiana'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, each major fund, and the aggregate remaining fund information of the City of St. Martinville, Louisiana, as of June 30, 2004, and the respective changes in financial position and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the City of St. Martinville, Louisiana adopted the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of June 30, 2004. This results in a change in the format and content of the basic financial statements.

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In accordance with Government Auditing Standards, we have also issued our report dated September 2, 2004, on our consideration of the City of St. Martinville, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Martinville, Louisiana's basic financial statements. The other supplementary information (pp. 56-57) is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of St. Martinville, Louisiana. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the City of St. Martinville, 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.

Management's discussion and analysis on pages 3 through 10 and the required supplementary information on pages 52 through 54 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit the information and express no opinion on it.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Breaux Bridge, Louisiana
September 2, 2004

CITY OF ST. MARTINVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS

As financial management of the City of St. Martinville, we offer readers of this financial statement an overview and analysis of the financial activities of the City of St. Martinville. This narrative is designed to assist the reader in focusing on significant financial issues, identify changes in the City's financial position, identify any material deviations from the approved budget documents, and identify individual fund issues or concerns.

The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts. It should be read in conjunction with the financial statements that begin on page 12.

FINANCIAL HIGHLIGHTS

- Assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$11,048,202 (net assets). Of this amount, \$916,890, or 8.30%, (unrestricted net assets) may be used to meet the ongoing obligations to citizens and creditors of the City.
- The City's total net assets increased by \$123,791, or 1.13%, during 2004. Governmental activities net assets increased by \$125,212, while business-type activities net assets decreased by \$1,421.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$1,595,371, an increase of \$553,361 in comparison with the prior year. Approximately 9.20% of this total amount, \$146,840, is available for spending at the City's discretion (unreserved fund balance).
- Resources available for appropriation in the General Fund were \$50,076 above budget. Similarly, expenditures were \$16,742 over budget for the year.
- At June 30, 2004, unreserved fund balance in the General Fund was \$131,186, or 4.26% of total 2004 General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

With the implementation of Governmental Accounting Standards Board Statement No. 34, a government's presentation of financial statements has been greatly changed. This is the first year that the City of St. Martinville has adopted the new format. The new statements focus on the City as a whole (government-wide) and the major individual funds. Both perspectives (government-wide and major fund) allow the reader to address relevant questions, broaden a basis for comparison (year to year or government to government), and should enhance the City's accountability.

Government-Wide Financial Statements

The government-wide financial statements (see Exhibits A and B) are designed to be similar to that of the private-sector businesses in that all governmental and business-type activities are consolidated into columns which add to the total for the primary government. These statements, for the first time, combine governmental fund's current financial resources with capital assets and long-term obligations.

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

The Statement of Activities (Exhibit B) presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are

reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the 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. The focus of the Statement of Activities is on both the gross and net cost of various activities that are provided by the government's general taxes and other revenues. This is intended to summarize information and simplify the user's analysis of cost of various governmental services and/or subsidy to various business-type activities.

The governmental activities reflect the City's basic services including general government (executive, legislative, finance, administrative services), public safety (law enforcement), public works (streets and drainage), culture and recreation, tourism and urban redevelopment and housing. These services are financed primarily with taxes. The business-type activities reflect private sector type operations where the fee for service typically covers all or most of the cost of operations including depreciation. The City's electric, water and wastewater utilities are reported here.

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. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is now on major funds, rather than generic fund types.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The governmental major funds (Exhibit C through F) presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan is typically developed. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term 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 current financing requirements. The City has presented the General Fund, the Sales Tax Fund and the Debt Service Fund as major funds. All nonmajor governmental funds are presented in one column titled other governmental funds. Combining financial statements of the nonmajor funds can be found in the other supplementary information section which follows the basic financial statements and the required supplementary information.

The total column for the governmental funds and the governmental activities at the government-wide level require reconciliation. The governmental funds differ from the government-wide financial statements because of the measurement focus. The reconciliations are presented on the pages following the fund financial statements (Exhibit D and F). The flow of current financial resources reflects bond proceeds and interfund transfers as other financing sources as well as capital expenditures and bond principal payments as expenditures. The reconciliation eliminates these transactions and incorporates the capital assets and long-term obligations into the Governmental Activities column in the government-wide financial statements.

Proprietary fund encompasses the enterprise fund in the fund financial statements. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its electric, water and wastewater operations. The basic financial statements of the proprietary fund are located at Exhibits G through I.

Capital Assets

General capital assets include land, land improvements, easements, buildings, vehicles, equipment and machinery, and all other assets of a tangible nature that are used in operations and that exceed the City's capitalization threshold. The City has capitalized all purchased and donated capital assets. Prior to implementing the new reporting model, no depreciation was charged on general capital assets. Accumulated depreciation was recorded for the first time in the 2004 financial statements based on the date of acquisition and estimated useful life of the asset. Infrastructure assets will be reported in future periods.

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 financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found on pages 30 through 49 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, the budgetary comparison schedules. Required supplementary information can be found in Exhibits J-1 and J-2 of this report.

The other supplementary information section referred to earlier in connection with the nonmajor governmental funds is presented immediately following the required supplementary information in Exhibits K-1 and K-2.

Also included in the report is the Office of Management and Budget A-133 Single Audit Auditor reports, findings and schedules.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table reflects the condensed statement of net assets for 2004. Prior year data is not presented in the implementation year but will be included in future years for comparison purposes.

Table 1
City of St. Martinville
Condensed Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Assets:			
Current and other assets	\$ 1,879,155	\$ 1,437,784	\$ 3,316,939
Restricted assets	-	625,361	625,361
Capital assets	4,324,662	7,814,915	12,139,577
Total assets	<u>\$ 6,203,817</u>	<u>\$ 9,878,060</u>	<u>\$ 16,081,877</u>
Liabilities:			
Current liabilities	\$ 1,139,051	\$ 1,291,103	\$ 2,430,154
Long-term liabilities	1,433,521	1,170,000	2,603,521
Total liabilities	<u>\$ 2,572,572</u>	<u>\$ 2,461,103</u>	<u>\$ 5,033,675</u>
Net assets:			
Invested in capital assets, net of related debt	\$ 2,023,778	\$ 6,494,478	\$ 8,518,256
Restricted	1,388,283	224,773	1,613,056
Unrestricted	219,184	697,706	916,890
Total net assets	<u>\$ 3,631,245</u>	<u>\$ 7,416,957</u>	<u>\$ 11,048,202</u>

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

The City's combined net assets at year end total \$11,048,202. Approximately 77.10% (\$8,518,256) of the City's net assets as of June 30, 2004 reflects the City's investment in capital assets (land, buildings and improvements and equipment) less any related outstanding debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Another 14.60% (\$1,613,056) of the City's net assets are subject to external restrictions on how they may be used. The remaining 8.30% (\$916,890) of net assets, referred to as unrestricted, may be used to

meet the ongoing obligations of the City to citizens and creditors.

Table 2 below provides a summary of the changes in net assets for the year ended June 30, 2004:

Table 2
City of St. Martinville
Condensed Statement of Changes in Net Assets
For the Year Ended June 30, 2004

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Fees, fines and charges for services	\$ 410,186	\$ 6,319,196	\$ 6,729,382
Operating grants and contributions	318,892	-	318,892
Capital grants and contributions	294,574	13,599	308,173
General revenues:			
Property taxes	189,347	-	189,347
Sales and use taxes	632,461	-	632,461
Other taxes and fees	294,156	-	294,156
Grants and contributions not restricted to specific programs	30,100	-	30,100
Other	169,002	285,202	454,204
Total revenues	<u>\$ 2,338,718</u>	<u>\$ 6,617,997</u>	<u>\$ 8,956,715</u>
Expenses:			
General government	\$ 635,280	\$ -	\$ 635,280
Public safety	957,439	-	957,439
Public works	829,001	-	829,001
Culture and recreation	303,951	-	303,951
Tourism	343,449	-	343,449
Urban redevelopment and housing	252,665	-	252,665
Unallocated depreciation	15,624	-	15,624
Interest on long-term debt	91,965	-	91,965
Electric	-	4,367,575	4,367,575
Water	-	525,734	525,734
Wastewater	-	510,241	510,241
Total expenses	<u>\$ 3,429,374</u>	<u>\$ 5,403,550</u>	<u>\$ 8,832,924</u>
Increase (decrease) in net assets before transfers	\$ (1,090,656)	\$ 1,214,447	\$ 123,791
Transfers	<u>1,215,868</u>	<u>(1,215,868)</u>	<u>-</u>
Increase (decrease) in net assets	\$ 125,212	\$ (1,421)	\$ 123,791
Net assets, July 1, 2003	<u>3,506,033</u>	<u>7,418,378</u>	<u>10,924,411</u>
Net assets, June 30, 2004	<u>\$ 3,631,245</u>	<u>\$ 7,416,957</u>	<u>\$ 11,048,202</u>

For more detailed information, see Exhibit B, the Statement of Activities.

The City's total revenues were \$8,956,715 and the total cost of all programs and services was \$8,832,924. Therefore, net assets increased \$123,791 for the year. The analysis that follows separately describes the operations of the governmental and business-type activities.

Governmental activities net assets increased \$125,212 in 2004. The cost of all governmental activities this year was \$3,429,374. As shown in the Statement of Activities in Exhibit B, the amount that our taxpayers financed was \$2,405,722 because some of the cost was paid by those who directly benefited from the programs (\$410,186) or by other governments and organizations that subsidized certain programs with grants and contributions (\$613,466). Program revenues only covered 29.85% of total costs. The remainder was paid with taxes and other revenues, such as investment income and unrestricted grants and contributions.

The City's largest program in governmental activities excluding unallocated depreciation is public safety, with \$957,439 of resources applied thereto. Following that is public works, general government and tourism reporting \$829,001, \$635,280 and \$343,449, respectively.

Two factors affecting the change in net assets for governmental activities were:

- (1) A decrease in net capital assets of \$27,054.
- (2) Payment of \$178,838 in long-term debt; offset by \$595,000 in refinanced debt.

Business-type activities net assets decreased by \$1,421 in 2004. Charges for services make up 95.49% of the revenues in the business-type activities. There were no changes in rates and fees during 2004.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental funds: The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City'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 fiscal year, the City's governmental funds reported combined ending fund balances of \$1,595,371, an increase of \$553,361 in comparison with the prior year. Of this total amount, 9.20% (\$146,840) constitutes unreserved fund balance, which is available for spending at the City'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: (1) payment of debt service (\$1,122,636), (2) housing assistance payments to low-income families (\$27,007), (3) other miscellaneous commitments (\$298,888).

The General Fund is the chief operating fund of the City. At the end of the fiscal year, total fund balance of the General Fund was \$170,580, \$131,186 of which was unreserved. Compared with total fund balance of \$226,823, fund balance decreased \$56,243 during 2004.

Proprietary fund: The City's proprietary fund provides the same information found in the government-wide financial statements, but in more detail. As of the end of the current fiscal year, the City's proprietary fund reported net assets of \$7,416,957, a decrease of \$1,421 in comparison with the prior year.

The City's sole proprietary fund is the Utility Fund which accounts for electric, water, and wastewater services. As previously noted, the system had no changes in rates charged to users.

GENERAL FUND BUDGETARY HIGHLIGHTS

The total difference between the original General Fund budget and the final amended budget was a decrease in appropriations of \$76,864. Budget decreases were approved by the City Council during the year affecting various programs. Revenues were increased by \$60,325 and expenditures were decreased by \$76,864; thus enabling the City to reduce the transfers into the General Fund by \$167,000. The difference, or \$29,811, was taken

from prior year available balances.

When actual results for 2004 are compared with the final budget, revenue collections, including transfers, exceeded projections by \$50,076 and expenditures were \$16,742 more than the amount appropriated; a positive variance of \$33,334. Material differences between actual results and budgeted amounts in the General Fund are as follows:

- Approximately \$21,000 was spent on capital outlay that had not been budgeted. A street improvement project costing \$175,000 was performed during the year. \$160,000 was budgeted for this project; thus, accounting for the majority of the variance.
- Approximately \$55,000 was transferred to the General Fund from other funds that had not been budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets: The City's investment in capital assets for its governmental and business-type activities as of June 30, 2004 amounted to \$12,139,577 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, electric, water, and wastewater facilities. The net decrease in the City's investment in capital assets for the current fiscal year was 0.92%, no significant change for governmental activities and a 1.09% decrease for business-type activities.

Table 3 below provides a summary of capital assets, net of depreciation as of June 30, 2004:

Table 3
City of St. Martinville
Capital Assets
(Net of Depreciation)
June 30, 2004

	Governmental Activities	Business- Type Activities	Total
Land	\$ 305,962	\$ 199,182	\$ 505,144
Buildings and improvements	3,552,838	418,205	3,971,043
Equipment	262,363	104,951	367,314
Wastewater and water plant	-	5,995,075	5,995,075
Electric lines and meters	-	781,988	781,988
Construction in process	203,499	315,514	519,013
Total	\$ 4,324,662	\$ 7,814,915	\$ 12,139,577

Purchases of capital assets during the year amounted to \$47,008. Additions to construction in process during the year are the result of an ongoing street improvement project (\$203,499) and improvements to the wastewater system through a grant (\$294,575).

Additional information on the City's capital assets can be found in Note 7 of this report.

Long-term debt: At the end of the most recent fiscal year, the City had total bonded debt outstanding of \$3,585,000. Of this amount, \$935,000 comprises debt backed by the full faith and credit of the City. The remainder of the debt represents bonds secured solely by specified revenue sources such as Utility System revenues and sales tax revenues.

Table 4 below provides a summary of outstanding debt as of June 30, 2004:

Table 4
City of St. Martinville
Summary of Outstanding Debt
June 30, 2004

	Governmental Activities	Business- Type Activities	Total
General obligation bonds	\$ 935,000	\$ -	\$ 935,000
Public improvement bonds	755,000	-	755,000
Sales tax refunding bonds	595,000	-	595,000
Revenue bonds	-	1,300,000	1,300,000
Capital lease obligations	15,884	20,437	36,321
Total	\$ 2,300,884	\$ 1,320,437	\$ 3,621,321

The City's total bonded debt increased during the year by \$595,000. This is the result of the City's refinancing existing debt to improve cash flow and take advantage of lower interest rates. The City's bonds have not been rated since the mid 1990's.

Computation of the legal debt margin for general obligation bonds is as follows:

Ad Valorem Taxes:

Assessed Valuation	\$ 15,255,072
Debt Limit: 10% of Assessed Valuation (for any one purpose)	\$ 1,525,507
Debt Limit: 35% of Assessed Valuation (aggregate, all purposes)	\$ 5,339,275
Debt outstanding by purpose:	
Recreation purposes	\$ 935,000

The Louisiana Revised Statutes limit the City's bonded debt for any one purpose to 10% of the assessed valuation of the taxable property and 35% for all purposes.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following factors were considered when preparing the fiscal year 2005 budget:

- Ad valorem taxes increased approximately \$3,000.
- Sales and use taxes decreased approximately \$20,000 for the 2005 fiscal year based on market and economic conditions.
- \$50,000 was budgeted for capital outlay expenditures related to a grant award for a lighting project at Adam Carlson Park.
- Tourism expenditures decreased approximately 44.22% from the prior year budget amount in an effort to balance the budget.
- Health insurance premiums were projected to increase by approximately 18%.
- Retirement costs have continued to increase for all participating employees. Municipal retirement increased from 7.75% to 9.50% and police retirement increased from 15.25% to 21.50%.

These indicators were taken into account when adopting the budget for 2005. If budget estimates are met, the City's budgetary General Fund balance is expected to increase by approximately \$4,000.

As far the business-type activities, revenues and expenses are projected to remain

basically the same.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of St. Martinville's finances and to demonstrate accountability for monies received. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of St. Martinville, Office of Chief Administrative Officer, P. O. Box 379, St. Martinville, Louisiana 70582.

BASIC FINANCIAL STATEMENTS

CITY OF ST. MARTINVILLE
ST. MARTINVILLE, LOUISIANA

STATEMENT OF NET ASSETS
June 30, 2004

ASSETS	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash	\$ 415,854	\$ 11,948	\$ 427,802
Cash held in escrow	778,386	-	778,386
Investments	379,142	206,957	586,099
Accrued interest receivable	2,641	2,370	5,011
Accounts receivable, net	2,076	919,398	921,474
Taxes receivable	56,306	-	56,306
Due from other governmental agencies	172,406	-	172,406
Inventories	-	244,714	244,714
Prepaid items	39,394	39,397	78,791
Deferred debits	32,950	-	32,950
Deposits	-	13,000	13,000
Restricted assets	-	625,361	625,361
Capital assets:			
Non-depreciable	509,461	514,696	1,024,157
Depreciable, net	<u>3,815,201</u>	<u>7,300,219</u>	<u>11,115,420</u>
Total assets	<u>\$ 6,203,817</u>	<u>\$ 9,878,060</u>	<u>\$ 16,081,877</u>

LIABILITIES AND NET ASSETS	Governmental Activities	Business-Type Activities	Total
Liabilities:			
Accounts payable	\$ 262,950	\$ 718,632	\$ 981,582
Retainage payable	35,294	-	35,294
Accrued expenses	46,489	40,019	86,508
Accrued interest payable	20,854	10,617	31,471
Internal balances	(112,151)	112,151	-
Customer deposits	-	259,247	259,247
Deferred revenues	18,252	-	18,252
Long-term liabilities -			
Portion due or payable within one year:			
Bonds payable	860,000	130,000	990,000
Capital leases	7,363	20,437	27,800
Portion due or payable after one year:			
Bonds payable	1,425,000	1,170,000	2,595,000
Capital leases	8,521	-	8,521
	<u>\$ 2,572,572</u>	<u>\$ 2,461,103</u>	<u>\$ 5,033,675</u>
Total liabilities			
Net assets:			
Invested in capital assets, net of related debt	\$ 2,023,778	\$ 6,494,478	\$ 8,518,256
Restricted for -			
Debt service	1,101,782	224,773	1,326,555
Other	286,501	-	286,501
Unrestricted	219,184	697,706	916,890
	<u>\$ 3,631,245</u>	<u>\$ 7,416,957</u>	<u>\$ 11,048,202</u>
Total net assets			
	<u>\$ 6,203,817</u>	<u>\$ 9,878,060</u>	<u>\$ 16,081,877</u>
Total liabilities and net assets			

See Notes to Financial Statements.

CITY OF ST. MARTINVILLE
ST. MARTINVILLE, LOUISIANA

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

Function/Program	Expenses	Program	
		Fees, Fines and Charges for Services	Operating Grants and Contributions
Governmental activities:			
General government	\$ 635,280	\$ -	\$ 6,000
Public safety	957,439	32,415	66,199
Public works	829,001	309,617	-
Culture and recreation	303,951	23,353	-
Tourism	343,449	44,801	500
Urban redevelopment and housing	252,665	-	246,193
Unallocated depreciation	15,624	-	-
Interest on long-term debt	91,965	-	-
Total governmental activities	\$ 3,429,374	\$ 410,186	\$ 318,892
Business-type activities:			
Electric	\$ 4,367,575	\$ 5,368,732	\$ -
Water	525,734	541,997	-
Wastewater	510,241	408,467	-
Total business-type activities	\$ 5,403,550	\$ 6,319,196	\$ -
Total	\$ 8,832,924	\$ 6,729,382	\$ 318,892

General revenues and transfers:

Taxes -

Property

Sales and use

Occupational

Franchise fees

Grants and contributions not restricted to
specific programs

Investment income

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning

Net assets, ending

See Notes to Financial Statements.

Revenues	Net (Expense) Revenue and Change in Net Assets		
	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
\$ -	\$ (629,280)	\$ -	\$ (629,280)
-	(858,825)	-	(858,825)
294,574	(224,810)	-	(224,810)
-	(280,598)	-	(280,598)
-	(298,148)	-	(298,148)
-	(6,472)	-	(6,472)
-	(15,624)	-	(15,624)
-	(91,965)	-	(91,965)
<u>\$ 294,574</u>	<u>\$ (2,405,722)</u>	<u>\$ -</u>	<u>\$ (2,405,722)</u>
\$ -	\$ -	\$ 1,001,157	\$ 1,001,157
-	-	16,263	16,263
13,599	-	(88,175)	(88,175)
<u>\$ 13,599</u>	<u>\$ -</u>	<u>\$ 929,245</u>	<u>\$ 929,245</u>
<u>\$ 308,173</u>	<u>\$ (2,405,722)</u>	<u>\$ 929,245</u>	<u>\$ (1,476,477)</u>
	\$ 189,347	\$ -	\$ 189,347
	632,461	-	632,461
	234,238	-	234,238
	59,918	-	59,918
	30,100	-	30,100
	12,853	11,514	24,367
	156,149	273,688	429,837
	1,215,868	(1,215,868)	-
	<u>\$ 2,530,934</u>	<u>\$ (930,666)</u>	<u>\$ 1,600,268</u>
	\$ 125,212	\$ (1,421)	\$ 123,791
	<u>3,506,033</u>	<u>7,418,378</u>	<u>10,924,411</u>
	<u>\$ 3,631,245</u>	<u>\$ 7,416,957</u>	<u>\$ 11,048,202</u>

CITY OF ST. MARTINVILLE
ST. MARTINVILLE, LOUISIANA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

ASSETS	General	Sales Tax
Cash	\$ 79,596	\$ 162,463
Cash held in escrow	-	-
Investments	164,354	-
Accrued interest receivable	519	-
Accounts receivable	1,920	-
Taxes receivable	-	56,306
Due from other funds	62,424	50,000
Due from other governmental agencies	49,899	-
Prepaid items	39,394	-
	<u>39,394</u>	<u>-</u>
Total assets	<u>\$ 398,106</u>	<u>\$ 268,769</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 158,257	\$ -
Retainage payable	17,480	-
Accrued expenses	46,489	-
Due to other funds	5,300	9,275
Deferred revenue	-	-
	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ 227,526</u>	<u>\$ 9,275</u>
Fund balances:		
Reserved for -		
Debt service	\$ -	\$ -
Housing	-	-
Prepaid items	39,394	-
Sales taxes	-	259,494
Designated	-	-
Unreserved, undesignated	131,186	-
	<u>131,186</u>	<u>-</u>
Total fund balances	<u>\$ 170,580</u>	<u>\$ 259,494</u>
Total liabilities and fund balances	<u>\$ 398,106</u>	<u>\$ 268,769</u>

See Notes to Financial Statements.

<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 127,322	\$ 46,490	\$ 415,871
778,386	-	778,386
214,771	-	379,125
2,001	121	2,641
156	-	2,076
-	-	56,306
-	14,575	126,999
-	122,507	172,406
-	-	39,394
<u>\$ 1,122,636</u>	<u>\$ 183,693</u>	<u>\$ 1,973,204</u>
\$ -	\$ 104,693	\$ 262,950
-	17,814	35,294
-	-	46,489
-	273	14,848
-	18,252	18,252
<u>\$ -</u>	<u>\$ 141,032</u>	<u>\$ 377,833</u>
\$ 1,122,636	\$ -	\$ 1,122,636
-	27,007	27,007
-	-	39,394
-	-	259,494
-	15,654	15,654
-	-	131,186
<u>\$ 1,122,636</u>	<u>\$ 42,661</u>	<u>\$ 1,595,371</u>
<u>\$ 1,122,636</u>	<u>\$ 183,693</u>	<u>\$ 1,973,204</u>

CITY OF ST. MARTINVILLE
ST. MARTINVILLE, LOUISIANA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2004

Total fund balances - governmental funds		\$	1,595,371
Total net assets reported for governmental activities in the statement of net assets is different because:			
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds.			
Capital assets, net			4,324,662
Long-term liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported in the governmental funds.			
Accrued interest payable	\$	(20,854)	
Bonds payable		(2,285,000)	
Capital leases payable		<u>(15,884)</u>	(2,321,738)
Bond issue costs which are reported as expenditures in the year incurred in the governmental funds are deferred and amortized in the statement of activities.			
Bond issue costs, net of accumulated amortization			<u>32,950</u>
Net assets of governmental activities		\$	<u><u>3,631,245</u></u>

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CITY OF ST. MARTINVILLE
ST. MARTINVILLE, LOUISIANA

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

For the Year Ended June 30, 2004

	General	Sales Tax
Revenues:		
Taxes -		
Ad valorem	\$ 78,416	\$ -
Sales and use	-	632,461
Licenses and permits	294,156	-
Intergovernmental	230,146	-
Charges for services	371,075	-
Fines and forfeitures	32,415	-
Investment income	2,725	513
Miscellaneous	19,660	-
Total revenues	\$ 1,028,593	\$ 632,974
Expenditures:		
Current -		
General government	\$ 612,373	\$ 9,674
Public safety	899,271	-
Public works	806,869	-
Culture and recreation	226,390	-
Tourism	275,335	-
Urban redevelopment and housing	-	-
Debt service	30,692	-
Capital outlay	231,008	-
Total expenditures	\$ 3,081,938	\$ 9,674
Excess (deficiency) of revenues over expenditures	\$ (2,053,345)	\$ 623,300
Other financing sources (uses):		
Transfers in	\$ 1,997,102	\$ -
Transfers out	-	(628,229)
Bond proceeds	-	-
Total other financing sources (uses)	\$ 1,997,102	\$ (628,229)
Net change in fund balances	\$ (56,243)	\$ (4,929)
Fund balances, beginning	226,823	264,423
Fund balances, ending	\$ 170,580	\$ 259,494

See Notes to Financial Statements.

<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 129,107	\$ -	\$ 207,523
-	-	632,461
-	-	294,156
-	540,767	770,913
-	-	371,075
-	-	32,415
8,286	255	11,779
-	-	19,660
<u>\$ 137,393</u>	<u>\$ 541,022</u>	<u>\$ 2,339,982</u>
\$ 9,524	\$ 10	\$ 631,581
-	-	899,271
-	116,434	923,303
-	-	226,390
-	-	275,335
-	252,665	252,665
244,752	-	275,444
-	178,141	409,149
<u>\$ 254,276</u>	<u>\$ 547,250</u>	<u>\$ 3,893,138</u>
<u>\$ (116,883)</u>	<u>\$ (6,228)</u>	<u>\$ (1,553,156)</u>
\$ 141,570	\$ -	\$ 2,138,672
-	-	(628,229)
<u>596,074</u>	<u>-</u>	<u>596,074</u>
<u>\$ 737,644</u>	<u>\$ -</u>	<u>\$ 2,106,517</u>
\$ 620,761	\$ (6,228)	\$ 553,361
<u>501,875</u>	<u>48,989</u>	<u>1,042,010</u>
<u>\$ 1,122,636</u>	<u>\$ 42,661</u>	<u>\$ 1,595,371</u>

CITY OF ST. MARTINVILLE
ST. MARTINVILLE, LOUISIANA

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		\$	553,361
The change in net assets reported for governmental activities in the statement of activities is 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	\$	228,670	
Depreciation expense		<u>(255,724)</u>	(27,054)
Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of activities.			
Bond proceeds	\$	(595,000)	
Principal payments		<u>178,838</u>	(416,162)
Governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.			
Bond issue costs amortized	\$	(4,604)	
Bond issue costs incurred in the current year		<u>10,426</u>	5,822
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.			
Increase in accrued interest payable			<u>9,245</u>
Change in net assets of governmental activities			<u>\$ 125,212</u>

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CITY OF ST. MARTINVILLE
ST. MARTINVILLE, LOUISIANA

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2004

ASSETS	Business-Type Activities - Enterprise Fund <u>Utility</u>
CURRENT ASSETS	
Cash	\$ 11,948
Investments	206,957
Accrued interest receivable	2,370
Accounts receivable, net	919,398
Inventories	244,714
Prepaid items	39,397
Total current assets	<u>\$ 1,424,784</u>
NONCURRENT ASSETS	
Restricted assets:	
Cash	\$ 198,370
Investments	426,991
Total restricted assets	<u>\$ 625,361</u>
CAPITAL ASSETS	
Land	\$ 199,182
Buildings and improvements, net	418,205
Equipment, net	104,951
Sewer and water plant, net	5,995,075
Electric lines and meters, net	781,988
Construction in process	315,514
Total capital assets	<u>\$ 7,814,915</u>
OTHER ASSETS	
Deposits	<u>\$ 13,000</u>
Total assets	<u><u>\$ 9,878,060</u></u>

See Notes to Financial Statements.

LIABILITIES	Business-Type Activities - Enterprise Fund <u>Utility</u>
CURRENT LIABILITIES (payable from current assets)	
Accounts payable	\$ 718,632
Accrued expenses	40,019
Due to other funds	112,151
Capital lease payable	20,437
Total	<u>\$ 891,239</u>
CURRENT LIABILITIES (payable from restricted assets)	
Revenue bonds payable	\$ 130,000
Interest payable	10,617
Customer deposits	259,247
Total	<u>\$ 399,864</u>
Total current liabilities	\$ 1,291,103
NONCURRENT LIABILITIES	
Revenue bonds payable	<u>1,170,000</u>
Total liabilities	<u>\$ 2,461,103</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 6,494,478
Restricted for debt service	224,773
Unrestricted	697,706
Total net assets	<u>\$ 7,416,957</u>
Total liabilities and net assets	<u>\$ 9,878,060</u>

CITY OF ST. MARTINVILLE
ST. MARTINVILLE, LOUISIANA

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

	Business-Type Activities - Enterprise Fund <u>Utility</u>
Operating revenues:	
Charges for services -	
Electricity	\$ 5,250,157
Water	530,571
Sewer	399,856
Miscellaneous	126,218
Miscellaneous	12,394
Total operating revenues	<u>\$ 6,319,196</u>
Operating expenses:	
Cost of services rendered -	
Electricity	\$ 3,717,709
Water	327,284
Sewer	275,800
General administrative	639,440
Depreciation	399,827
Total operating expenses	<u>\$ 5,360,060</u>
Operating income	<u>\$ 959,136</u>
Nonoperating revenues (expenses):	
Investment income	\$ 11,514
Interest expense	(43,490)
Lease revenue	270,000
Grant revenue	13,599
Gain on sale of capital asset	3,688
	<u>\$ 255,311</u>
Income before contributions and transfers	\$ 1,214,447
Capital contributions	294,575
Transfers in	172,151
Transfers out	<u>(1,682,594)</u>
Change in net assets	\$ (1,421)
Net assets, beginning	<u>7,418,378</u>
Net assets, ending	<u>\$ 7,416,957</u>

See Notes to Financial Statements.

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CITY OF ST. MARTINVILLE
ST. MARTINVILLE, LOUISIANA

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

	Business-Type Activities - Enterprise Fund <u>Utility</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 6,380,092
Payments to suppliers for goods and services	(4,537,765)
Payments to employees	(502,868)
Net cash provided by operating activities	<u>\$ 1,339,459</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Lease revenue	\$ 270,000
Increase in customer deposits, net of refunds	8,519
Transfers in	172,151
Transfers out	(1,682,594)
Net cash used by noncapital financing activities	<u>\$ (1,231,924)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from sale of capital assets	\$ 4,001
Purchase and construction of capital assets	(5,900)
Principal payments	(147,902)
Interest paid	(44,511)
Net cash used by capital and related financing activities	<u>\$ (194,312)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	\$ (633,948)
Maturities of investments	633,462
Investment income	19,461
Net cash provided by investing activities	<u>\$ 18,975</u>
Net decrease in cash and cash equivalents	\$ (67,802)
Balance, beginning of year	<u>278,120</u>
Balance, ending of year	<u>\$ 210,318</u>

(continued)

CITY OF ST. MARTINVILLE
ST. MARTINVILLE, LOUISIANA

STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUND
For the Year Ended June 30, 2004

	Business-Type Activities - Enterprise Fund <u>Utility</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 959,136
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	399,827
Change in assets and liabilities:	
Receivables	60,896
Inventories and prepaid items	(23,470)
Accounts and other payables	(2,888)
Due to other funds	<u>(54,042)</u>
Net cash provided by operating activities	<u>\$ 1,339,459</u>
Cash and cash equivalents as shown on the statement of net assets:	
Current assets -	
Cash	\$ 11,948
Restricted assets -	
Cash	<u>198,370</u>
Total	<u>\$ 210,318</u>

See Notes to Financial Statements.

CITY OF ST. MARTINVILLE
ST. MARTINVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of City of St. Martinville are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant of the City's accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain significant changes in the Statement include the following:

1. For the first time the financial statements include:
 - a. A Management's Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
 - b. Financial statements prepared using full accrual accounting for all of the City's activities.
2. A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The City has implemented the Statement in the current year.

Reporting entity:

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but 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.

Primary government:

The City was incorporated on January 30, 1817 and operates under a special legislative charter dated April 4, 1898. The charter provides for the Mayor-Board of Aldermen form of government. The City's operations include police protection, streets and drainage, parks and recreation, certain social services (including urban redevelopment and housing) and general administration services. The City owns and operates one enterprise activity, Utility Fund which provides electricity, water and wastewater services.

NOTES TO FINANCIAL STATEMENTS

City of St. Martinville is the basic level of government which has oversight responsibility and control over all activities related to city government in the City of St. Martinville. The City receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the City is not included in any other governmental "reporting entity" as defined by the GASB pronouncement, since council members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, no entities meet the above criteria for inclusion as a component unit of City of St. Martinville.

Basis of presentation:

The City's basic financial statements consist of the government-wide financial statements and the fund financial statements (individual major fund and combined nonmajor funds). The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units.

Government-wide financial statements -

The government-wide financial statements include the statement of net assets and the statement of activities for all activities of the government. As a general rule, the effect of interfund activity has been removed from these financial statements. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

In the government-wide statement of net assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues (property taxes, sales and use taxes, certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net cost (by function or business-type activity) is normally covered by general revenue (property taxes, sales and use taxes, intergovernmental revenues, investment income, etc.).

NOTES TO FINANCIAL STATEMENTS

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

Fund financial statements -

The fund financial statements provide information about the City's funds. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal value. Nonoperating revenues, such as investment income, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

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

Sales Tax Fund - This fund accounts for the receipts and disbursements of proceeds from the City's 1% sales and use tax levy. This tax is dedicated as described in Note 12.

Debt Service Fund - This fund is used to accumulate monies for the payment of general obligation bonds, public improvement bonds and sales tax refunding bonds. Financing is provided by an ad valorem tax and transfers from the Sales Tax Fund.

The City reports the following major enterprise fund:

Utility Fund - This fund is used to account for electricity, water and wastewater sales to the City's residents and the operations of the electrical, water and wastewater plants.

The emphasis in fund financial statements is on major funds in either the governmental or business-type activities categories. Nonmajor funds are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

Basis of accounting:

Government-wide and proprietary fund financial statements -

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, property taxes are recognized in the year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements -

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Sales taxes are considered "measurable" when in the hands of the Sales Tax Collector and are recognized as revenue at that time. Ad valorem taxes are recognized as revenue in the year for which budgeted, that is, in the year in which such taxes are billed and collected. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, including capital leases, and claims and judgments which are recognized to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. Purchases of various operating supplies are regarded as expenditures at the time purchased.

Budgetary data:

Budgeting policy -

City of St. Martinville follows the following procedures detailed below in adopting its budget.

1. No later than 15 days prior to the beginning of each fiscal year, the Mayor is required to submit to the City Council a proposed budget in the form required by the Charter.
2. A public hearing is required to be conducted to obtain taxpayer comments and notice thereof is published in the official journal at least 10 days prior to such hearing. The notification is to include the time and place of the public hearing in addition to a general summary of the proposed budget.
3. Final adoption of the budget is required to be not later than June 30 of the fiscal year for the ensuing fiscal year.

NOTES TO FINANCIAL STATEMENTS

4. Formal budgetary integration is employed as a management control device during the year for all funds. No payment can be made or obligated against any appropriation unless the Mayor or his designee first certifies that sufficient unencumbered funds are or will be available to meet the obligation when it becomes due and payable. In practice, this has generally been interpreted (due to the flexibility for intra departmental transfer of line item appropriation) to mean control at the departmental/fund level.
5. Those budgets which the City adopts are on a basis consistent with generally accepted accounting principles as applied to governmental units.
6. All appropriations lapse at the close of the fiscal year to the extent that they have not been expended or encumbered.

Cash and cash equivalents:

Cash includes amounts in interest-bearing demand deposits and on hand. For purposes of the statement of cash flows, highly liquid investments (including restricted assets) with an original maturity of three months or less are considered to be cash equivalents.

Cash held in escrow:

Cash held in escrow represents amounts on deposit in escrow account related to bonds refunded during the current fiscal year which are to be redeemed on October 1, 2004.

Investments:

State statutes authorize the City to invest in United States bonds, treasury notes, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

Investments consist of certificates of deposit which are stated at cost.

Interfund receivables and payables:

Short-term cash borrowings between funds are considered temporary in nature. These 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."

Inventories and prepaid items:

Inventories held by the Utility Fund are stated at the lower of cost (first-in, first out) or market.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Receivables:

All receivables are shown net of an allowance account, as applicable. At June 30, 2004, the allowance amount associated with the receivables of the Utility Fund was \$42,548.

NOTES TO FINANCIAL STATEMENTS

Bond discount/issuance costs:

In governmental funds, bond discounts and issuance costs are recognized in the current period. In proprietary funds (and for governmental funds, in the government-wide financial statements), bond discounts and issuance costs are deferred and amortized over the terms of the bonds to which such discounts and costs apply.

Fixed assets:

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide financial statements -

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are capitalized at historical cost, or estimated historical cost for assets where historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The City does not have a complete listing of infrastructure assets. Therefore, these amounts are not included in the accompanying financial statements. These amounts will be reported in future periods.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	<u>Years</u>
Buildings and improvements	5 - 40
Equipment	5 - 20

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

Fund financial statements -

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

Compensated absences:

Employees of the City earn from 10 to 35 days of noncumulative vacation leave, depending upon length of service. Upon resignation or retirement, all unused vacation leave is forfeited.

Employee of the City earn from 10 to 35 days of sick leave each year, depending upon length of service. Sick leave may be accumulated. No sick leave is paid upon resignation. Upon retirement, unused accumulated sick leave is paid to the employee at the employee's current rate of pay.

NOTES TO FINANCIAL STATEMENTS

Since amounts are payable only upon retirement and no employees are expected to retire within the upcoming fiscal year, no amount has been accrued in the accompanying financial statements.

Long-term debt:

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they have been reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide financial statements. The long-term debt consists primarily of general obligation, sales tax refunding and revenue bonds payable, capital leases payable and claims and judgments payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. Long-term debt in proprietary fund operations is accounted for the same in the fund financial statements as it is in the government-wide financial statements.

Equity classifications:

Government-wide financial statements -

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets (including restricted capital assets), net of accumulated depreciation and reduced by the outstanding balances of any bonds, leases or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints place on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Interfund transfers:

Permanent reallocation of resources between funds of the primary government are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds and individual proprietary funds have been eliminated.

NOTES TO FINANCIAL STATEMENTS

Use of estimates:

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

Change in accounting principles and restatement of prior year fund equity:

As a result of implementing Statement No. 34, the following adjustments were required to restate the beginning net assets for the governmental activities -

Total fund balances/fund equity, as previously reported	\$ 1,042,010
Statement No. 34 adjustments:	
Capital assets, net of depreciation	4,351,716
Bond issue costs, net	27,128
General long-term debt	(1,884,722)
Additional interest payable	(30,099)
	<u>\$ 3,506,033</u>

Note 2. Stewardship, Compliance and Accountability

Excess of expenditures over appropriations in individual funds:

Any excess of expenditures over appropriations for the major funds is presented in the budgetary comparison schedules.

Compliance with finance related legal and contractual provisions:

The City has no material violations of finance related legal and contractual provisions.

Note 3. Deposits and Investments

Deposits:

At year end, the carrying amount of the City's deposits, including the demand deposit accounts and certificates of deposit, was \$1,639,262 and the bank balance was \$1,808,570. Of the bank balance, \$531,724 was covered by federal depository insurance and \$1,276,846 was covered by collateral held by the City's fiscal agent in the City's name.

NOTES TO FINANCIAL STATEMENTS

Investments:

Investments at June 30, 2004 consist of the following:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
General Fund	1.25%	09/01/2004	\$ 112,459
General Fund	1.15%	09/17/2004	10,507
General Fund	1.00%	07/22/2004	34,012
General Fund	1.00%	08/04/2004	7,376
Utility Fund	1.50%	10/24/2004	106,563
Utility Fund	1.40%	11/10/2004	11,580
Utility Fund	1.50%	10/21/2004	96,246
Utility Fund - Security Deposit	1.60%	07/24/2004	59,498
Utility Fund - Security Deposit	1.50%	01/22/2005	33,223
Utility Fund - Security Deposit	1.70%	08/21/2004	41,892
Utility Fund - Security Deposit	1.40%	10/18/2004	28,610
Utility Fund - Security Deposit	1.40%	11/21/2004	15,136
Utility Fund - Security Deposit	1.40%	12/03/2004	30,211
Utility Fund - URB Debt Service	1.70%	08/21/2004	168,646
Utility Fund - URB Renewal Replacement	2.20%	08/21/2004	42,343
Debt Service	1.25%	08/25/2004	<u>214,771</u>
			<u>\$1,013,073</u>

Note 4. Interfund Balances

Interfund balances at June 30, 2004 consist of the following:

	<u>Due from:</u>			<u>Total</u>
	<u>General</u>	<u>Sales Tax</u>	<u>Other Govern- mental</u>	
Due to:				
General	\$ -	\$ -	\$ 5,300	\$ 5,300
Sales Tax	-	-	9,275	9,275
Other Governmental	273	-	-	273
Utility	<u>62,151</u>	<u>50,000</u>	<u>-</u>	<u>112,151</u>
	<u>\$ 62,424</u>	<u>\$ 50,000</u>	<u>\$ 14,575</u>	<u>\$ 126,999</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTES TO FINANCIAL STATEMENTS

Note 5. Due from Other Governmental Agencies

Amounts due from other governmental agencies consist of the following at June 30, 2004:

State of Louisiana -	
Federal pass-through grant funds	\$ 122,507
State reimbursement	3,348
State - other	23,258
Local	<u>23,293</u>
	<u>\$ 172,406</u>

Note 6. Restricted Assets

Cash and investments of the Utility Fund as of June 30, 2004 are restricted for the following purposes:

Customer deposits	\$ 259,972
Debt service	269,967
Capital additions - water reserve	91,714
Capital additions - wastewater reserve	<u>3,708</u>
	<u>\$ 625,361</u>

NOTES TO FINANCIAL STATEMENTS

Note 7. Capital Assets and Depreciation

Capital asset activity for the year ended June 30, 2004 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities -				
Capital assets not being depreciated:				
Land	\$ 305,962	\$ -	\$ -	\$ 305,962
Construction in process	-	203,499	-	203,499
Total capital assets not being depreciated	\$ 305,962	\$ 203,499	\$ -	\$ 509,461
Capital assets being depreciated:				
Buildings and improvements	\$ 4,937,427	\$ 13,786	\$ -	\$ 4,951,213
Equipment	874,682	13,723	(11,889)	876,516
Total capital assets being depreciated	\$ 5,812,109	\$ 27,509	\$ (11,889)	\$ 5,827,729
Less accumulated depreciation for:				
Buildings and improvements	\$ (1,214,887)	\$ (183,488)	\$ -	\$ (1,398,375)
Equipment	(551,468)	(72,236)	9,551	(614,153)
Total accumulated depreciation	\$ (1,766,355)	\$ (255,724)	\$ 9,551	\$ (2,012,528)
Total capital assets being depreciated, net	\$ 4,045,754	\$ (228,215)	\$ (2,338)	\$ 3,815,201
Governmental activities capital assets, net	\$ 4,351,716	\$ (24,716)	\$ (2,338)	\$ 4,324,662
Business-type activities -				
Capital assets not being depreciated:				
Land	\$ 199,182	\$ -	\$ -	\$ 199,182
Construction in process	20,939	294,575	-	315,514
Total capital assets not being depreciated	\$ 220,121	\$ 294,575	\$ -	\$ 514,696
Capital assets being depreciated:				
Buildings and improvements	\$ 1,039,491	\$ -	\$ -	\$ 1,039,491
Equipment	560,968	19,499	(13,592)	566,875
Wastewater and water plant	11,151,524	-	(10,768)	11,140,756
Electric lines and meters	2,035,998	-	-	2,035,998
Total capital assets being depreciated	\$ 14,787,981	\$ 19,499	\$ (24,360)	\$ 14,783,120
Less accumulated depreciation for:				
Buildings and improvements	\$ (584,654)	\$ (36,632)	\$ -	\$ (621,286)
Equipment	(428,395)	(47,121)	13,592	(461,924)
Wastewater and water plant	(4,891,383)	(264,753)	10,455	(5,145,681)
Electric lines and meters	(1,202,689)	(51,321)	-	(1,254,010)
Total accumulated depreciation	\$ (7,107,121)	\$ (399,827)	\$ 24,047	\$ (7,482,901)
Total capital assets being depreciated, net	\$ 7,680,860	\$ (380,328)	\$ (313)	\$ 7,300,219
Business-type activities capital assets, net	\$ 7,900,981	\$ (85,753)	\$ (313)	\$ 7,814,915

NOTES TO FINANCIAL STATEMENTS

Depreciation was charged to activities as follows:

Governmental activities:		
General government		\$ 14,125
Public safety		58,168
Public works		22,132
Culture and recreation		77,561
Tourism		68,114
Unallocated		<u>15,624</u>
Total governmental activities depreciation expense		<u>\$ 255,724</u>
Business-type activities:		
Electric		\$ 99,677
Water		150,015
Wastewater		<u>150,135</u>
Total business-type activities depreciation expense		<u>\$ 399,827</u>

Note 8. Long-Term Debt

General Obligation Bonds/Public Improvement Bonds/Sales Tax Refunding Bonds

The City issues bonds to provide funds for the acquisition, construction or improvement of major capital facilities. These bonds are direct obligations and pledge the full faith and credit of the City.

Revenue Bonds

The City issues bonds which are repaid from specific sources, namely income derived from the proprietary fund. Proceeds are used for the acquisition and construction of major capital facilities of the business-type activities. The bonds expected to be paid from business-type revenues are reported in the proprietary fund.

Long-term debt outstanding at June 30, 2004 is as follows:

	Issue Date	Final Maturity Date	Interest Rates	Balance Outstanding
Governmental activities -				
Payable from ad valorem taxes:				
General Obligation Bonds	1997	2017	0.25 - 5.20	\$ 935,000
Payable from sales taxes:				
Public Improvement Bonds	1996	2009	5.75	755,000
Sales Tax Refunding Bonds	2004	2009	2.60	<u>595,000</u>
Total governmental activity debt				<u>\$ 2,285,000</u>
Business-type activities -				
Revenue bonds	1993	2013	2.45	<u>\$ 1,300,000</u>

NOTES TO FINANCIAL STATEMENTS

The annual debt service requirements to maturity of all bonds and certificates outstanding at June 30, 2004 follows:

	General Obligation Bonds			Public Improvement Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 50,000	\$ 50,960	\$ 100,960	\$ 110,000	\$ 40,250	\$ 150,250
2006	50,000	48,460	98,460	115,000	33,781	148,781
2007	55,000	44,960	99,960	120,000	27,025	147,025
2008	60,000	40,560	100,560	130,000	19,838	149,838
2009	60,000	37,440	97,440	135,000	12,219	147,219
2010 - 2014	375,000	135,200	510,200	145,000	4,169	149,169
2015 - 2017	285,000	30,160	315,160	-	-	-
	<u>\$ 935,000</u>	<u>\$387,740</u>	<u>\$1,322,740</u>	<u>\$ 755,000</u>	<u>\$137,282</u>	<u>\$ 892,282</u>

	Sales Tax Refunding Bonds			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 55,000	\$ 14,755	\$ 69,755	\$ 130,000	\$ 31,850	\$ 161,850
2006	100,000	12,740	112,740	130,000	28,665	158,665
2007	100,000	10,140	110,140	135,000	25,480	160,480
2008	110,000	7,410	117,410	140,000	22,172	162,172
2009	110,000	4,550	114,550	145,000	18,743	163,743
2010 - 2014	120,000	1,560	121,560	620,000	38,343	658,343
2015 - 2017	-	-	-	-	-	-
	<u>\$ 595,000</u>	<u>\$ 51,155</u>	<u>\$ 646,155</u>	<u>\$1,300,000</u>	<u>\$165,253</u>	<u>\$1,465,253</u>

	Total		
	Principal	Interest	Total
2005	\$ 345,000	\$137,815	\$ 482,815
2006	395,000	123,646	518,646
2007	410,000	107,605	517,605
2008	440,000	89,980	529,980
2009	450,000	72,952	522,952
2010 - 2014	1,260,000	179,272	1,439,272
2015 - 2017	285,000	30,160	315,160
	<u>\$3,585,000</u>	<u>\$741,430</u>	<u>\$4,326,430</u>

Changes in Long-Term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities -				
General obligation bonds	\$ 980,000	\$ -	\$ 45,000	\$ 935,000
Public improvement bonds	860,000	-	105,000	755,000
Sales tax refunding bonds	-	595,000	-	595,000
Capital lease obligations	44,722	-	28,838	15,884
	<u>\$1,884,722</u>	<u>\$ 595,000</u>	<u>\$ 178,838</u>	<u>\$2,300,884</u>
Business-type activities -				
Revenue bonds	\$1,425,000	\$ -	\$ 125,000	\$1,300,000
Capital lease obligations	43,339	-	22,902	20,437
	<u>\$1,468,339</u>	<u>\$ -</u>	<u>\$ 147,902</u>	<u>\$1,320,437</u>

NOTES TO FINANCIAL STATEMENTS

Note 9. Refunding Bonds

On April 1, 2004, the City issued Series 2004 Sales Tax Refunding Bonds in the amount of \$595,000 with an interest rate of 2.60% to advance refund \$755,000 of outstanding Public Improvement Bonds with an interest rate of 5.75%. The net proceeds of \$595,000 (after payment of issuance costs) were used to purchase U.S. Government Securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1996 Series Bonds. The 1996 Series Bonds are to be called for redemption on October 1, 2004. As a result, the liability for these bonds is included in the government-wide statement of net assets. Repayment is to be made with the amounts on deposit in escrow account.

The City completed the advance refunding to reduce its total debt service payments over the next five years by approximately \$35,665 and to obtain an economic gain (difference between present values of the debt service payments on the old and new debt) of approximately \$21,874.

Note 10. Capital Lease Obligations

During prior fiscal years, the City entered into lease agreements in order to finance the acquisition of a dump truck and a bucket truck. The leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of inception.

The dump truck lease agreement calls for annual installments of \$8,562, including interest. Final payment is due January, 2006. The cost and accumulated depreciation of this asset was \$38,811 and \$9,703 at June 30, 2004, respectively.

The bucket truck lease agreement calls for monthly installments of \$2,115, including interest. Final payment is due June, 2005. The cost and accumulated depreciation of this asset was \$105,531 and \$82,666 at June 30, 2004, respectively.

The following is a schedule of the future minimum lease payments under the capital leases, and the present value of the net minimum lease payments at June 30, 2004:

<u>Year Ending June 30,</u>	<u>Dump Truck</u>	<u>Bucket Truck</u>	<u>Total</u>
2005	\$ 8,562	\$ 21,150	\$ 29,712
2006	8,562	-	8,562
Total	\$ 17,124	\$ 21,150	\$ 38,274
Less amount representing interest	(1,240)	(713)	(1,953)
Present value of future minimum lease payments	<u>\$ 15,884</u>	<u>\$ 20,437</u>	<u>\$ 36,321</u>

Note 11. Ad Valorem Taxes

Government-wide financial statements -

Property taxes are recognized in the year for which they are levied, net of uncollectible amounts, as applicable.

NOTES TO FINANCIAL STATEMENTS

Fund financial statements -

Ad valorem taxes attach as an enforceable lien on property as of January 1, of each year. During the current fiscal year, taxes were levied by the City in July and were billed to the taxpayers in November. Billed taxes are due by December 31, becoming delinquent on January 1 of the following year.

Taxes are budgeted and the revenue recognized in the year billed.

The taxes are based on assessed values determined by the Tax Assessor of St. Martin Parish and are collected by the City.

For the year ended June 30, 2004, taxes were levied on property with assessed valuations totaling \$15,255,072 and were dedicated as follows:

General corporate purposes	4.05 mills
Debt service	8.57 mills

Total taxes levied during 2003, exclusive of homestead exemptions, were \$192,519. Taxes receivable at June 30, 2004 totaled \$3,172, all of which is considered uncollectible and therefore, has not been recorded in the accompanying financial statements.

Note 12. Sales and Use Taxes

City of St. Martinville is authorized by voters of the City to levy and collect one percent (1.00%) sales and use tax within the City. The City has an intergovernmental agreement with the St. Martin Parish School Board for the collection of sales taxes. The sales tax ordinance dedicates the proceeds for the purpose of constructing and acquiring capital improvements to the waterworks system of the City and for the purpose of establishing, acquiring, constructing, operating and maintaining solid waste disposal facilities, sewers and sewerage disposal work, drains and drainage facilities, and streets, sidewalks and bridges, including the land, equipment and furnishings thereof.

Note 13. Interfund Transfers

Interfund transfers for the year ended June 30, 2004 consist of the following:

	Transfers from:			Total
	General	Debt Service	Utility	
Transfers to:				
Sales Tax	\$ 314,508	\$ 141,570	\$ 172,151	\$ 628,229
Utility	1,682,594	-	-	1,682,594
	<u>\$1,997,102</u>	<u>\$ 141,570</u>	<u>\$ 172,151</u>	<u>\$2,310,823</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund required, and (3) use unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTES TO FINANCIAL STATEMENTS

Note 14. Employee Retirement Systems

Substantially all employees are covered under the Municipal Employees' Retirement System of Louisiana except for policemen which are covered under the Municipal Police Employees' Retirement System. Pertinent information relative to each plan follows:

Municipal Employees' Retirement System of Louisiana:

Plan description:

The Municipal Employees' Retirement System of Louisiana (the System) is a cost-sharing multiple-employer public employee retirement system (PERS) as established and provided for by R.S. 11:1731 of the Louisiana Revised Statutes (LRS). The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. Employees of the City are members of Plan B.

Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five hours per week, not participating in another public funded retirement system and under age sixty-five at date of employment. Those individuals paid jointly by a participating employer and the parish are not eligible for membership in the System. Under Plan B, employees who retire at or after age sixty with at least ten years of credited service or at any age with at least thirty years of credited service are entitled to a retirement benefit, payable monthly for life, equal to two percent of their final compensation multiplied by the member's years of creditable service. Final compensation is the employee's monthly earnings during the thirty-six consecutive months or joined months that produce the highest average. The System also provides death and disability benefits. Benefits are established by state statute.

The Municipal Employees' Retirement System of Louisiana issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to Municipal Employees' Retirement System of Louisiana, 7927 Office Park Boulevard, Baton Rouge, Louisiana 70809.

Funding policy:

Plan members are required to contribute 5.00% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 7.75% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the System's Board of Trustees. The City's contributions to the System for the years ended June 30, 2004, 2003 and 2002 were \$74,490, \$62,756 and \$45,082, respectively, which equal the required contributions for each year.

State of Louisiana - Municipal Police Employees' Retirement System:

Plan description:

The Municipal Police Employees' Retirement System (the System) is a cost-sharing multiple-employer public employee retirement system (PERS).

NOTES TO FINANCIAL STATEMENTS

Membership is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrest, providing they do not have to pay social security and providing they meet the statutory criteria. The City's police force is required to pay social security. Therefore, membership is elective at the option of the employee. Employees who retire at or after age fifty-five with twelve years of credited service, at or after age fifty with at least twenty years of credited service or at any age with at least twenty-five years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 3-1/3 percent of their average final compensation. Final compensation is the employee's monthly earnings during the thirty-six consecutive months or joined months that produce the highest average. The System also provides death and disability benefits. Benefits are established by state statute.

The Municipal Police Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to Municipal Police Employees' Retirement System, 7722 Office Park Boulevard, Suite 200, Baton Rouge, Louisiana 70809-7601.

Funding policy:

Plan members are required to contribute 7.50% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 15.25% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the System's Board of Trustees. The City's contributions to the System for the years ended June 30, 2004, 2003 and 2002 were \$15,707, \$11,298 and \$11,235, respectively, which equal the required contributions for each year.

Note 15. Dedication of Proceeds and Flow of Funds - 1% Sales and Use Tax

On June 25, 1975, the voters of the City of St. Martinville approved a one percent (1.00%) sales and use tax. The proceeds of this tax are to be used (after paying reasonable and necessary costs and expenses of collecting and administering the tax) for the purpose of constructing and acquiring capital improvements to the waterworks system of the City and for the purpose of establishing, acquiring, constructing, operating and maintaining solid waste disposal facilities, sewers and sewerage disposal work, drains and drainage facilities, and streets, sidewalks and bridges, including the land, equipment and furnishings thereof, or for any one or more of said purposes, said tax to be subject to funding into bonds by the City for the purpose of making capital improvements to the extent and in the manner permitted by the laws of Louisiana.

The proceeds of the tax are pledged to retire the sales tax refunding bonds described in Note 8. Sales and use tax revenues for the fiscal year ended June 30, 2004 were \$632,461.

Proceeds from the tax and all reasonable and necessary costs and expenses of collecting the tax are recorded in the Sales Tax Fund.

NOTES TO FINANCIAL STATEMENTS

After payment of such costs and expenses (if not previously withheld by the Parish Sales Tax Collector), all money in the fund in excess of ten thousand (\$10,000) is to be used to provide for the establishment and maintenance of the Sales Tax Bond Sinking Fund sufficient in amount to pay the principal and interest on the bonds. Funds are to be transferred on the 20th day of each month from the Sales Tax Fund to the Sales Tax Bond Sinking Fund. Monthly transfers should be equal to one-sixth (1/6) of the interest falling due on the next interest payment date and one-twelfth (1/12) of the principal falling due on the next principal payment date.

Required monthly transfers were made and required balances were on deposit at June 30, 2004.

Note 16. Flow of Funds; Restrictions on Use - Utility Revenues

Under the terms of the bond indenture on outstanding Utilities Revenue Bonds described in Note 8, all income and revenues of the Utility Fund are pledged and dedicated to the retirement of said bonds and are to be deposited in funds as indicated below.

All revenues are to be deposited in the Utility Fund. All reasonable and necessary expenses of operating and maintaining the System are to be paid.

Funds are to be transferred on the 20th day of each month from the Utility Fund to the 1993 Utilities Revenue Bond Sinking Fund in an amount sufficient to retire the next payment of principal and/or interest.

Twenty-five percent (25%) of the required monthly transfer to the 1993 Utilities Revenue Bond Sinking Fund is to be transferred on the 20th day of each month from the Utility Fund to the 1993 Utilities Revenue Bond Debt Service Reserve Fund until the balance equals the highest principal and interest due within any one year (\$166,515).

After payments to the Sinking and Reserve Funds, five (5%) of the net revenues of the System collected in the prior month are to be transferred on the 20th day of each month from the Utility Fund to the 1993 Utilities System Renewal and Replacement Fund until the balance equals \$75,000.

Required monthly transfers were made and required balances were on deposit at June 30, 2004.

Note 17. Contingent Liabilities

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representative. The City's management believes that any liability for reimbursement which may arise as a result of these audits would not be material.

The City of St. Martinville is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's attorneys and management, any judgment rendered in favor of the plaintiff of payments resulting from compromise settlements, if any, will be within the limits of the various insurance coverages carried by the City.

NOTES TO FINANCIAL STATEMENTS

The City is involved in litigation with the Environmental Protection Agency (EPA) for violation of the City's discharge permit related to their water treatment plant. At June 30, 2004, it is possible the City may be required to pay fines and/or penalties in the range of \$200,000 to \$400,000. Because of the uncertainty of the amount, if any, that the City will be obligated to pay, no liability has been accrued in the accompanying financial statements.

Note 18. Contract

In March, 1993, the City entered into a long-term contract with CLECO. This agreement provides for the purchase of the City's power and energy requirements from CLECO as well as the lease of the City's substation by CLECO. The original contract was amended in August, 1998 and October, 1999. The final amendment extends the contract date to December 31, 2007.

During the year ended June 30, 2004, the City purchased power from CLECO in the amount of \$3,404,398 of which \$664,779 was payable at year end. This amount has been accrued in the accompanying financial statements.

The facility lease payments entitle the City to \$1,800,000 over the term of the contract. Interest on the principal balance is computed using 7.25%. Upon execution of the second amendment, the City received \$500,000. Annually on November 1st, the City receives \$150,000. The remainder is to be paid to the City on November 1, 2006. Upon written request, CLECO will pay the City the entire principal amount including accrued interest prorated to the date of the payment. As of June 30, 2004, the City has received \$1,340,718. The remainder of the contractual amount to be paid is \$459,282.

Note 19. Compensation of Mayor and Council Members

A detail of compensation paid to the mayor and individual council members for the year ended June 30, 2004 follows:

Eric Martin	<u>\$ 47,844</u>
Mike Fuselier	\$ 6,900
Pat Martin	6,900
Romanus "Ike" Robertson	6,900
Murphy Simon	6,900
Pamela Thibodeaux	<u>6,900</u>
	<u>\$ 34,500</u>

Note 20. On-behalf Payments

During the fiscal year ended June 30, 2004, the City recognized \$49,540 of revenues and expenditures for state supplemental salary payments made by the State of Louisiana to police officers.

NOTES TO FINANCIAL STATEMENTS

Note 21. Segment Information

The City of St. Martinville maintains one proprietary fund to account for three services (electricity, water, and wastewater). Segment information is as follows:

	<u>Electrical Department</u>	<u>Water Department</u>	<u>Wastewater Department</u>	<u>Total</u>
Operating revenues	<u>\$5,368,732</u>	<u>\$ 541,997</u>	<u>\$ 408,467</u>	<u>\$6,319,196</u>
Operating expenses:				
Cost of services rendered	\$4,267,898	\$ 375,719	\$ 316,616	\$4,960,233
Depreciation	<u>99,677</u>	<u>150,015</u>	<u>150,135</u>	<u>399,827</u>
Total operating expenses	<u>\$4,367,575</u>	<u>\$ 525,734</u>	<u>\$ 466,751</u>	<u>\$5,360,060</u>
Operating income	<u>\$1,001,157</u>	<u>\$ 16,263</u>	<u>\$ (58,284)</u>	<u>\$ 959,136</u>
Nonoperating revenues (expenses):				
Investment income	\$ 11,514	\$ -	\$ -	\$ 11,514
Interest expense	-	-	(43,490)	(43,490)
Lease revenue	270,000	-	-	270,000
Grant revenue	-	-	13,599	13,599
Gain on sale of capital asset	<u>3,688</u>	<u>-</u>	<u>-</u>	<u>3,688</u>
	<u>\$ 285,202</u>	<u>\$ -</u>	<u>\$ (29,891)</u>	<u>\$ 255,311</u>
Income before contributions and transfers	\$1,286,359	\$ 16,263	\$ (88,175)	\$1,214,447
Capital contributions	-	-	294,575	294,575
Transfers	<u>(1,682,594)</u>	<u>172,151</u>	<u>-</u>	<u>(1,510,443)</u>
Change in net assets	<u>\$ (396,235)</u>	<u>\$ 188,414</u>	<u>\$ 206,400</u>	<u>\$ (1,421)</u>

Note 22. Risk Management

The City is exposed to risks of loss in the areas of general and auto liability, property hazards, health care, and workers' compensation. Those risks are managed by purchasing commercial insurance. There have been no significant reductions in insurance coverages during the fiscal year.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ST. MARTINVILLE
ST. MARTINVILLE, LOUISIANA

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes -				
Ad valorem	\$ 75,000	\$ 75,000	\$ 78,416	\$ 3,416
Licenses and permits -				
Occupational and liquor licenses	197,000	197,000	230,446	33,446
Franchise, fees and permits	53,400	53,400	63,710	10,310
Intergovernmental -				
Federal	-	50,325	16,659	(33,666)
State shared revenues:				
Beer taxes	18,000	18,000	13,270	(4,730)
On-behalf payments	59,400	59,400	49,540	(9,860)
State revenue sharing	16,000	16,000	16,830	830
Video poker	105,000	115,000	120,651	5,651
Other	35,000	35,000	13,196	(21,804)
Charges for services -				
Garbage collection	298,332	298,332	302,921	4,589
Recreation	21,500	21,500	23,353	1,853
Tourism Center	14,000	14,000	23,904	9,904
Other	25,200	25,200	20,897	(4,303)
Fines and forfeitures	38,000	38,000	32,415	(5,585)
Investment income	3,600	3,600	2,725	(875)
Miscellaneous	13,800	13,800	19,660	5,860
Total revenues	\$ 973,232	\$ 1,033,557	\$ 1,028,593	\$ (4,964)
Expenditures:				
Current -				
General government	\$ 611,457	\$ 611,457	\$ 612,373	\$ (916)
Public safety	906,482	906,482	899,271	7,211
Public works	816,445	803,945	806,869	(2,924)
Culture and recreation	239,390	213,939	226,390	(12,451)
Tourism	288,496	288,496	275,335	13,161
Debt service -				
Principal	28,869	28,869	28,869	-
Interest	1,821	1,821	1,823	(2)
Capital outlay	249,100	210,187	231,008	(20,821)
Total expenditures	\$ 3,142,060	\$ 3,065,196	\$ 3,081,938	\$ (16,742)

(continued)

CITY OF ST. MARTINVILLE
ST. MARTINVILLE, LOUISIANA

BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
For the Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Deficiency of revenues over expenditures	\$ (2,168,828)	\$ (2,031,639)	\$ (2,053,345)	\$ (21,706)
Other financing sources: Transfers in	<u>2,109,062</u>	<u>1,942,062</u>	<u>1,997,102</u>	<u>55,040</u>
Net change in fund balance	\$ (59,766)	\$ (89,577)	\$ (56,243)	\$ 33,334
Fund balance, beginning	<u>226,823</u>	<u>226,823</u>	<u>226,823</u>	<u>-</u>
Fund balance, ending	<u>\$ 167,057</u>	<u>\$ 137,246</u>	<u>\$ 170,580</u>	<u>\$ 33,334</u>

CITY OF ST. MARTINVILLE
ST. MARTINVILLE, LOUISIANA

BUDGETARY COMPARISON SCHEDULE
SALES TAX FUND
For the Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes -				
Sales and use	\$ 640,000	\$ 640,000	\$ 632,461	\$ (7,539)
Investment income	800	800	513	(287)
Total revenues	\$ 640,800	\$ 640,800	\$ 632,974	\$ (7,826)
Expenditures:				
Current -				
General government	12,000	12,000	9,674	2,326
Excess of revenues over expenditures	\$ 628,800	\$ 628,800	\$ 623,300	\$ (5,500)
Other financing uses:				
Transfers out	(689,712)	(689,712)	(628,229)	61,483
Net change in fund balance	\$ (60,912)	\$ (60,912)	\$ (4,929)	\$ 55,983
Fund balance, beginning	264,423	264,423	264,423	-
Fund balance, ending	\$ 203,511	\$ 203,511	\$ 259,494	\$ 55,983

OTHER SUPPLEMENTARY INFORMATION

CITY OF ST. MARTINVILLE
ST. MARTINVILLE, LOUISIANA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2004

ASSETS	Special Revenue	Capital Projects	Total
	Section 8	Capital Projects	
Cash	\$ 45,411	\$ 1,079	\$ 46,490
Accrued interest receivable	121	-	121
Due from other funds	-	14,575	14,575
Due from other governmental agencies	-	122,507	122,507
Total assets	\$ 45,532	\$ 138,161	\$ 183,693
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 104,693	\$ 104,693
Retainage payable	-	17,814	17,814
Due to other funds	273	-	273
Deferred revenue	18,252	-	18,252
Total liabilities	\$ 18,525	\$ 122,507	\$ 141,032
Fund balances:			
Reserved -			
Housing	\$ 27,007	\$ -	\$ 27,007
Unreserved -			
Designated for capital projects	-	15,654	15,654
Total fund balances	\$ 27,007	\$ 15,654	\$ 42,661
Total liabilities and fund balances	\$ 45,532	\$ 138,161	\$ 183,693

CITY OF ST. MARTINVILLE
ST. MARTINVILLE, LOUISIANA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2004

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
	<u>Section 8</u>	<u>Capital Projects</u>	
Revenues:			
Intergovernmental -			
Federal grants	\$ 246,193	\$ 294,574	\$ 540,767
Investment income	255	-	255
Total revenues	<u>\$ 246,448</u>	<u>\$ 294,574</u>	<u>\$ 541,022</u>
Expenditures:			
Current -			
General government	\$ -	\$ 10	\$ 10
Public works	-	116,434	116,434
Urban redevelopment and housing	252,665	-	252,665
Capital outlay	-	178,141	178,141
Total expenditures	<u>\$ 252,665</u>	<u>\$ 294,585</u>	<u>\$ 547,250</u>
Net change in fund balance	\$ (6,217)	\$ (11)	\$ (6,228)
Fund balance, beginning	<u>33,224</u>	<u>15,665</u>	<u>48,889</u>
Fund balance, ending	<u>\$ 27,007</u>	<u>\$ 15,654</u>	<u>\$ 42,661</u>

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COMPLIANCE AND OTHER GRANT INFORMATION

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

* A Professional Accounting Corporation

The Honorable Eric Martin, Mayor
and Members of the City Council
City of St. Martinville, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Martinville, Louisiana, as of and for the year ended June 30, 2004, which collectively comprise the City of St. Martinville, Louisiana's basic financial statements and have issued our report thereon dated September 2, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of St. Martinville Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 St. Martinville, Louisiana's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2004-1.

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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. We consider the reportable condition referred to above to be a material weakness.

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

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Breaux Bridge, Louisiana
September 2, 2004

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

* A Professional Accounting Corporation

The Honorable Eric Martin, Mayor
and Members of the City Council
City of St. Martinville, Louisiana

Compliance

We have audited the compliance of the City of St. Martinville, Louisiana with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. The City of St. Martinville, Louisiana's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of St. Martinville, Louisiana's management. Our responsibility is to express an opinion of the City of St. Martinville, Louisiana's compliance based on our audit.

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

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

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Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Breaux Bridge, Louisiana
September 2, 2004

CITY OF ST. MARTINVILLE
ST. MARTINVILLE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2004

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified.

Internal control over financial reporting:

- Material weakness identified? Yes No
- Reportable conditions identified that are not considered to be material weaknesses? Yes None Reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness identified? Yes No
- Reportable conditions identified that are not considered to be material weaknesses? Yes None Reported

Type of auditors' report issued on compliance for major programs: unqualified.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.228	Community Development Block Grant - States Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

CITY OF ST. MARTINVILLE
ST. MARTINVILLE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2004

Section II. Financial Statement Findings

2004-1 - Inadequate Segregation of Accounting Functions

Recommendation: Due to the small number of employees the City did not have adequate segregation of functions within the accounting system.

Management's Corrective Action Plan: Mayor Eric Martin has determined that it is not feasible to achieve adequate segregation of functions within the accounting department. No plan is considered necessary.

Section III. Federal Award Findings and Questioned Costs

There are no findings at June 30, 2004.

CITY OF ST. MARTINVILLE
ST. MARTINVILLE, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2004

Section I. Internal Control and Compliance Material to the Financial Statements

2003-1 - Inadequate Segregation of Accounting Functions

Recommendation: Due to the small number of employees the City did not have adequate segregation of functions within the accounting system.

Current Status: Due to cost restraints, it is not economically feasible to have adequate segregation of accounting functions. See current year finding at #2004-1.

Section II. Internal Control and Compliance Material to Federal Awards

No matters were reported.

Section III. Management Letter

2003-2 - Inventory Pricing

Recommendation: Inventory should be priced using the first-in, first-out method.

Current Status: Resolved.

2003-3 - Fixed Asset Records

Recommendation: All fixed assets should be identified and included on a complete listing. Pertinent information should include tag number, serial number, date purchased and cost.

Current Status: Resolved.

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SUPPLEMENTAL INFORMATION

CITY OF ST. MARTINVILLE
ST. MARTINVILLE, LOUISIANA

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2004

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Assistance I.D. Number</u>	<u>Pass- Through Grantor's Number</u>
DIRECT PROGRAMS:			
U.S. Department of Housing and Urban Development - Section 8 Housing Assistance	14.871	LA-173VO	N/A
PASS-THROUGH PROGRAMS:			
U.S. Department of Housing and Urban Development - Louisiana Division of Administration Community Development Block Grant Division: Block Grant-States Program	14.228	N/A	600781
U.S. Department of Emergency Management - State Department of Military Affairs: FEMA Public Assistance Grants	83.544	N/A	099-67600-00

<u>Total Current Year Expenditures</u>	<u>Total Amount Provided to Subrecipients</u>
\$ 252,665	\$ -
294,574	-
<u>16,659</u>	<u>-</u>
<u>\$ 563,898</u>	<u>\$ -0-</u>

CITY OF ST. MARTINVILLE
ST. MARTINVILLE, LOUISIANA

NOTES TO SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
As of and For the Year Ended June 30, 2004

Note 1. General

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of St. Martinville and is presented on the modified accrual basis of accounting, which is described in Note 1 to financial statements of the City's financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

Note 2. Relationship to Financial Statements

Federal award revenues are reported in the City's financial statements as follows:

	Federal Sources
Major Governmental Fund:	
General Fund	\$ 16,659
Other Governmental Funds:	
Section 8	246,193
Capital Projects	294,574
	\$ 557,426

Note 3. Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports.

Note 4. Major Federal Awards

The dollar amount threshold of \$300,000 was used to distinguish between Type A and Type B federal programs. For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures.